



## EMPIRICAL ASSET MANAGEMENT, LLC

### Form ADV 2A - Disclosure Brochure

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This Form ADV 2A ("Disclosure Brochure") provides information about the qualifications and business practices of Empirical Asset Management, LLC ("EAM" or the "Advisor"). If you have questions about the contents of this Disclosure Brochure, please contact us at 781-431-2223 or by email at [mfiskio@empiricalam.com](mailto:mfiskio@empiricalam.com).

EAM is a registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"). The information in this brochure has not been approved or verified by the SEC or by any state securities authority. Registration does not, however, imply a certain level of skill or training. Additional information about EAM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 155436.

## ITEM 2 - MATERIAL CHANGES

Form ADV 2 is divided into two parts: *Part 2A (the "Disclosure Brochure")* and *Part 2B (the "Brochure Supplement")*. The Disclosure Brochure provides information about a variety of topics relating to an Advisor's business practices and conflicts of interest. The Brochure Supplement provides information about advisory personnel of EAM.

EAM believes that communication and transparency are the foundation of its relationship with Clients and will continually strive to provide its Clients with complete and accurate information at all times. EAM encourages all current and prospective Clients to read this Disclosure Brochure and discuss any questions you may have with us. And of course, we always welcome your feedback.

### Material Changes

Following are the material changes to this Disclosure Brochure since the last distribution to Clients.

- Mark Fiskio became registered as a representative of Race Rock Capital LLC. Please see Item 10.
- EAM no longer assumes responsibility for proxy-voting. Please see Item 17.

### Future Changes

From time to time, we may amend this Disclosure Brochure to reflect changes in our business practices, changes in regulations and routine annual updates as required by the securities regulators. This complete Disclosure Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of EAM. At any time, you may view the current Disclosure Brochure on-line at the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 155436.

# ITEM 3 - TABLE OF CONTENTS

	Page
ADVISORY BUSINESS .....	4
FEES AND COMPENSATION .....	5
PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
TYPES OF CLIENTS.....	8
METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS.....	8
DISCIPLINARY INFORMATION.....	17
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	17
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING.....	18
BROKERAGE PRACTICES .....	22
REVIEW OF ACCOUNTS .....	24
CLIENT REFERRALS AND OTHER COMPENSATION.....	25
CUSTODY .....	25
INVESTMENT DISCRETION.....	25
VOTING CLIENT SECURITIES .....	25
FINANCIAL INFORMATION .....	26
FORM ADV 2B – BROCHURE SUPPLEMENTS .....	26

## ITEM 4 - ADVISORY BUSINESS

### **Firm Description**

Empirical Asset Management, LLC (“EAM” or the “Advisor”) is a registered investment advisor with the U.S. Securities and Exchange Commission (“SEC”), which is located in the Commonwealth of Massachusetts and is organized as a limited liability company (“LLC”) under the laws of the State of Delaware. EAM was founded in July of 2010 and began accepting client accounts on January 1, 2011. Mark H. Fiskio is the founder, Managing Partner and Principal Owner of EAM. This Disclosure Brochure provides information regarding the qualifications, business practices, and the advisory services provided by EAM.

### **Types of Advisory Services**

Our primary focus is the management of assets for high net worth individuals, institutional clients, family offices, foundations, endowments, broker dealer platforms and investment advisor platforms (each referred to as a “Client”), utilizing our established *Rules Based Investing*® (“RBI”) methodology. RBI is a quantitatively driven investment platform created by Mark Fiskio and other portfolio managers in 1994. The EAM suite of products includes the following:

EAM Asset Allocation Portfolios (“AAP”)

EAM All Cap Equity (“ACE”)

EAM Equity Income (“EI”)

EAM Sustainable Equity (“SE”)

EAM Sector Rotation (“SR”)

Empirical Long Short Fund, LP (“ELSF”)

All of EAM’s investment models are proprietary. The core tenet of the RBI methodology is the elimination of emotion from the decision-making process. EAM’s central thesis is that fear and greed are significant obstacles to long-term investment performance so we attempt to mitigate their impact on the investment process and outcome. This has resulted in a suite of products that we believe are consistent, disciplined and reliable.

### **Tailored Relationships**

EAM will determine the risk tolerance for each wealth management Client at EAM utilizing a process that includes thorough profiling and an investor assessment questionnaire. Once we establish a Client’s risk tolerance, time horizon and return expectations we build for

each Client an individually designed and allocated portfolio, primarily utilizing stocks, exchange-traded funds (“ETFs”), unit investment trusts (“UITs”), mutual funds, bonds and alternative investment vehicles. We encourage Clients to inform us in the event of any significant life changes, such as setting a retirement date, having a child, etc., so that we can perform a risk assessment to determine the proper investment strategy from that point forward. Typically, we review accounts quarterly internally and provide Clients with annual reviews, which should be sufficient given our long-term strategic approach to money management.

### **Assets Under Discretionary and Non-Discretionary Management**

As of December 31, 2016, EAM had \$87,526,469 in discretionary assets under management and \$25,098,428 in non-discretionary assets under management totaling \$112,624,897 in assets under management.

EAM also has \$56,847,861 of assets under advisement which when combined with assets under management totals \$169,472,758 in assets under management and assets under advisement. Clients may request more current information at any time by contacting the Advisor.

## **ITEM 5 - FEES AND COMPENSATION**

### **Generally**

Investment management fees are paid quarterly, in advance of each calendar quarter (the “billing period”), pursuant to the terms of the investment management agreement. Investment management fees are based on the market value of assets under management at the end of the prior calendar quarter. Investment advisory fees range from 2.00% to 0.27% depending on the size and complexity of the Client relationship. The investment management fee in the first billing period of service is prorated from the inception date of the account[s] to the end of the first billing period.

Empirical Long Short Fund (“ELSF”) charges a management fee of 1.00% of the net asset value of the fund. ELSF also charges a performance fee in the form of an incentive allocation to the general partner (who is a related party of EAM) of 20% of the net realized and unrealized appreciation of the fund’s assets subject to a high water mark.

All institutional fees are negotiable at EAM’s sole discretion, fee structures for certain Clients may vary from those stated above.

### **Fee Billing**

Clients pay investment management fees to EAM in advance of each calendar quarter. Prior

to each quarter, a fee is calculated by the Advisor and deducted from the Client's account[s] at the Custodian to cover our management fee for the entire quarter. If, for any reason during the quarter, a Client's investment management agreement is terminated, EAM will refund any unearned, prepaid fees for remaining days in the billing period following the date of termination. Investment management fees will only be charged for the period of time that EAM is actively managing a Client's account[s].

Clients that are invested in ELSF pay management fees at the end of each month. At the conclusion of each month, a fee will be deducted from ELSF's account to cover our management fee for the entire month. If for any reason during the month an investor withdraws from ELSF, ELSF will automatically prorate the fee covering the period from the date of termination of the investor's investment in the fund back to the beginning of the month.

The incentive allocation by ELSF will be made as of the end of each fiscal year, based on the performance of the fund during such year.

### **Other Fees or Expenses**

Clients may also incur custody fees, securities transaction fees and other costs by the Custodian and/or executing broker-dealer (if different). The Advisor does not receive any portion of these fees. For more information regarding EAM's brokerage arrangements see "Brokerage Practices" below.

EAM Client accounts may incur other charges in the form of internal expenses and fees charged by ETFs, mutual funds or UITs in which the Client's account[s] may be invested. These expenses are not collected by or credited to EAM but rather are deducted by the unit sponsor[s] or these investment products.

In addition to the costs and expenses described above, the ELSF will also incur costs associated with the ongoing operations of the fund including, but not limited to, legal, accounting, auditing and soft dollar expenses.

### **Other Commissions and Sales Charges**

Neither EAM nor any person associated with EAM (our "Supervised Persons") will accept compensation for the sale of securities, including asset-based sales charges or service fees from the sale of mutual funds.

## ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As described above in Item 5, EAM will charge asset-based management fees to all of its Clients invested in the ELSF, including separate accounts and pooled investment vehicles (hedge funds). EAM will receive performance-based compensation in the form of an incentive allocation from ELSF and thus, EAM will participate in the capital appreciation of the assets of ELSF.

Since the launch of ELSF in October 2011, EAM has been managing an account that is charged a performance-based fee (and an asset-based management fee) while also managing separate Client accounts that are charged an asset-based management fee. Because ELSF is assessed a performance-based fee and the separate Client accounts are not, EAM faces a conflict of interest by managing these accounts at the same time and may have an incentive to favor ELSF over the separate Client accounts in order to earn performance-based fees.

EAM addresses this conflict by applying a trade rotation approach for its investment strategies. EAM also has policies in place to address potential trading conflicts as well. A description of our policy on addressing potential portfolio trading conflicts can be found below under the heading “Other Financial Industry Activities and Affiliations” and “Aggregation of Orders.”

EAM may receive a performance fee based upon any gains obtained in the account[s] of “Qualified Clients”, such as the ELSF, pursuant to the terms an investment advisory agreement. Only Qualified Clients with either \$1,000,000 under management with the Advisor or a net worth of \$2,100,000 will be charged a performance fee. Qualified Clients that are charged a performance fee will be offered a lower investment management fee. The performance fee will be calculated at the close of each calendar year and deducted from Client’s account[s] at the Custodian. The performance fee will be equal to 20% of any gains in the Client’s account[s] for the year. The Advisor will receive the performance fee only to the extent that there are cumulative gains in the Client's account[s] for the year.

The receipt of a performance fee by certain Clients results in a potential conflict of interest, where EAM has the potential for higher compensation from a Client.

### Who is a “Qualified Client”?

The Investment Advisers Act of 1940, as amended (the “Advisers Act”), Rule 205-3(d)(1) currently defines a “Qualified Client” who is financially sophisticated and meets one or more of the following conditions:

- Client is a natural person who, or a company that, immediately after entering into the contract has at least \$1,000,000 under the management of the Advisor;

- Client is a natural person who, or a company that, immediately prior to entering into the contract has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,100,000 at the time the contract is entered into.

The receipt of a performance fee by certain Clients results in a potential conflict of interest, where EAM has the potential for higher compensation from a Client. EAM will charge a lower investment management fee to all Clients that are charged a Performance Fee.

## **ITEM 7- TYPES OF CLIENTS**

EAM provides services for a variety of client types, including, but not limited to, individuals, institutions, family offices, registered investment advisors, trusts, endowments and foundations, corporations and retirement plans, including 401(k)s, cash balance plans, profit sharing plans and IRAs. EAM also manages ELSF, which is a pooled investment vehicle. The relative percentage of each type of Client is available on EAM's Form ADV Part 1. These percentages will change over time.

EAM does not currently have a minimum account or relationship size. However, certain investment strategies or investment vehicles may have a minimum amount for effective implementation. The minimum investment in the ELSF is \$250,000.

## **ITEM 8 - METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

#### ***Products and Services***

The *Rules Based Investing*<sup>®</sup> methodology employed by EAM utilizes multiple, automated risk-controlling features. EAM manages portfolios through the application of disciplined rules sets that govern the investment management of the portfolio, rather than through the application of investment decisions made by individuals.

Over the years several strategies and portfolios have been added to the EAM product offering. Our *Rules Based Investing*<sup>®</sup> methodology is utilized in all of the EAM portfolios and each of EAM's investment models are based on the tenet of disciplined sets of rules. In our experience the application of rules to the management of portfolios allows for both "active and passive" management of a portfolio while also attempting to control risk. EAM's management process is not affected by subjective and emotional human decision-making, which can lead to costly investment mistakes. Although EAM's methodology is designed to control risk, owning securities involves risk of loss that all of EAM's Clients should be



prepared to bear.

### ***EAM Asset Allocation Portfolios***

EAM's Asset Allocation Portfolios ("AAP") consist of five asset allocation models:

- Conservative
- Moderate Conservative
- Moderate
- Moderate Aggressive
- Aggressive

The offering of five models allows for the selection of the proper risk tolerance for each client or account. EAM derives its performance through the very act of attempting to control risk, unlike most managers who attempt to gain an advantage by assuming risk. Each set of rules is designed to control risk, regardless of the risk tolerance of the investor, utilizing the following metrics:

- Precision asset allocation
- Elimination of emotion
- Individual stock diversification
- Rebalancing
- Value screening
- Active/passive diversification

Each of the five asset allocation models that constitute AAP utilize active and passive ETFs designed to adhere precisely to our asset allocation models. Rebalancing occurs every fifteen months, serving the dual purpose of refreshing the active management portion of the portfolio and realigning the portfolio with our precision asset allocation strategy.

The AAP are tax conscious in the following ways:

- Transactions are designed to generate only long-term capital gains.
- A tax event occurs only three out of every four years due to the fifteen-month rebalance period.
- There are no embedded gains in unit investment trusts or ETFs.
- A majority of tax liability is postponed because ETF positions are not completely liquidated at rebalance. Precision asset allocation is maintained by slightly adjusting the ETF holdings, deferring a large portion of the capital gains.

EAM works with many investment product sponsors and the EAM portfolios incorporate the following independent partners in their investment process:

- First Trust Portfolios
- Invesco/Powershares

- Blackrock/iShares
- State Street Global Advisors
- Vanguard
- Oppenheimer Funds
- Index IQ/Mainstay
- Deutsche Bank

Although EAM's AAP are designed to help mitigate risk in Client portfolios there is risk of loss in all of the models. Any individual holdings can potentially lose value as stock and bond prices fluctuate.

#### EAM All Cap Equity

EAM All Cap Equity ("ACE") is comprised of three independent rules sets that select fifteen positions each (45 total) for the portfolio. The rules do not allow subjective, emotional decisions in the selection or de-selection of securities. With 45 positions, there is diversification by security, sector and industry. The ACE model also seeks to provide diversification through the selection process as well. The three sets of ACE rules seek to identify flaws in security valuation in the following ways:

- The first set of ACE rules is based on the trading patterns of corporate officers and directors (*Insider Set*);
- The second set of ACE rules center on the Value Line Survey of stocks rated #1 for timeliness with additional value, momentum and market capitalization screening (*Value Set*); and
- The third set of ACE rules focus on exploiting analyst earnings revisions (*Earnings Set*).

The resulting ACE portfolio may consist of stocks of companies of various capitalizations, but will typically lean toward large and mid-capitalization companies, providing a high degree of liquidity. The portfolio will also favor growth investments over value investments and will lean heavily toward domestic issuers over international issuers. Although there can be up to 45 positions in an ACE portfolio, it is not unusual for there to be overlap in the *Value Set* and occasionally a position is identified by more than one set of rules. Owning securities involves risk of loss that all of EAM's Clients should be prepared to bear.

#### EAM Equity Income

EAM Equity Income ("EI") follows a disciplined approach to investing in firms with both high dividend yields and high quality financials. Growing dividends are an indication of an increase in a firm's cash flows. High quality firms tend to be market leaders with strong financials that generally are less affected by market fluctuations. Assessment includes credit quality, cash flow mechanics, legal, regulatory, operational and counterparty risks. The portfolio comprises 15 stocks at equal weights.

EI is analyzed monthly for positions that no longer meet the investment criteria. These

securities are replaced with stocks that have been most recently identified for purchase. The resulting portfolio is generally comprised of large capitalization companies with style and sector diversification. Owning securities involves risk of loss that all of EAM's Clients should be prepared to bear.

#### EAM Sustainable Equity

EAM Sustainable Equity ("SE") is a rules-based approach to investing in U.S. companies in the S&P 500 Index that demonstrate management focus on Environmental, Social and Governance ("ESG") sustainability themes, while attempting to identify fundamental financial factors associated with alpha generation. EAM utilizes the research capabilities of Corporate Knights Capital ("CKC") in the management of SE. CKC is an investment research company specializing in building sustainable investment solutions. CKC is a division of Corporate Knights, Inc., a Toronto-based private company that publishes the world's largest circulated magazine focused on sustainable business, conducts the Global 100 ranking, and serves as the secretariat for the Council for Clean Capitalism, a CEO-supported group catalyzing smart and efficient public policy.

SE seeks to generate competitive, risk-adjusted returns for investors who want their investment portfolio to reflect their values and have a positive impact on society. SE is constructed using a quantitative research process applied to the S&P 500 Index that identifies sustainability factors reflecting exposure to material systemic trends. Quantitative scoring of these factors yields a subset of the S&P 500 consisting of companies that are attempting to improve environmental sustainability themes such as energy productivity, carbon intensity and water dependence. Additional factors relating to social and governance performance include capacity to innovate, unfunded pension liabilities, ratio of CEO to average worker pay, safety performance, employee turnover, and percentage of management bonus linked to sustainability performance. This subset is then further refined by fundamental factors that are tested for statistical significance as potential generators of alpha. The factors compete for inclusion on an annual basis and are adjusted based on accumulated learning. The positions are rebalanced semi-annually to enhance portfolio diversification. Owning securities involves risk of loss that all of EAM's Clients should be prepared to bear.

#### EAM Sector Rotation

Sector Rotation invests in U.S. equity sectors with consistent positive momentum while seeking to avoid downward market trends by rotating out of stagnant sectors and holding cash. Monthly rebalancing attempts to protect against short term fluctuations in momentum and attempts to identify major turns in trending markets.

Sector Rotation applies a rules-based approach to determine the health of the overall market. A technical indicator for momentum is applied to the S&P 500 Index. If the index has positive momentum, thus a positive expected future return, the portfolio will allocate funds in equal weights to all U.S. sectors that also are identified as having positive momentum.

The Utilities sector typically performs well during bear markets when the economic cycle begins to signal a recession. If the S&P 500 Index does not have positive momentum, thus a negative expected future return, the portfolio will be placed in a defensive stance. The Utilities sector is then analyzed and if it has positive momentum, the portfolio will allocate 50% of funds to Utilities and 50% of funds will be held in cash. If neither the S&P 500 Index or the Utilities sector have positive momentum, the portfolio will hold 100% of the funds in cash.

Strategic portfolios typically control risk by minimizing tracking error to a specified benchmark. As the benchmark declines, it is likely that the portfolio will also decline. In contrast, tactical portfolios do not consider tracking error risk often reporting large deviations of returns to the benchmark. Tactical portfolios have the potential to mitigate risk by avoiding losses during declining market environments by allocating funds to cash. However, it is possible for a tactical portfolio to hold cash while the market increases significantly in value.

#### Empirical Long Short Fund, L.P.

EAM launched a pooled investment vehicle, Empirical Long Short Fund, L.P. (“ELSF”), in October, 2011. ELSF is managed in accordance with the Rules Based Investing® quantitative investment methodology which disallows subjective human emotional decision-making.

The rules that are employed under the ELSF model have been designed to seek to deliver correlation benefits and attractive risk adjusted performance. Although the ELSF model is a quantitative model, it is not a short-term trading algorithm as is commonly employed in the hedge fund industry. Instead, the ELSF model is a long-term quantitative investment approach.

ELSF’s portfolio consists of both long and short investments. Both the ELSF model rules that are applied to select ELSF’s investments that are held long and the ELSF model rules that are applied to determine the ratio of long to short investments (“tilt”) and leverage of ELSF’s portfolio (ELSF Short Rules) are proprietary to EAM.

The ACE rules described above are applied to select ELSF’s long investment portfolio. The short side of ELSF’s portfolio consists of options and ETFs.

EAM expects that ELSF’s long and short investments will typically be dominated by highly liquid equities and options.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each Client should understand and be willing to bear. Clients are reminded to discuss these risks with the Advisor.**

### **Investment Risks**

***Risks Applicable to All Client Accounts, Including ELSF clients (each an “Account”)***

Past Experience of the Principal of EAM. The past investment performance of portfolios managed by the principal of EAM should not be construed as an indication of the future results of an investment in an Account. EAM’s investment program should be evaluated on the basis that there can be no assurance that our assessment of the short-term or long-term prospects of investments will prove accurate or that Accounts will achieve their investment objectives.

No Guarantee of Achievement of Investment Objective; Limited Information. No guarantee or representation is made that an Account’s investment strategy will be successful. An Account’s investment program may include such investment techniques as leverage and short sales (with respect to ELSF) which practices can, in certain circumstances, increase the risk and losses to the Account. No assurance can be given that an Account will achieve its investment objective.

EAM is not in a position to obtain all relevant information regarding a company or a security. Further, EAM may misinterpret or incorrectly analyze the information that it has about a particular company or security. These and other factors may cause EAM to (a) invest in securities at times that will lead to losses in an Account’s portfolio and may cause an investor to lose a significant portion of their investment in an Account or (b) refrain from investing in a particular security at times that would have resulted in gains in the Account’s portfolio if EAM would have caused the Account to invest.

Unspecified Investments. Clients must rely on the ability of EAM and its employees to identify and make investments consistent with an Account’s investment strategy. Clients neither participate in the making of any investment decisions nor have the opportunity to evaluate personally the relevant economic, financial and other information used by EAM in its selection, monitoring and disposition of investments. Accordingly, Clients should not invest with EAM unless prospective Clients are willing to entrust all aspects of the management and investments of their Account to EAM.

Economic Conditions. Changes in economic conditions, including, for example, interest rates, credit availability, inflation rates, systemic financial market instability, industry conditions, government regulation, competition, technological developments, political and diplomatic events and trends, tax and other laws and innumerable other factors, can affect an Account’s investments and prospects materially and adversely. None of these conditions is within EAM’s control, and it may not anticipate these developments. These factors may affect the volatility of securities prices and the liquidity of investments in an Account. Unexpected volatility or illiquidity could impair an Account’s profitability or result in losses.

Market Losses and Volatility; Economic Conditions. In recent history, the financial markets have experienced severe losses and extreme volatility. In addition, government intervention into the markets has been substantial and unpredictable, such as the temporary ban on shorting the securities in 2008 and 2009 of certain financial institutions and the “bailout” of

various financial institutions. In situations like these EAM cannot predict when the markets may recover, when the extreme volatility may cease, or the nature and impact of further government intervention.

It is reasonable to expect that during any recovery period a number of issuers may declare bankruptcy or experience severe financial distress. An Account may suffer losses if it has exposure to any such issuers.

*Investing in Foreign Securities and Emerging Markets.* EAM expects that an Account's investments may include securities of issuers in global markets, including emerging markets, some of which may be particularly sensitive to economic, market, industry and other variable conditions. In addition, there may be limited information available about investment targets and the targets may have limited internal reporting and accounting systems. Client Accounts will be subject to various risks incidental to investing in businesses abroad, including nationalization, expropriation or confiscatory taxation, political and economic instability and diplomatic developments, which could affect investments in those countries. The economies of emerging market countries may differ favorably or unfavorably from the economies of more industrialized countries, in such respects as growth of domestic product, rate of inflation, currency depreciation, capital reinvestment, resource self-sufficiency and balance of payments position. Moreover, economic factors in various global markets can affect demand for the goods and services of issuers of securities held by an Account. In addition, there is the greater difficulty in monitoring business abroad.

*Use of Borrowed Funds.* EAM may cause an Account to leverage its investment positions by borrowing funds from securities broker-dealers, banks, or others. Such leverage increases both the possibilities for profit and the risk of loss. In a downward trending market, the use of leverage for long positions could have a material adverse effect on an Account's profitability and operations, and the reverse could apply to a rising market and short positions. Extensions of credit and guarantees by broker-dealers of performance of an Account's obligations will typically be secured by the Account's securities and other assets. Under certain circumstances, a broker-dealer may demand an increase in the collateral that secures the Account's obligations, and if the Account were unable to provide additional collateral, the broker-dealer could liquidate assets held in the brokerage account to satisfy the Account's obligation to the broker-dealer. Liquidation in such manner could have materially adverse consequences. In addition, the amount of the Account's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the Account's profitability.

*Exchange Rate Risk.* Volatility in international exchange rates between the United States Dollar and other currencies may affect pricing and the profit margin on sales of non-U.S. securities held by an Account. This, in turn, could adversely affect the Account's rate of return.

EAM will require that payments be made and will make withdrawal payments in United States Dollars. Consequently, for investors whose local currency is not United States

Dollars, an investment in an Account involves a significant exchange rate risk. An Account could recognize substantial profits but the real value of a client's investment could decline due to a decrease in the value of United States Dollars relative to such client's local currency.

*No Guarantee of Best Execution.* There is no assurance by EAM that the purchase and sale of investments will be made on a best price and best execution basis, although EAM will seek to achieve best execution. EAM may cause Accounts to pay brokerage commissions in excess of the lowest rates available to brokers who execute transactions for the benefit of an Account or who otherwise provide brokerage and research services utilized by EAM. Brokerage and research services obtained with soft dollars will be limited to those permitted by Section 28(e) of the Exchange Act. Such services may include, but are not limited to: (i) written information and analyses concerning specific securities, companies or sectors; (ii) market, financial and economic studies and forecasts, as well as discussions with research personnel; (iii) certain financial and industry publications; and (iv) statistical and pricing services utilized in the investment management process. Under Section 28(e), research obtained with soft dollars from a particular Account may be used by EAM to service all Accounts managed by EAM.

Broker-dealers and custodians sometimes suggest a level of business they would like to receive in return for the various services they provide. Actual brokerage business received by any broker-dealer/custodian may be less than the suggested allocations, but can (and often does) exceed the suggestions, because total brokerage is allocated on the basis of all the considerations described above. A broker-dealer/custodian is not excluded from receiving business because it has not been fully identified as providing research services. The investment information received from a broker-dealer/custodian may be used by EAM in servicing all its Accounts, and not all such information need be used by EAM in connection with any particular Account.

***Additional Risks Applicable to the Empirical Long Short Fund, L.P.***

*Short Sales.* ELSF may engage in short sales by selling equity securities that it does not own at the time of sale. By doing so, ELSF will become obligated to purchase and deliver equity securities against the short position. In the event that the price of an equity security increases between the short sale and the Account's subsequent purchase of shares of that security, ELSF will suffer a loss on that transaction and the value of the Client's investments will decrease accordingly. There can be no assurance that ELSF will not suffer such losses. In theory, a short sale has the potential for unlimited loss. In connection with short sales, ELSF will have to deliver cash or United States Treasury securities or other securities to brokers to assure delivery of equity securities against short positions. ELSF will be able to keep only a negotiated percentage of the yield of such United States Treasury or other securities.

The availability of shares to borrow to execute a short can change quite dramatically and quickly. This presents a risk not faced with long positions. Recent moves by securities regulators all over the world to ban or limit short selling creates a new dimension of the

risk. Dramatic changes in the availability of borrowed securities for shorting is an event not typically addressable through fundamental security analysis. Short squeezes or short covering rallies can be quite detrimental to overall profits. Avoiding hard-to-borrow shares or illiquid names is a basic risk management discipline. Easy-to-borrow shares can become hard-to-borrow quickly. The negative “crowding out” effect is more prevalent with the rapid growth in the number of long-short funds.

Taxes on Dividends. The current maximum federal rate of taxation on most dividends is 20 percent. (The maximum federal rate for most other ordinary income is 39.6 percent.) However, payments in lieu of dividends received by a person who lends securities for a short sale transaction are not eligible for the reduced rate. It is possible that this differential tax treatment will cause securities lenders to be more reluctant to lend dividend-paying securities or that lenders will demand additional compensation for such loans. As a result, ELSF may encounter difficulties, or incur additional expense, in order to engage in short sales.

Futures. ELSF may invest and trade in futures, although it is not expected to be a material part of ELSF’s strategy. A futures contract is an agreement between two parties which obligates the purchaser of a futures contract to buy and the seller of a futures contract to sell a security or basket of securities for a set price on a future date. Unlike most other futures contracts, a stock index futures contract does not require actual delivery of securities, but results in cash settlements based upon the difference in value of the index between the time the contract was entered into and the time of its settlement. The risk of loss in trading futures can be substantial. If ELSF purchases a future, it may sustain a total loss of the initial margin funds and any additional funds deposited with a broker to establish and maintain its position in the future. If the market moves against ELSF’s position, ELSF may be required to deposit a substantial amount of additional margin funds in order to maintain its position. The placement of contingent or stop orders by ELSF will not necessarily limit its losses to the intended amounts, as market conditions may make it impossible for such orders to be executed. There can be no assurance that, at all times, a liquid market will exist for offsetting a futures contract that ELSF has bought or sold. This could be the case if, for example, a futures price has increased or decreased by the maximum allowable daily limit and there is no one presently willing to buy the futures contract ELSF wants to sell or sell the futures contract ELSF wants to buy. The high degree of leverage that can be used in trading futures can lead to large losses.

Options. ELSF engages in options trading. Stock or index options that may be purchased or sold by ELSF include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which ELSF can dispose of such an option may be less than in the case of an exchange-traded option issued by the Options Clearing Corporation. The trading of options is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. To



the extent that ELSF purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that ELSF sells options and must deliver the underlying securities at the option price, ELSF has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that ELSF must buy the underlying securities, it risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Special risks are associated with the use of options. A decision as to whether, when and how to use options involves the exercise of skill and judgment which are different from those needed to select securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. The potential loss incurred by ELSF in writing uncovered options is unlimited. When options are used as a hedging technique, there can be no guaranty of a correlation between price movements in the option and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that ELSF's return might have been better had hedging not been attempted.

## **ITEM 9 - DISCIPLINARY INFORMATION**

**There are no legal, regulatory or disciplinary events involving EAM or any of its Supervised Persons.** EAM and its Supervised Persons value the trust you place in us. Our backgrounds are on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with our firm name or our CRD# 155436.

## **ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As described above under “Performance-Based Fees and Side-by-Side Management” EAM launched ELSF in October 2011 and EAM receives performance-based compensation in the form of an incentive allocation from ELSF and thus, EAM participates in the capital appreciation of the assets of ELSF.

Since launching ELSF, EAM is managing an account that is charged a performance-based fee (and an asset-based management fee) while also managing separate client accounts that are only charged an asset-based management fee. Because ELSF has a performance-based fee and the separate client accounts do not, EAM faces a conflict of interest by managing these accounts at the same time and may have an incentive to favor ELSF over the separate client accounts in order to earn the performance-based fees.

EAM addresses this conflict by applying a trade rotation approach for its investment

strategies.

When possible, EAM aggregates orders for the purchase and sale of securities for client portfolios it advises. To address potential trading conflicts, EAM has in place certain trade allocation and aggregation policies and procedures (the “Trading Procedures”). Under the Trading Procedures, orders for investment vehicles in which EAM or persons associated with EAM have an interest, such as ELSF, may be aggregated with orders for other client portfolios, but because some trades are taking place at both Fidelity Investments and Merrill Lynch Professional Clearing Corp, this is not always possible. Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each client that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will be generally allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders. Transaction costs for any transaction will be shared pro rata based on each portfolio's participation in the transaction. Additionally, EAM utilizes a trade rotation policy that is available upon request.

#### Broker-Dealer Affiliation

Mark Fiskio is also a registered representative of Race Rock Capital LLC (“Race Rock”), a registered broker-dealer, member FINRA, SIPC. In Mr. Fiskio’s separate capacity as a registered representative, he will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to implement any recommendation provided by Mr. Fiskio in a commissionable account. Neither the Advisor nor Mr. Fiskio will earn ongoing investment advisory fees in connection with any services implemented in his separate capacity as a registered representative.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

EAM has adopted a Code of Ethics (the “Code”) in accordance with Rule 204A-1 of the Advisers Act. A copy of the Code is available to Clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by EAM as office policy for the guidance of all persons subject to EAM’s compliance program (herein our “Supervised Persons”) and to specify the responsibility of all Supervised Persons of EAM to act in accordance with their fiduciary duty to EAM's Clients and to comply with applicable federal and state laws and regulations. The Code requires that all Supervised Persons conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry. The Code imposes reporting requirements and restrictions on the purchase or sale of securities for Supervised Persons determined to be Access Persons with regard to their own accounts and the

accounts of certain affiliated persons. The Code is a dynamic document that is subject to review by the Chief Compliance Officer (“CCO”) for changes in EAM’s business activities, Supervised Persons and emerging risks.

The following is a summary of certain provisions of the Code:

*Recommending to Clients Securities in Which EAM has a Material Financial Interest:* EAM launched Empirical Long Short Fund, L.P. in October, 2011 and may solicit Clients to invest in ELSF. Because ELSF pays performance-based fees in addition to asset-based management fees (while other Client accounts will pay only asset-based management fees), EAM faces a conflict of interest by managing these accounts at the same time and may have an incentive to encourage Clients to invest in ELSF rather than in separate Client accounts in order to earn the performance-based fees. EAM does not have discretion to invest a client’s assets in ELSF and EAM will never invest client assets in ELSF without the Client’s permission. If EAM believes that ELSF might be an appropriate investment for a Client, it may suggest that the Client invest in ELSF. Prior to accepting any investment in ELSF from a Client, EAM will deliver to the client ELSF’s confidential private placement memorandum which discloses all of the fees (including performance fees) applicable to investors in ELSF and all risks associated with an investment in ELSF. With respect to Client assets that are invested in ELSF, Clients are only assessed fees through ELSF and are not assessed any fees through any management agreement governing a separate account that the Client may have with EAM (i.e., Clients will only be assessed one level of fees).

*Personal Securities Transactions:* EAM seeks to ensure that personal trading activities of its Supervised Persons with access to Client holdings or trading information (our “Access Persons”) do not conflict with the interests of EAM Clients. Consequently, EAM has adopted policies and procedures designed to ensure that such trading complies with EAM’s legal and fiduciary obligations, transactions are properly recorded in EAM’s books and records and are subject to the review and oversight of the CCO. This Personal Securities Transactions Policy applies to all Access Persons and covers any personal accounts held by those individuals, their immediate family, any other adult members of their household and any trust of which they are trustee or beneficiary. Such accounts are required to be treated consistently with EAM’s fiduciary duty and Personal Trading Policy.

*Fiduciary Duty and Conflicts of Interest:* EAM and its Supervised Persons have a fiduciary duty to EAM's Clients to act for the benefit of the Clients and to take action on the Clients' behalf before taking action in the interest of any Supervised Persons or EAM. EAM and its Supervised Persons must act for the Clients' benefit and treat the Clients fairly. The manner in which any Supervised Persons discharges its fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. In other circumstances, explicit consent of the Client to the particular transaction giving rise to a conflict of interest may be required or an Access Person may be prohibited from engaging in the transaction regardless of whether the Client consents. The duty to disclose and obtain a Client's consent to a conflict of interest must

always be undertaken in a manner consistent with the employee's duty to deal fairly with the Client. Therefore, even when taking action with a Client's consent, each Supervised Persons must always seek to assure that the action taken is fair to the Client.

EAM launched the Empirical Long Short Fund, L.P. in October, 2011 and as described above under "Performance-Based Fees and Side-by-Side Management" and "Other Financial Industry Activities and Affiliations," EAM has in place policies and procedures to address the potential conflicts of interest that may arise due to EAM's management of separate client accounts and ELSF.

***Material Inside Information:*** All Supervised Persons of EAM (in any capacity) and all persons friends, relatives, business associates and others who receive nonpublic material inside information from Supervised Persons concerning an issuer of securities (whether such issuer is a Client or not) are subject to these rules. Generally speaking, inside information is information about an issuer's business or operations (past, present or prospective) that becomes known to an employee and which is not otherwise available to the public. If a Supervised Person becomes aware of information about an issuer which the Supervised Person believes would influence an investor in any investment decision concerning that issuer's securities and which has not been disclosed to the public, the Supervised Person should not buy or sell that issuer's securities. The Code sets forth an extensive list of subjects, information about which is likely to be material inside information. The Code also explicitly forbids disclosing material inside information to another Supervised Persons ("tipping") who subsequently uses that information for his or her profit.

All Supervised Persons receiving material, nonpublic information have the same duty not to disclose or use information about persons or issuers who are not a Client of EAM in connection with securities transactions as they have with respect to Client securities. In other words, Supervised Persons may not purchase or sell any securities with respect to which they have inside information for their own, EAM's or for a Client's account[s] or cause Clients to trade on such information until after such information becomes public. The foregoing prohibition applies whether or not the material inside information is the basis for the trade. Whenever Supervised Persons come into possession of what they believe may be material nonpublic information about an issuer, they must immediately notify the CCO. The CCO shall maintain a restricted list of all issuers about which EAM has inside information and shall circulate the restricted list to Supervised Persons at EAM so as to prevent any trading in securities of such issuers.

***Scalping or Front-Running:*** As a general rule, if any Access Person knows of a pending "buy" recommendation or is aware of a pending "sell" recommendation, then that Access Person may not engage in the practice of purchasing or selling stock before EAM takes action for its Clients, unless the trade is batched with Client trades and receiving the same price. Such activities put EAM and its Access Persons in a conflict of interest and give the related person an advantage at the Client's expense. Limited exceptions may be granted for liquid securities where an Access Person is buying or selling a non-material number of shares. Any

trades undertaken for an Access Person's own account[s], for the account[s] of the Company, for the account[s] of any non-Company Client or for another Access Persons must be done so as not to disadvantage an EAM Client in any way. This means that all Access Persons must generally wait to trade a security until all trading in that security for all accounts of EAM's Clients is completed or aggregate a personal trade with Client trades (see "Aggregation of Orders" below).

Specifically, no Access Persons may (i) *buy* a security within seven calendar days *before* any Client account *buys* the same or a related security, (ii) *sell* such a security within seven days *before* any Client account *sells* the same or a related security, (iii) *sell* a security within seven days *after* any Client account has *bought* the same or a related security or (iv) *buy* a security within seven days *after* any Client account has *sold* the same or a related security. The CCO may grant exemptions to the foregoing rules in his discretion (for example, when an Access Person has sold a security and, before the expiration of seven days, external events make it important for a Client to sell the same or a related security quickly). If an Access Person completes a transaction during a "blackout" period, he or she may be required to turn over any profits realized on the transaction, in most cases for crediting to Client accounts.

*Unfair Treatment of Certain Clients vis-à-vis Others:* Access Persons who handle one or more Clients may be faced with situations in which it is possible to give preference to certain Clients over others. Access Persons must be careful not to give preference to one Client over another, even if the preferential treatment would benefit EAM or the Access Person. For example, an Access Person should not (i) provide better advice to a large, prestigious Client than is given to a smaller, less influential one, (ii) give sale advice to one Client ahead of another, or (iii) direct securities of a limited supply and higher potential return to particular Clients because they generate larger fees (such as performance-based fees) for EAM.

*Dealing with Clients as Agent and Principal:* In accordance with Section 206(3) of the Advisers Act, the Code requires that Supervised Persons involved in the situation where EAM is buying or selling securities from a Client disclose to the Client in writing the capacity in which EAM acts, its profits (if it acts as principal) and its commissions (if it acts as agent for another) and obtain the Client's consent. These types of transactions must not be entered into without prior consultation with EAM's CCO.

*Personal Trading Policy:* Supervised Persons are allowed to buy and sell securities for their own accounts. Each Access Person must submit an initial holdings report disclosing to the Chief Compliance Officer the identities, amounts, and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest." In addition, each Access Person must disclose similar information within thirty (30) days after the end of each calendar year while employed by EAM. Such reports must be current as of a date not more than 45 days prior to the Access Persons joining the Advisor (for an initial report) or the date the report is submitted (for the annual report). Each Access Person must report to the CCO within 30 days after the end of each calendar quarter all securities transactions in all of

the Access Person's covered account[s] during the preceding quarter.

## ITEM 12 - BROKERAGE PRACTICES

### **Selection of Brokers:**

When placing trades on behalf of a Client, EAM has a fiduciary duty to seek to obtain the best execution possible for the Client. While a primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors may be considered when arranging for the purchase and sale of Clients' portfolio securities. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, EAM will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency or confidentiality, the broker-dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, the broker-dealer's ability to supplement EAM's management capabilities with research, quotation and consulting services and computer hardware and software materials, as well as any other matters EAM deems relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

Research and Other Soft Dollar Benefits: EAM may use broker-provided products and services that assist it in carrying out its investment decision-making responsibilities. Such services may include, but are not limited to: (i) written information and analyses concerning specific securities, companies or sectors; (ii) market, financial and economic studies and forecasts, as well as discussions with research personnel; (iii) certain financial and industry publications; and (iv) statistical and pricing services utilized in the investment management process. EAM intends to comply with Section 28(e) of the Securities Exchange Act of 1934 in connection with its use of soft dollars. In some cases, EAM may acquire a research product or service with soft dollars that also has non-research uses. In these cases, EAM will make a reasonable allocation of the cost of the product or service according to its use. That portion of the product or service which provides administrative or other non-research services will be paid for by EAM in hard dollars.

When EAM uses Client brokerage commissions, mark-ups or markdowns to obtain research or other products or services, EAM will receive a benefit because we will not have to produce or pay for the research, products or services that are provided. EAM may have an incentive to select a broker-dealer/custodian based on its interest in receiving the research or other products or services, rather than on Clients' interests in receiving most favorable execution.

All research services received from broker-dealers/custodians to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer/custodian from a particular Client's transactions and the use of any or all of that firm's research material in relation to that Client's account. EAM may pay a broker-dealer/custodian a brokerage commission in excess of that which another broker-dealer/custodian might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer/custodian.

At least annually, the CCO shall review the list of broker-dealers/custodians with whom EAM does business, the commissions paid to such brokers and the soft dollar products and services provided by such broker-dealers/custodians to EAM and assess whether EAM is achieving best execution and is complying with its brokerage policy.

EAM typically recommends the use of Fidelity Clearing & Custody Solutions, a division of Fidelity Investments, Inc. ("Fidelity"), Merrill Lynch Professional Clearing Corp. ("Merrill Lynch") and TD Ameritrade Institutional, a division of TD Ameritrade, Inc. ("TD Ameritrade") as the broker-dealer/custodian (herein each a "Custodian" and collectively the "Custodians") for custody, execution and/or related services. In return for placing trades with the Custodians on behalf of Clients, EAM received Client service and access to Client account systems through the respective Custodians' technology offerings. EAM also receives monthly statements for our Clients which were also provided by the Custodians. At Merrill Lynch, in return for placing trades, EAM also receives hedge fund reporting.

*Brokerage for Client Referrals:* On occasion EAM will receive Client referrals from a broker-dealer/custodian or prime broker that we transact commission business with on a regular basis. EAM may consider, in selecting broker-dealers/custodians, whether, EAM receives Client referrals from a broker-dealer/custodian or third party. This may create an incentive for us to select a broker-dealer/custodian based on EAM's interest in receiving Client referrals, rather than on our Clients' interest in receiving most favorable execution. However, although EAM may consider whether EAM receives Client referrals from a broker-dealer/custodian, such factor will not be determinative and when selecting broker-dealers/custodians, EAM will act in accordance with its fiduciary duty to seek to obtain the best execution possible for its Clients and, as described above, EAM will consider all relevant factors.

*Directed Brokerage:* EAM will not recommend, request or require that a Client direct us to execute transactions through a specified broker-dealer/custodian.

From time to time, if requested by a particular Client, EAM may permit the Client to direct securities transactions to a particular brokerage firm. Directed brokerage may result in such Client paying higher commissions than would be the case if EAM were able to select brokers freely. Directed brokerage in many cases limits EAM's ability to negotiate commissions for the Client and its ability to aggregate orders and may result in an inability to obtain volume discounts or best execution for the Client in some transactions. The higher cost associated with a directed brokerage arrangement will be disclosed in more detail to each Client that

requests such an arrangement.

### **Aggregation of Orders:**

EAM aggregates orders for the purchase and sale of securities for Client portfolios it advises. To address potential trading conflicts, EAM has in place certain trade allocation and aggregation policies and procedures (the “Trading Procedures”). Under the Trading Procedures, orders for investment vehicles in which EAM or persons associated with EAM have an interest, may be aggregated with orders for other Client portfolios. Securities purchased or proceeds of securities sold through aggregated orders are allocated to the account of each Client that bought or sold such securities at the average execution price. If less than the total of the aggregated orders is executed, purchased securities or proceeds will be generally allocated pro rata among the participating portfolios in proportion to their planned participation in the aggregated orders. At Fidelity security transactions cost each client \$7.99 per transaction for equities and exchange traded funds, \$25 per transaction for unit investment trusts and \$30 per transaction for mutual funds. For the Empirical Long Short Fund, LP at Merrill Lynch Professional Clearing Corp. transaction costs for any transaction will be shared pro rata based on each partner’s participation in the transaction.

In aggregated trades involving related party accounts owned entirely by EAM, by officers or employees of EAM or by family members of such officers and employees, in the event that an aggregated trade is partially filled such accounts will have their allocation reduced to zero before any reductions are made in the allocation to Client accounts (this sentence does not apply to pooled investment vehicles or separate accounts managed directly by EAM in which EAM, its officers or employees or their family members participate as fee paying investors along with clients of EAM). In conducting the review of trade allocations, the Chief Compliance Officer will review specifically allocations of trades to related party accounts to ascertain that such accounts have not been favored over other accounts.

## **ITEM 13 - REVIEW OF ACCOUNTS**

At EAM, we review Client accounts quarterly and generally meet with each Client on an annual basis. If requested, in particular cases, we will meet semi-annually. Our reviews include a discussion of risk tolerance and risk management, investment performance, asset allocation, life changes and a refresher on our methodology and investment process. Additionally, we will update the Client’s investor profile and investment objectives if needed. All Client reviews will be performed by the Chief Compliance Officer (“CCO”) or delegate. Because our methodology and investment philosophy is long-term and strategic, rather than tactical, at EAM we do not review accounts more frequently than quarterly unless requested to do so by a Client.

Each Client of EAM receives a monthly account statement. In the case of our separate account advisory Clients, statements are issued by Fidelity Investments or TD Ameritrade.



For investors in ELSF, statements are posted to Client accounts by SS&C GlobeOp, our third-party administrator. All of the reports and statements sent to our Clients are computer generated by the respective Custodian, third party administrator or by EAM using Advent or Black Diamond, our performance management technologies.

## **ITEM 14 - CLIENT REFERRALS AND OTHER COMPENSATION**

If a Client is introduced to EAM by either an unaffiliated party or by a EAM affiliate, EAM may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the investment management fees earned by EAM, and shall not result in any additional charge to the Client.

## **ITEM 15 - CUSTODY**

EAM launched Empirical Long Short Fund, L.P. in October, 2011. Merrill Lynch Professional Clearing Corp. is the qualified custodian of ELSF. As the general partner of ELSF, a related party of EAM is deemed to have custody of ELSF's funds and securities. ELSF's third party administrator, SS&C GlobeOp, posts monthly account statements to partner accounts in ELSF. Investors in ELSF should carefully review those statements. Investors in ELSF also receive annual audited financial statements.

With respect to EAM's separate account Clients, EAM does not have custody of Client funds or securities, except for the authorized deduction of EAM's fees, which are held on behalf of each Client by a "qualified custodian" (either Fidelity or TD Ameritrade). EAM strongly recommends that each Client carefully review their monthly statements provided by the Custodian. In the event that we issue a Client a performance statement from Advent or Black Diamond, Clients should compare the account statements they receive from the Custodian with those statements they receive from EAM.

## **ITEM 16 - INVESTMENT DISCRETION**

EAM accepts discretionary authority to manage securities accounts on behalf of our Clients. Each of our Clients will enter into an investment management agreement with us outlining the details of EAM's trading authority and the limitations, if any, on EAM's authority.

## **ITEM 17 - VOTING CLIENT SECURITIES**

EAM does not accept proxy-voting responsibility for its Clients. The Client may have directed

proxy materials to be delivered to the Advisor, however, the Advisor does not assume responsibility for voting. Clients may direct the Custodian to receive proxy statements at any time. The Advisor will assist in answering questions relating to proxies, however, the Client retains the sole responsibility for proxy decisions and voting.

## **ITEM 18 - FINANCIAL INFORMATION**

Neither EAM, nor its management, have any adverse financial situations that would reasonably impair the ability of EAM to meet all obligations to its Clients. Neither EAM, nor any of its advisory persons, has been subject to a bankruptcy or financial compromise. EAM is not required to deliver a balance sheet along with this Disclosure Brochure as the Advisor does not collect fees of \$1,200 or more for services to be performed six months or more in advance.



## **EMPIRICAL ASSET MANAGEMENT, LLC**

### **Form ADV 2B - Brochure Supplement**

#### **Mark H. Fiskio**

Effective date: July 11, 2017

Empirical Asset Management, LLC

2223 Washington Street, Suite 101

3 Newton Executive Park

Newton, MA 02462

Phone 781-431-2223

Fax 781-431-2260

Website: [www.empiricalam.com](http://www.empiricalam.com)

This Form ADV 2B ("Brochure Supplement") provides information about Mark H. Fiskio (CRD# **1197038**) that supplements the Empirical Asset Management, LLC ("EAM" or the "Advisor") Disclosure Brochure. You should have received a copy of that Disclosure Brochure. Please contact Mark H. Fiskio if you did not receive the EAM Disclosure Brochure or if you have questions about the contents of this Brochure Supplement. Our contact information is listed above.

Additional information about Mr. Fiskio is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

Mark H. Fiskio is the founder, Managing Partner and Principal Owner of Empirical Asset Management, LLC (“EAM”) and Manager of Empirical Fiscal Partners, LLC (“EFP”). Prior to founding EAM in 2010 Mark was a Senior Portfolio Manager in the PIA program at Merrill Lynch and one of the two individuals behind the *Rules Based Investing*® platform. While at Merrill Lynch, Mark’s responsibilities included investment model development, portfolio management and business development. Prior to joining Merrill Lynch in 2005, Mark spent eleven years at Advest, where he held the title of First Vice President Investments. Prior to joining Advest, Mark was a Vice President at Paine Webber. Additionally, Mark held the position of Vice President for the Investment Services Group of Donaldson, Lufkin and Jenrette, an institutional research and trading house where he worked on the sell side servicing institutional clients. Mark began his career at Shearson American Express in 1983. He holds a B.A. in Economics from Connecticut College. Mark was born in 1957.

## ITEM 3 - DISCIPLINARY INFORMATION

**There are no legal, civil or disciplinary events to disclose regarding Mr. Fiskio.** Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices. As previously noted, there are no legal, civil or disciplinary events to disclose regarding Mr. Fiskio. However, we do encourage you to independently view the background of Mr. Fiskio on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 1197038.

## ITEM 4 - OTHER BUSINESS ACTIVITIES

### Empirical Fiscal Partners, LLC

Mr. Fiskio is also the Manager of Empirical Fiscal Partners, LLC (“EFP”). EFP is the General Partner of the Empirical Long Short Fund. Mr. Fiskio is compensated for this position.

### Broker-Dealer Affiliation

Mark Fiskio is also a registered representative of Race Rock Capital LLC (“Race Rock”), a registered broker-dealer, member FINRA, SIPC. In Mr. Fiskio’s separate capacity as a registered representative, he will typically receive commissions for the implementation of recommendations for commissionable transactions. Clients are not obligated to

implement any recommendation provided by Mr. Fiskio in a commissionable account. Neither the Advisor nor Mr. Fiskio will earn ongoing investment advisory fees in connection with any services implemented in his separate capacity as a registered representative.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Mr. Fiskio earns additional compensation as noted in Item 4 above.

## **ITEM 6 - SUPERVISION**

As the founder, sole Managing Partner and Chief Compliance Officer of EAM, Mr. Fiskio is the most senior employee of EAM and is not subject to supervision by any other employees of EAM. Mark is expected to adhere to EAM's policies and procedures as well as our Code of Ethics and all applicable securities laws governing registered investment advisors and their supervised persons. Mr. Fiskio can be reached at 781-431-2223.

EAM has implemented a Code of Ethics and internal compliance that guide each Supervised Person in meeting their fiduciary obligations to Clients of EAM. Further, EAM is subject to regulatory oversight by various agencies. These agencies require registration by EAM and its Supervised Persons. As a registered entity, EAM is subject to examinations by regulators, which may be announced or unannounced. EAM is required to periodically update the information provided to these agencies and to provide various reports regarding the business activities and assets of the Advisor.



## **EMPIRICAL ASSET MANAGEMENT, LLC**

### **Form ADV 2B - Brochure Supplement**

#### **William H. Davis**

Effective date: July 11, 2017

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Fax 781-431-2260

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This Form ADV 2B (“Brochure Supplement”) provides information about William H. Davis (CRD# **5858250**) that supplements the Empirical Asset Management, LLC (“EAM” or the “Advisor”) Disclosure Brochure. You should have received a copy of that Disclosure Brochure. Please contact Mark Fiskio (the Chief Compliance Officer) if you did not receive the EAM Disclosure Brochure or if you have questions about the contents of this Brochure Supplement. Our contact information is listed above.

Additional information about Mr. Davis is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

William H. Davis is a Portfolio Manager and Advisor with Empirical Asset Management, LLC. Prior to EAM, Bill was the CEO at Ze-gen, Inc. Prior to joining Ze-gen, Inc. in 2004, Bill was the Managing Director at Instigo, LLC. He holds a B.A. from Connecticut College in 1979. Bill was born in 1957.

## **ITEM 3 - DISCIPLINARY INFORMATION**

**There are no legal, civil or disciplinary events to disclose regarding Mr. Davis.** Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices. As previously noted, there are no legal, civil or disciplinary events to disclose regarding Mr. Davis. However, we do encourage you to independently view the background of Mr. Davis on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 5858250.

## **ITEM 4 - OTHER BUSINESS ACTIVITIES**

### Stance Capital LLC

Mr. Davis is also the owner of Stance Capital LLC (“Stance”), a registered investment advisor (CRD# 5858250). Mr. Davis is dually-registered with EAM and Stance. Clients of Stance are generally not offered the services of EAM. Mr. Davis spends more than 50% of his business time with clients of Stance.

### Board Position

Mr. Davis also serves as a Board Vice Chair of Impact Infrastructure. Mr. Davis is compensated for this position.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Mr. Davis does earn additional compensation as noted in Item 4 above.

## **ITEM 6 - SUPERVISION**

Mr. Davis serves as a Portfolio Manager and Advisor with EAM and is supervised by Mark Fiskio, the Chief Compliance Officer. Mr. Fiskio can be reached at 781-431-2223.

EAM has implemented a Code of Ethics and internal compliance that guide each Supervised Person in meeting their fiduciary obligations to Clients of EAM. Further, EAM is subject to regulatory oversight by various agencies. These agencies require registration by EAM and its Supervised Persons. As a registered entity, EAM is subject to examinations by regulators, which may be announced or unannounced. EAM is required to periodically update the information provided to these agencies and to provide various reports regarding the business activities and assets of the Advisor.





## **EMPIRICAL ASSET MANAGEMENT, LLC**

### **Form ADV 2B - Brochure Supplement**

#### **Jason Aronson, CFA**

Effective date: July 11, 2017

Empirical Asset Management, LLC

2223 Washington Street, Suite 101

3 Newton Executive Park

Newton, MA 02462

Phone 781-431-2248

Fax 781-431-2260

Website: [www.empiricalam.com](http://www.empiricalam.com)

This Form ADV 2B ("Brochure Supplement") provides information about Jason Aronson (CRD# **5179812**) that supplements the Empirical Asset Management, LLC ("EAM") Disclosure Brochure. You should have received a copy of that Disclosure Brochure. Please contact Mark Fiskio (the Chief Compliance Officer) if you did not receive the EAM Disclosure Brochure or if you have questions about the contents of this Brochure Supplement. Our contact information is listed above.

Additional information about Mr. Aronson is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

As a Portfolio Manager at EAM, Jason Aronson specializes in the development and risk modeling of investment strategies in equity portfolio management. Prior to joining EAM, he served as a Modeling Analyst in Risk Management for both Sovereign Bank | Santander and ProMutual Group. He graduated with distinction with a MS in Quantitative Finance from Bentley University. Throughout his academic career, Jason has co-authored numerous research studies with topics in statistics, economics, and the capital markets. Jason received a BS in Computational Finance and Information Technology from Babson College.

## **ITEM 3 - DISCIPLINARY INFORMATION**

**There are no legal, civil or disciplinary events to disclose regarding Mr. Aronson.** Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices. As previously noted, there are no legal, civil or disciplinary events to disclose regarding Mr. Aronson. However, we do encourage you to independently view the background of Mr. Aronson on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his Individual CRD# 5179812.

## **ITEM 4 - OTHER BUSINESS ACTIVITIES**

### Stackup, LLC

Mr. Aronson also serves as a Managing Director for Stackup, LLC located in Charleston, MA. Mr. Aronson spends less than 10% of his time in this capacity, none of which are during trading hours.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Mr. Aronson has additional business activities detailed in Item 4 above. Mr. Aronson does not receive additional compensation in his capacity at Stackup, LLC.

## **ITEM 6 - SUPERVISION**

Mr. Aronson serves as a Quantitative Analyst of EAM and is supervised by Mark Fiskio, the Chief Compliance Officer. Mr. Fiskio can be reached at 781-431-2223.

EAM has implemented a Code of Ethics and internal compliance that guide each Supervised Person in meeting their fiduciary obligations to Clients of EAM. Further, EAM is subject to regulatory oversight by various agencies. These agencies require registration by EAM and its Supervised Persons. As a registered entity, EAM is subject to examinations by regulators, which may be announced or unannounced. EAM is required to periodically update the information provided to these agencies and to provide various reports regarding the business activities and assets of the Advisor.



## **EMPIRICAL ASSET MANAGEMENT, LLC**

### **Form ADV 2B - Brochure Supplement**

#### **Marvin J. Alfaro, CPA**

Effective date: July 11, 2017

Empirical Asset Management, LLC

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3 Newton Executive Park

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Fax 781-431-2260

Website: [www.empiricalam.com](http://www.empiricalam.com)

This Form ADV2B (“Brochure Supplement”) provides information about Marvin J. Alfaro (CRD# **6717850**) that supplements the Empirical Asset Management, LLC (“EAM”) Disclosure Brochure. You should have received a copy of that Disclosure Brochure. Please contact Mark Fiskio (the Chief Compliance Officer) if you did not receive the EAM Disclosure Brochure or if you have questions about the contents of this Brochure Supplement. Our contact information is listed above.

Additional information about Mr. Aronson is available on the SEC’s Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE**

Marvin J. Alfaro serves as a Senior Analyst at EAM. Prior to joining EAM, he served as a Senior Audit Associate at KPMG LLP US. He graduated with a Bachelor's of Science in Accounting from Villanova University.

## **ITEM 3 - DISCIPLINARY INFORMATION**

**There are no legal, civil or disciplinary events to disclose regarding Mr. Alfaro.** Securities laws require an advisor to disclose any instances where the advisor or its advisory persons have been found liable in a legal, regulatory, civil or arbitration matter that alleges violation of securities and other statutes; fraud; false statements or omissions; theft, embezzlement or wrongful taking of property; bribery, forgery, counterfeiting, or extortion; and/or dishonest, unfair or unethical practices. As previously noted, there are no legal, civil or disciplinary events to disclose regarding Mr. Alfaro. However, we do encourage you to independently view the background of Mr. Alfaro on the Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) by searching with his full name or his CRD# 6717850.

## **ITEM 4 - OTHER BUSINESS ACTIVITIES**

Mr. Alfaro is dedicated to the investment advisory activities of EAM's Clients. Mr. Alfaro is not involved in other business activities.

## **ITEM 5 - ADDITIONAL COMPENSATION**

Mr. Alfaro is dedicated to the investment advisory activities of EAM's Clients. Mr. Alfaro does not receive additional compensation.

## **ITEM 6 - SUPERVISION**

Mr. Alfaro serves as a Senior Analyst of EAM and is supervised by Mark Fiskio, the Chief Compliance Officer. Mr. Fiskio can be reached at 781-431-2223. EAM has implemented a Code of Ethics and internal compliance that guide each Supervised Person in meeting their fiduciary obligations to Clients of EAM. Further, EAM is subject to regulatory oversight by various agencies. These agencies require registration by EAM and its Supervised Persons. As a registered entity, EAM is subject to examinations by regulators, which may be announced or unannounced. EAM is required to periodically update the information provided to these agencies and to provide various reports regarding the business activities and assets of the Advisor.