

**Firm Brochure**  
(Part 2A of Form ADV)  
**Alpha Architect**

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This brochure provides you with information about the qualifications, business practices and nature of advisory services of Alpha Architect, all of which should be considered before becoming a discretionary or non-discretionary advisory services client (“Client”) of our firm. Please contact Patrick Cleary, Managing Member, if you have any questions about this narrative brochure.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”), or by any state securities authority. Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

We are registered as an investment adviser. Nonetheless, registration with any state or federal regulatory division does not imply any level of skill or training. Additional information about our firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. Our firm’s CRD number is 153905.

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## **ITEM 2 MATERIAL CHANGES**

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### **ANNUAL UPDATE**

This section of our brochure will reflect the annual update of any material changes that occur after issuance and delivery our firm's brochure.

### **MATERIAL CHANGES SINCE THE LAST UPDATE**

This brochure dated March 28, 2018 is our annual amendment and replaces the brochure dated March 22nd, 2017, which was an other than annual amendment.

Since the last brochure, Yang Xu and Adam Tkaczuk departed the firm and Brandon Koepke and Ryan Kirlin joined the firm. The firm also eliminated its internet advisory business and removed related disclosures from this brochure.

### **FULL BROCHURE AVAILABLE**

If you would like to receive a copy of our Firm Brochure, please contact us by telephone at 215-882-9983 or by email at [compliance@alphaarchitect.com](mailto:compliance@alphaarchitect.com).

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## **ITEM 3                      TABLE OF CONTENTS**

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<b>Item 2</b>	<b>MATERIAL CHANGES</b> .....	ii
	Annual Update.....	ii
	Material Changes since the Last Update.....	ii
	Full Brochure Available .....	ii
<b>Item 3</b>	<b>TABLE OF CONTENTS</b> .....	3
<b>Item 4</b>	<b>ADVISORY SERVICES</b> .....	5
	A. Firm Description .....	5
	B. Types of Advisory Services .....	6
	C. Tailored Services.....	8
	D. Wrap Fee Programs .....	9
	E. Assets under Management .....	9
<b>Item 5</b>	<b>FEES AND COMPENSATION</b> .....	10
	A. Advisory Fees .....	10
	B. Billing Procedures .....	11
	C. Other Fees & Expenses.....	13
	D. Refund Policy .....	13
	E. Other Compensation .....	13
<b>Item 6</b>	<b>PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT</b> .....	14
<b>Item 7</b>	<b>TYPES OF CLIENTS</b> .....	15
	A. Description .....	15
	B. Account Minimums .....	15
<b>Item 8</b>	<b>METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS</b> .....	16
	A. Methods of Analysis.....	16
	B. Investment Strategies.....	16
	C. Risk of Loss .....	17
<b>Item 9</b>	<b>DISCIPLINARY INFORMATION</b> .....	22
<b>Item 10</b>	<b>OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS</b> .....	23
	A. Financial Industry Activities .....	23
	B. Financial Industry Affiliations .....	23
	C. Other Material Relationships .....	23
	D. Other Investment Advisers.....	24

<b>Item 11</b>	<b>CODE OF ETHICS, PARTICIPATION, OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING</b>	25
A.	Code of Ethics	25
B.	Participation or Interest in Client Transactions	25
C.	Personal Trading	26
<b>Item 12</b>	<b>BROKERAGE PRACTICES</b>	28
A.	Selection and Recommendation	28
B.	Order Aggregation	30
<b>Item 13</b>	<b>REVIEW OF ACCOUNTS</b>	32
A.	Periodic Reviews	32
B.	Intermittent Review Factors	32
C.	Client Reports	32
<b>Item 14</b>	<b>CLIENT REFERRALS AND OTHER COMPENSATION</b>	33
A.	Economic Benefits for Advisory Services Rendered	33
B.	Compensation for Client Referrals	33
<b>Item 15</b>	<b>CUSTODY</b>	34
A.	Custodian of Assets	34
B.	Account Statements	34
<b>Item 16</b>	<b>INVESTMENT DISCRETION</b>	35
<b>Item 17</b>	<b>VOTING CLIENT SECURITIES</b>	36
<b>Item 18</b>	<b>FINANCIAL INFORMATION</b>	37
A.	Balance Sheet Requirement	37
B.	Financial Condition	37
C.	Bankruptcy Petition	37
<b>Appendix</b>	<b>PRIVACY POLICY</b>	38

**A. FIRM DESCRIPTION**

EMPIRICAL FINANCE, LLC, dba Alpha Architect, is a Pennsylvania limited liability company founded in 2010, ALPHA ARCHITECT LLC (an accounting entity), is a Delaware limited liability company founded in 2014.

Alpha Architect is an investment management firm that provides investment advisory and asset management services on a discretionary or non-discretionary basis by serving as investment manager to separately managed accounts and pooled investment vehicles. ALPHA ARCHITECT is also registered as a commodity trading advisor (CTA) and a commodity pool operator (CPO) with the National Futures Association (NFA).

Empirical Finance, LLC owns a 100% interest in the affiliated investment advisory firm, Alpha Architect, LLC. Alpha Architect, LLC owns a related investment advisory firm, Empowered Funds, LLC, which serves as an adviser to certain registered exchange-traded-funds.

Alpha Architect also provides general consulting services focused in the following areas:

- General quantitative analysis
- Asset allocation and portfolio optimization
- Hedging and arbitrage strategy analysis and implementation
- General computer programming as it relates to quantitative finance

Fees for consulting services are negotiated on a case by case basis depending on the parameters of the consulting engagement.

The principal owners of our firm are Wesley R. Gray, John (Jack) Vogel, Tao Wang, Patrick Cleary, and the Babulak Family Trust. Wesley R. Gray, John Vogel, Tao Wang, Patrick Cleary, Larry Dunn, Kyle Baxter, Brandon Koepke, Ryan Kirlin, and Doug Pugliese are Investment Adviser Representatives for the Firm.

## B. TYPES OF ADVISORY SERVICES

### *1. Separately Managed Accounts*

Alpha Architect offers discretionary portfolio management services or non-discretionary advisory services to individuals, high-net-worth individuals, pooled investment vehicles, corporations and other business entities based on the specific needs and objectives of such Clients. Alpha Architect does not limit services to the type of Clients we currently serve.

#### *a. Discretionary Portfolio Management Services*

Alpha Architect provides discretionary portfolio management services to individuals, high-net-worth individuals, pooled investment vehicles, corporations and other business entities designed to offer suitable participants with portfolio construction and managed accounts with defined investment strategies to meet its Client's investment goals and objectives. Alpha Architect is responsible for providing ongoing re-balancing and continuous monitoring of our Client's securities holdings. Our advice regarding constructing portfolios and managed accounts includes investing in listed and over-the counter Equities and Equity derivatives, Futures, Mutual Funds and Exchange Traded Funds (ETFs), Bonds, as well as use of Leverage and Naked Option Strategies.

Alpha Architect may invest Client assets in related investment companies. In such a scenario, Alpha Architect will receive fees from the management of Fund assets, and the related adviser will receive an investment management fee from the investment company(ies) it advises.

#### *b. Non-Discretionary Advisory Services*

Alpha Architect provides non-discretionary advisory services to corporations, high-net-worth individuals and other business entities based on the specific needs and objectives of such persons. Alpha Architect does not limit services to the type of clients we currently serve.

Alpha Architect provides advice on portfolio construction and individual investments that meet the investment goals and objectives of the Client. Alpha Architect is responsible for arranging the execution of these recommendations if the Client uses their discretionary authority to act on our advice. Our advice regarding constructing portfolios and managed accounts includes investing in listed and over-the counter Equities and Equity derivatives, Futures, Mutual Funds and Exchange Traded Funds (EFTs), Bonds, as well as use of Leverage and Naked Option Strategies.

### *2. Consulting Services*

Alpha Architect provides general consulting services focused in the following areas:

- General quantitative analysis
- Asset allocation and portfolio optimization
- Hedging and arbitrage strategy analysis and implementation
- General computer programming as it relates to quantitative finance

Consulting services are provided to other investment advisory firms, high-net-worth individuals, wealth management companies, financial advisers and registered investment companies. Consulting services are distinct from advisory services, although some of our advisory clients are also consulting clients.

### *3. Alternative Investment Services*

We offer investment management services on a discretionary basis to private funds (“Funds”). Investments for the Funds will be managed in accordance with each Fund’s investment objectives. Investors are required to meet the requirements for “qualified purchasers” under the 1940 Act and/or “qualified eligible persons” under regulations of the Commodity Futures Trading Commission. The pooled investment vehicles(s) may impose additional eligibility restrictions on potential investors. Each Fund will have its own Private Placement Memorandum (“PPM”) which contains important information concerning risk factors and other material aspects of the Funds, and must be read carefully before making an investment decision. Specific procedures and restrictions apply to withdrawals from, and terminations of, an Investor’s position in a Private Fund, as described in each Private Fund’s Private Placement Memorandum, (“PPM”).

Funds may invest Fund assets in related investment companies. In such a scenario, Alpha Architect will receive fees from the management of Fund assets, and the related adviser will receive an investment management fee from the investment company(ies) it advises.

## C. TAILORED SERVICES

The separately managed advisory programs offered by Alpha Architect are based on the individual needs of our Clients and the suitability of products and services. We make a thorough assessment of our Client's goals, objectives, investment horizon, and risk tolerance. Subject to any written guidelines, which the Client may provide, the Firm may be granted discretion and authority to manage the account.

If granted discretionary authority to manage the Client's account, Alpha Architect is authorized to perform various functions, at the Client's expense, without further approval from the Client. Such functions include the determination of securities to be purchased/sold and the amount of securities to be purchased/sold. Once the portfolio is constructed, Alpha Architect will provide continuous supervision and re-balancing of the portfolio as changes in market conditions and as Client circumstances may require.

Prior to engaging Alpha Architect to provide any of the aforementioned investment advisory services, the Client will be required to enter into one or more written agreements with Alpha Architect setting forth the terms and conditions under which Alpha Architect shall render its services (collectively the "Agreement.").

At the beginning of the relationship, Alpha Architect meets with the new Client, gathers information, performs research and analysis as necessary and then prepares an investment plan for the Client. Once the Client portfolio is constructed, Alpha Architect will provide continuous supervision and re-balancing of the portfolio as changes in market conditions and as Client's circumstances may require. These objectives and other data are commonly revised or updated over time. In some instances, these changes are made in writing; in others, they are agreed to verbally.

Once the objectives and risk tolerance of a Client have been established, Alpha Architect will develop and manage the investment portfolio on a discretionary basis. Under such an arrangement, Alpha Architect has the authority to supervise and direct the portfolio without prior consultation with the Client. Accordingly, Alpha Architect is authorized to perform various functions, at the Client's expense, without prior approval from the Client. Such functions include the determination of the securities to be purchased/sold.

Alternatively, Alpha Architect may develop and manage the investment portfolio on a non-discretionary basis, whereby the Firm will make specific investment recommendations to a Client tailored to meet the needs and investment objectives of that specific Client. However,



with non-discretionary portfolios, the Firm shall not initiate any orders to purchase or sell any securities (or specific securities) without the Client's approval.

Finally, Alpha Architect informs its portfolio recommendation via an internet-based "Know Your Customer" questionnaire which is coupled with live client interaction. The "Know Your Customer" questionnaire provides a standardized, documented list of client factors (and implied portfolio recommendation) for certain accounts. This document enhances the "live" client due diligence process.

Clients may impose restrictions on investing in certain securities or types of securities. Agreements may not be assigned without Client consent.

**Clients are advised to promptly notify Alpha Architect in writing, in accordance with the Client's separately managed account agreement if there are any material changes in their financial situation, investment objectives, or in the event they wish to alter any restrictions upon investment management services.**

#### D. WRAP FEE PROGRAMS

Alpha Architect is not a sponsor of any Wrap Fee Program(s).

#### E. ASSETS UNDER MANAGEMENT

The securities and other instruments in which Alpha Architect may invest include, but are not limited to, exchange listed securities and over-the-counter securities. Generally, Alpha Architect does not limit its investment advice to specific securities.

Alpha Architect may employ cash positions as a possible hedge against market movements. Alpha Architect may also sell positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of positions, change in risk tolerance of Client, or any risk deemed unacceptable for the Client's risk tolerance.

As of January, 2018, Alpha Architect managed approximately \$550 million USD in assets for 250 Clients of Alpha Architect's separately managed accounts services. The entire amount is managed on a discretionary basis.

**A. ADVISORY FEES***Discretionary and Non-Discretionary Advisory Services*

Upon the Client's engagement of Alpha Architect to provide separately managed account services, Alpha Architect shall perform such services for an annual fee based on a percentage of Client's assets under management (the "Separately Managed Account Management Fee").

*Separately Managed Account and Private Fund Management Fees*

The Separately Managed Account Management Fee will be exclusive of and in addition to brokerage commissions, transaction fees, borrowing costs, and any other costs or expenses incurred by the Client and payable to Client's broker. Alpha Architect will not receive any portion of these commissions, transaction fees, or other brokerage costs. The Management Fee will be calculated and charged on a monthly basis, in arrears, based upon the average asset value per month calculated at the end of each month, commencing on the last of the month that the Client account is funded. The Management Fee generally ranges between 0.00% to 1.95% per annum for separately managed accounts. The Management Fee is between 0.00% and 1.50% for pooled investment vehicles.

Under certain circumstances and at the sole discretion of Alpha Architect, the Separately Managed Account Management Fee may be negotiated.

Alpha Architect may invest Client assets in related investment companies. In such a scenario, Alpha Architect will receive fees from the management of Fund assets, and the related adviser will receive an investment management fee from the investment company(ies) it advises.

*Sub-Advisory Services*

Upon engagement by another registered investment adviser ("Primary Adviser"), Alpha Architect provides sub-advisory services to all or a portion of the Primary Adviser's customers' assets. Alpha Architect provides these sub-advisory services for an annual fee based on the percentage of the value of the assets that are sub-advised ("Sub-Advisory Fee").

*Sub-Advisory Fee*

The Sub-Advisory Fee will be exclusive of and in addition to brokerage commissions, transaction fees, and any other costs or expenses incurred by the Primary Adviser's clients and payable to Primary Adviser's clients' broker. Alpha Architect will not receive any portion of these commissions, transaction fees, or other brokerage costs. The Sub-Advisory Fee will be calculated and charged on a monthly basis, in arrears, based upon the average asset value of the sub-advised assets per month calculated at the end of each month, commencing on the last of the month that the sub-advised account is funded. The Sub-Advisory Fee generally ranges between 0.00% to 0.15% per annum.

#### *Performance Allocation*

For specific alternative investment services, Alpha Architect generally receives a performance profit allocation ("Performance Fee") in the amount equal to twenty-five (25%) of the annual increase in the net asset value of the Client account subject to a high water mark and a hurdle rate equal to the 10-year Treasury Bond yield plus 3.00%.

Not all investment services are charged a Performance Fee. Under certain circumstances and at the sole discretion of Alpha Architect, the Performance Allocation may be negotiated for services where the Performance Fee is typically assessed, or in exchange for additional terms relating to the Client's investment.

Pursuant to Rule 205-3 promulgated under the Advisers Act, Performance Fees are assessed only to those Clients who satisfy the "Qualified Client" definition of Rule 205-3(d)(1).

#### *Consulting Services*

Fees for consulting services are negotiated on a case by case basis depending on the parameters of the consulting engagement. Generally, the consulting fees typically consist of a fixed component and an hourly component that runs \$500.00 per hour.

Lower fees for comparable consulting services may be available from other sources.

## **B. BILLING PROCEDURES**

### ***Portfolio Management Services and Non-Discretionary Portfolio Management Services***

#### *Management, Advisory and Sub-Advisory Fees*

Separately Managed Account management fees and Sub-Advisory fees are billed monthly, in arrears, meaning that we invoice Clients after the monthly billing period has ended. Payment in

full is expected at the end of each month. Fees are usually deducted from a designated Client account to facilitate billing. Clients must consent in advance to direct debiting of their investment accounts. In accordance with the SEC custody rules, Alpha Architect submits an invoice to the Client's custodian on a monthly basis with the amount of the advisory fee to be deducted from the account. Furthermore, the custodian sends Clients account statements at least quarterly showing the deduction of the management or advisory fee. For sub-advisory accounts, the Primary Adviser is responsible for obtaining authorization from the Client for direct debiting from the Client's account, and is further responsible for invoicing the custodian. To the extent that the Primary Adviser is obligated to invoice the Client, the Primary Adviser assumes full responsibility for such tasks, and indemnifies Alpha Architect for the failure to comply with any federal or state laws concerning custody.

Alpha Architect reserves the right to waive or reduce management fees and to change how management fees are billed.

#### *Consulting Services*

Generally, consulting fees are invoiced to the Client on a monthly basis when Clients are billed on an hourly basis. If consulting services are based on a flat rate fee, the Client will be billed in two installments, with the first installment due upon acceptance and exercise of the consulting agreement. The second installment will be due upon completion of the consulting services.

## C. OTHER FEES & EXPENSES

There may be additional fees or charges that result from the maintenance of our trading within your account. These fees are imposed by third parties in connection with investments made through your account. Any additional fees, charges or expenses resulting from maintenance of our trading within the account shall be the sole responsibility of the Client.

Clients may also incur certain charges imposed by third parties other than Alpha Architect in connection with investments made through the Account, including but not limited to, no-load 12b-1 distribution fees; certain deferred sales charges on previously purchased mutual funds, and Maintenance fees and Retirement Plan fees.

## D. REFUND POLICY

A Client may terminate the Investment Advisory Services Agreement for any reason at any time by notifying Alpha Architect in writing. If the Client made an advance payment, Alpha Architect will refund any unearned portion of the advance payment.

Alpha Architect may terminate any of the Agreement at any time by notifying the Client in writing. If the Client made an advance payment, Alpha Architect will refund any unearned portion of the advance payment.

Any fees assessed in advance by Alpha Architect will be prorated to the date of the termination specified in the notice of termination and any unearned portion there will be refunded to Client.

## E. OTHER COMPENSATION

In addition to the Management and Performance Fees, Alpha Architect accepts fees for its consulting services. Fees for consulting services are negotiated on a case by case basis depending on the parameters of the consulting engagement.

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

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*For Alternative Investment Services*

For specific alternative investment services, Alpha Architect generally receives a performance profit allocation (“Performance Fee”) in the amount equal to twenty-five (25%) of the annual increase in the net asset value of the Client account subject to a high water mark and a hurdle rate equal to the 10-year Treasury Bond yield plus 3.00%.

Not all investment services are charged a Performance Fee. Under certain circumstances and at the sole discretion of Alpha Architect, the Performance Allocation may be negotiated for services where the Performance Fee is typically assessed, or in exchange for additional terms relating to the Client’s investment.

Pursuant to Rule 205-3 promulgated under the Advisers Act, Performance Fees are assessed only to those Clients who satisfy the “Qualified Client” definition of Rule 205-3(d)(1).

Performance Allocation fees are based on a share of the capital gains or capital appreciation of the assets of a Client. Fees based on performance means Alpha Architect participates directly in the account’s results.

The Performance Allocation may, indirectly, create an incentive for the Firm to make investments on behalf of the Fund that are riskier or more speculative than would be the case in the absence of such allocation. To mitigate any conflicts of interests, the investments will be reviewed quarterly by the Chief Compliance Officer to ensure that investments are in line with fund objectives and that investments do not incur extraordinary amount of risk.

**A. DESCRIPTION**

Alpha Architect generally provides separately managed account services to high-net-worth individuals, corporations, pooled investment vehicles, and other business entities. Client relationships vary in scope and length.

Investors in the pooled investment vehicle(s) for which Alpha Architect serves as the investment adviser are expected to include high net worth individuals and institutional investors (meeting the qualifications of those exceptions and exemptions under which the pooled investment vehicles operate) or non-U.S. Persons, within the meaning of Regulations S, wishing to invest in accordance with the investment objective(s) of the pooled investment vehicles(s). Investors are required to meet the requirements for “qualified purchasers” under the 1940 Act and/or “qualified eligible persons” under regulations of the Commodity Futures Trading Commission. The pooled investment vehicles(s) may impose additional eligibility restrictions on potential investors.

Sub-advisory services are offered to Primary Advisers with Clients who are consistent with Alpha Architect’s separately managed account.

**B. ACCOUNT MINIMUMS**

Generally, the minimum initial capital contribution for separately managed accounts and pooled investment vehicles is \$500,000. Alpha Architect reserves the right to reduce the minimum initial capital contribution.

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

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**A. METHODS OF ANALYSIS**

Alpha Architect utilizes a variety of investment strategies involving quantitative analysis. The main sources of information we use include, but are not limited to, in-house databases, financial newspapers and magazines, inspections of corporate activities, company press releases, and annual reports, prospectuses, and corporate filings with the SEC.

Alpha Architect uses an objective, quantitative approach to identify securities whose market values differ materially from their fundamental value. We try to avoid unnecessary complexity. We always strive to keep things as simple as possible, but no simpler.

Our general process is as follows:

1. We start off by identifying behavioral bias.
2. We try and understand how that bias will manifest itself in stock prices.
3. We try and understand why other investors aren't taking advantage of the bias, or in academic jargon, we look for "limits to arbitrage."
4. Finally, we conduct a barrage of out of sample tests and distill our models down to the simplest components that effectively capture the effect we want to exploit.

Alpha Architect also deploys risk management strategies that seek to minimize market drawdowns and avoid adverse tax consequences. When reduced equity exposure is indicated, Alpha Architect will short index futures to reduce market exposure; however, client assets will remain fully invested in the affiliated investment company strategies, regardless of market signal. The practice enables clients to follow a risk management strategy without recognizing tax liabilities by liquidating positions. Such strategy poses certain risks, which are detailed below.

**B. INVESTMENT STRATEGIES****1) Separately Managed Accounts**

The investment objective of Alpha Architect is to achieve superior risk-adjusted returns relative to an appropriate passive benchmark. To achieve its objective, Alpha Architect will primarily take long and short positions in publicly traded securities. Our firm does not make a practice of recommending margin transactions or options writing strategies but will employ these strategies upon the request of our Clients. Short-term trading, short sales, margin transactions, and



options writing generally hold greater risk and Clients should be aware that when utilizing these strategies, there is an increased risk of loss of investment principal.

Although we have a variety of systematic investment strategies to choose from, we can implement a strategy a Client may have developed. The investment strategy for a specific Client is based upon the objectives stated by the Client during consultations. The Client may change these objectives at any time.

## 2) Sub-Advisory Services

Alpha Architect offers both separately managed account services to sub-advisory Clients. Clients with sub-advised assets satisfying the account minimum for separately managed account services are managed consistently with Alpha Architect's other separately managed account Clients.

## C. RISK OF LOSS

Notwithstanding the method of analysis or investment strategy employed by our firm, the assets within your portfolio are subject to risk of devaluation or loss. Alpha Architect wants Clients to be aware that there are many different events that can affect the value of his assets or portfolio including, but not limited to, changes in financial status of companies, market fluctuations, changes in exchange rates, trading suspensions and delays, economic reports, and natural disasters.

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar will be worth more today than a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment’s originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Concentration Risk:** This is the risk that a portfolio concentrates investments in a limited number of issuers, or in issuers within the same economic sector, industry, or geographic location. The value of such concentrated portfolios may be particularly susceptible to adverse economic, business or political developments compared to more diversified portfolios.
- **Derivatives Risk:** An investment in derivatives may be illiquid, difficult to price, and subject to leverage, such that small changes in circumstances generate disproportionate losses to a portfolio. Because of the complexity of derivatives, such investments may not perform as anticipated and returns/losses may be difficult to monitor.
- **Investment Company and Exchange-Traded Fund (“ETF”) Risks:** Investments in an investment company or ETF involve substantially similar risks to investments in the underlying securities of the company or ETF. Investment companies and ETFs may not achieve the intended investment objective, or may otherwise not execute the investment strategy effectively, which may adversely affect the value of a portfolio. ETFs include the added risk that they may no longer satisfy the listing standards of the exchange on which they are traded.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- **Cyber Security Risk:** Alpha Architect, like many companies, may be susceptible to operational and information security risks. Cyber security threats include, without exclusion, stealing or corrupting data maintained online or digitally at the adviser's offices, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber-attacks. Cyber security failures or breaches of Alpha Architect or its service providers or the issuers of securities in which Alpha Architect invests have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, the inability of Alpha Architect's clients to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs. Alpha Architect and its Clients could be negatively impacted as a result.
- **General Partner Risk:** Documents governing private funds offered by Alpha Architect often limit the circumstances under which a general partner, manager and their affiliates can be held liable to a private fund and its investors, generally. As a result, investors may have a more limited right of action in certain cases than they would otherwise have in the absence of such provisions.
- **Issuer Risk:** The value of a security may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets.
- **Key Person Risk:** Registered and private funds are generally reliant on certain key investment personnel employed in managing assets. Termination, disability, death, or departure of key personnel could adversely affect the underlying fund and its performance.
- **Substantial Redemptions:** Investors in registered and private funds may make large redemptions or purchases in such funds, which may cause a fund to have to sell securities or invest additional cash. These transactions may adversely affect the fund's performance and increase transaction costs.

- **Foreign (Non-U.S.) Risk:** A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. The prices of these securities may fluctuate more widely and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- **Tax Risk:** Tax laws and regulations applicable to an account are subject to change, and unanticipated tax liabilities could be incurred by investors as a result of such changes. Investors should consult their own tax advisers and counsel to determine the potential tax-related consequences of investing.
- **Database Errors:** Our strategies rely on proprietary databases and third party data sources. As a result, any errors in the underlying data entry, database or the assumptions underlying the strategies may result in a portfolio acquiring or selling investments based on incorrect information. Additionally, data entry made by our internal team of financial analysts may contain errors, as may the database system used to store such data. When strategies and data prove to be incorrect, misleading, flawed or incomplete, any decisions made in reliance thereon expose our clients to potential risks. For example, by relying on our strategies and data, we may be induced to buy certain investments at prices that are too high, to sell certain other investments at prices that are too low, or to miss favorable opportunities altogether. Similarly, any hedging based on faulty strategies and data may prove to be unsuccessful. As a result, the portfolio could incur losses on such investments before the errors are identified and corrected. We do not reimburse the portfolios or Clients for database errors.
- **Accuracy of Public Information Risk:** We select investments, in part, on the basis of information and data filed by issuers with various government regulators or made publicly available by the issuers or through publicly available sources other than the issuers. Although we evaluate this information and data, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information may not be available.
- **Market Drawdown Risk:** Alpha Architect deploys risk management strategies that seek to minimize market drawdowns. When reduced equity exposure is indicated, Alpha Architect will short index futures to reduce market exposure; however, client assets will remain fully invested in the affiliated investment company strategies, regardless of market signal. The purpose of this practice is to enable clients to follow a risk management strategy without recognizing tax liabilities. The use of this strategy exposes clients to additional risks associated with options and short trades, which are discussed more fully below.

- **Risks from Purchasing Options.** If a call or put option purchased by us is not sold when it has remaining value and if the market price of the underlying security, in the case of a call, remains less than or equal to the exercise price, or, in the case of a put, remains equal to or greater than the exercise price, you will lose its entire investment in the option. There is no assurance that a liquid or "fair" market will exist when we seek to close out an option position. Where a position in a purchased option hedges a related position, the price of the option may move more or less than the price of the related position.
- **Risks from Selling Options.** Selling or writing option contracts often results in a "short" position (see Short Selling Risk below). A short position can result in losses that substantially exceed your initial investment. There is no assurance that a liquid or "fair" market will exist when we seek to close out a short option position. This lack of marketability may result in further losses. In cases when we sell an option to hedge against price movements in a related underlying position, such as in connection with our risk management strategy described above, the price of the option may move more or less than the price of the related position and not fully hedge the position.
- **Short Selling Risk.** When an investor short sells a security, the investor's losses technically could be infinite. A short sale trade loses money when the price of the underlying security rises. Theoretically, a security price could rise by an unlimited amount. When the underlying securities prices go up, a short seller's losses get higher, and as sellers rush to buy the stock to cover their positions, the losses increase exponentially. This phenomenon is known as a short squeeze. Usually, news in the market will trigger a short squeeze, but sometimes traders who notice a large number of shorts in a stock will attempt to induce one. Timing is an additional complication. Even though a security is overvalued, it could conceivably take some time for the price to decline. In the meantime, the short investor is vulnerable to interest charges, margin calls, dividend payments if any and other adverse effects.

While this information provides a synopsis of the events that may affect your investments, this listing is not exhaustive. We want you to understand that there are inherent risks associated with investing and depending on the risk occurrence; you may suffer **LOSS OF ALL OR PART OF YOUR PRINCIPAL INVESTMENT.**

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**ITEM 9****DISCIPLINARY INFORMATION**

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The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment Clients.

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

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**A. FINANCIAL INDUSTRY ACTIVITIES**

Alpha Architect is not a registered broker-dealer, or a futures commission merchant. Alpha Architect is a commodity trading advisor and commodity pool operator. Furthermore, none of Alpha Architect's management or supervised persons is a registered representative or has an application pending to register as a representative of a broker-dealer.

**B. FINANCIAL INDUSTRY AFFILIATIONS**

Alpha Architect is registered with the National Futures Association (NFA) as a Commodity Trading Adviser and Commodity Pool Operator.

**C. OTHER MATERIAL RELATIONSHIPS**

Empirical Finance, LLC owns a 100% interest in affiliated investment advisory firm, Alpha Architect, LLC. Alpha Architect, LLC owns a 100% interest in a related investment advisory firm, Empowered Funds, LLC, which serves as an adviser to certain registered exchange-traded-funds under the registered investment company, Alpha Architect ETF Trust.

Alpha Architect may advise clients to invest some or all assets under management in registered exchange traded funds managed by its related investment adviser, Empowered Funds, LLC, or in private funds managed by Alpha Architect, as disclosed above. In such scenarios, Alpha Architect would receive indirect compensation from the investment management fees that Empowered Funds would receive from the client's assets invested in such exchange-traded funds, or from the asset management fees and performance fees, if any, that Alpha Architect may receive from the private funds. The receipt of such compensation raises a conflict of interest for Alpha Architect in choosing where to allocate clients' assets.

Alpha Architect's controlling entity, Empirical Finance, is an index provider to the exchange traded funds mentioned previously and provides this index to Empowered Funds' portfolio managers ("Advisor Personnel") for execution. This construct creates a conflict of interest whereby the Index Personnel (select employees of Empirical Finance who generate the index) could seek to manipulate the index and "front-run" trades prior to execution by the Advisor Personnel. The Index could also be manipulated to benefit the Index Personnel at the expense of Alpha Architect and Empowered Funds' clients and / or the trading public more broadly.

Alpha Architect and Empowered Funds have adopted Codes of Ethics and implemented targeted trading policies to mitigate these potential conflicts that could result in unfair treatment of a client account or the trading public. Alpha Architect will provide a copy of its Code of Ethics to any client or prospective client upon request

**D. OTHER INVESTMENT ADVISERS**

None.



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

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**A. CODE OF ETHICS**

All Alpha Architect personnel must act in an ethical and professional manner. In view of the foregoing, Alpha Architect has determined to adopt a Code of Ethics (the "Code") to specify and prohibit certain types of transactions deemed to create conflicts of interest (or at least the potential for or the appearance of such a conflict), and to establish reporting requirements and enforcement procedures relating to personal trading by Alpha Architect personnel. The Code was adopted to effectuate the purposes and objectives of Sections 204A and Section 206 of the Investment Advisers Act of 1940 (the "Advisers Act") and Rule 204-2 under the Advisers Act. The Code, which specifically deals with professional standards, insider trading, personal trading, gifts and entertainment, and fiduciary duties, establishes ideals for ethical conduct based upon fundamental principles of openness, integrity, honesty, and trust. Alpha Architect will provide a copy of its Code of Ethics to any Client or prospective Client upon request.

**B. PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

Potential conflicts of interest may exist if an investment adviser or one of its affiliates or related persons engages in a transaction in which it buys or sells for a Client, securities, in which the adviser or the related person has a material financial interest. Alpha Architect may recommend to Clients that they buy or sell shares of an investment company or other investment product in which Alpha Architect have some financial interest by serving as adviser or sub-adviser to such investment company, fund or other product. Some investment companies that may be recommended by Alpha Architect, including private funds, are subject to a performance-based incentive fee. Employees providing advice to these private funds may also hold interests in such performance-based funds and may also provide investment advisory services with respect to similarly managed accounts that are not subject to performance fees.

Alpha Architect and its employees may recommend, or effect transactions in, securities which a related person may have material financial interest, subject to the strict conditions of Alpha Architect's Compliance Manual, including the Personal Trading and Code of Ethics provisions contained therein. Specifically, Alpha Architect recommends investments in related self-indexed ETFs. These self-indexed ETFs are advised by Empowered Funds, a related adviser to Alpha Architect. In such a scenario, Alpha Architect receives advisory fees from the Client based on the value of assets under management, including those assets invested in the self-indexed ETFs, and Alpha Architect's related adviser, Empowered Funds, also receives advisory fees based on the value of the assets under management of the self-indexed ETFs. It is therefore a potential

conflict of interest to invest assets of Clients in related self-indexed ETFs. Accordingly, Alpha Architect discloses the relationship with the self-indexed ETFs and the fees received by Alpha Architect and its related adviser, Empowered Funds.

Similarly, Alpha Architect may invest assets of private funds over which it has discretionary authority in the related Empowered Funds ETFs. In such case, Alpha Architect will receive advisory and (potentially) performance fees for the management of the private fund assets, and Empowered Funds will receive an investment management fee for the management of the ETFs' assets under management.

Alpha Architect may recommend Clients invest in private funds that are managed by Alpha Architect. In such a scenario, Alpha Architect may receive compensation as manager of the private fund in addition to an investment management fee for advising the Client's account. In such situation, Alpha Architect has implemented policies and procedures to comply with federal and state laws and regulations restricting the "layering" of advisory fees.

Alpha Architect specifically prohibits supervised persons from knowingly selling to or purchasing from a Client any security or other property, except securities issued by the Client. Alpha Architect also serves as general partner to various pooled investment vehicles. Alpha Architect may also have a conflict of interest related to performance fees charged to investors in the pooled investment vehicles. Please refer to Item 6 of this document which provides details on the conflict and how Alpha Architect addresses the conflict.

## C. PERSONAL TRADING

Alpha Architect or a related person may from time to time purchase or sell for its own account securities recommended by Alpha Architect for purchase and/or sale by Clients of Alpha Architect. Specifically, Alpha Architect is the general manager of certain private pooled investment vehicles, and as such purchases and sells securities for such related vehicles. However, any purchase or sale of a security by Alpha Architect or a related person will be subject to Alpha Architect's fiduciary duty to its Clients. Management and/or supervised persons are prohibited from "front-running," that is, the purchase or sale of securities for their own or any Client's account on the basis of their knowledge of a Client's trading positions or planned trading positions.

Alpha Architect and its employees have a fiduciary duty to place the interests of Clients ahead of their own interests. Records of all security transactions by Alpha Architect and related persons will be maintained at Alpha Architect's office and will be available for inspection by Clients upon at least two business days prior notice. To mitigate or remedy any conflicts of interest or

perceived conflicts of interest, we will monitor our personal trading reports for adherence to our Code of Ethics.

**A. SELECTION AND RECOMMENDATION**

For separately managed account Clients, Alpha Architect will recommend a broker-dealer or custodian that has the most favorable commission rate available for all of its Clients, while satisfying the other factors considered in Alpha Architect's best execution analysis. Alpha Architect shall generally recommend that its separately managed account Clients open brokerage accounts with Interactive Brokers. However, Clients may choose any other broker for custody and trading of their account, and are responsible for negotiating fees and commissions schedules. In making brokerage recommendations for separately managed accounts, Alpha Architect will consider a number of judgmental factors, including, without limitation: 1) clearance and settlement capabilities; 2) quality of confirmations and account statements; 3) the ability of the broker to settle the trade promptly and accurately; 4) the financial standing, reputation and integrity of the broker-dealer; 5) the broker-dealer's access to markets, research capabilities, market knowledge, and any "value added" characteristics; 6) Alpha Architect's past experience with the broker-dealer; 7) Alpha Architect's past experience with similar trades; and 8) any other factors. Recognizing the value of these factors, Clients may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. "Best execution" is not synonymous with lowest brokerage commission. Consequently, in a particular transaction Alpha Architect may pay a brokerage commission in excess of that which another broker might have charged for executing the same transaction. However, Alpha Architect has determined that the research, execution and other services rendered by a particular broker merit greater than typical fees.

Alpha Architect will periodically evaluate the performance of the brokers it uses and may change the brokers it uses from time to time.

**1. SOFT DOLLAR BENEFITS**

Consistent with the foregoing, Alpha Architect may generate "soft dollars" from brokerage transactions to be used for "brokerage" or "research" services pursuant to the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

**Alpha Architect's policy is not to accept "soft dollars" with respect to brokerage transactions.**

## 2. BROKERAGE FOR CLIENT REFERRALS

Alpha Architect does not receive Client referrals from broker-dealers or third parties in exchange for using that broker-dealer or third party.

## 3. DIRECTED BROKERAGE

As noted above, Alpha Architect shall generally recommend that its Clients open brokerage accounts with Interactive Brokers (“IB”).

However, Clients may choose any other broker for custody and trading of their account, and are responsible for negotiating fees and commissions schedules. If a Client directs brokerage, Alpha Architect cannot negotiate commission rates; however, Alpha Architect will use its best efforts to negotiate the most favorable rates based on the size and the anticipated trading activity in the account. In the event of directed brokerage, Clients may pay higher brokerage commissions than might otherwise be paid if Alpha Architect were granted discretion to select a broker to hand the account. In addition, Clients may lose the benefits of potentially better executions available through bunched transactions of the recommended broker-dealer custodian.

Alpha Architect’s recommendation of Interactive Brokers as an executing broker is based upon best execution analysis using the highest potential fees charged to a client’s account. As trade volume increases, commissions are reduced by IB. Thus, aggregating all trades can provide even lower trading costs to clients. Nevertheless, we evaluate (on an annual basis) the trading costs of various brokers and compare them to Interactive Broker’s highest rate, thereby ensuring our selection of Interactive Brokers remains the lowest cost option, regardless of trading volume. Should other brokers present competitive pricing (amongst other factors) we would direct trade orders to the best executing broker.

As of this Brochure’s date, Interactive Brokers has been deemed to provide best execution for client accounts.

Alpha Architect’s selection of Interactive Brokers does present two potential conflicts of interest. First, commission rates can decrease with significant trading volume. One could theoretically trade numerous client accounts at the higher rate and then trade other client accounts later on at a lower commission rate. Systematically doing so would benefit certain client accounts over others. To mitigate this, the Adviser strives to group all trade orders by strategy whenever possible. All client trades on a particular day are equivalent and treated equally (see Order Aggregation, below).

The second conflict of interest arises for accounts where commissions are paid by Alpha Architect on the client's behalf. Alpha Architect benefits when client accounts are aggregated and trading costs are lowered because the fees it pays for clients are lowered as well. In theory, Alpha Architect could direct trading volume to Interactive Brokers specifically to drive down the commission rates it pays on a client's behalf, even if that volume could be better executed elsewhere. To mitigate this risk, Alpha Architect reviews best execution criteria for all brokers annually and evaluates Interactive Brokers at the highest possible commission rate.

## B. ORDER AGGREGATION

When aggregating and allocating securities transactions, our Clients are treated in a fair and equitable manner. No account will be favored over any other accounts. All Clients participating in an aggregated order must be treated fairly. In the regular course of business, we may at times enter orders for multiple advisory accounts in order to obtain the best pricing averages and minimize trading costs for our Clients. Accordingly, our policies and procedures mandate allocating the orders to the appropriate Client accounts as soon as possible thereafter and allocating transactions equitably.

Allocation of executed trades must be fair and equitable. Alpha Architect may not allocate trades in such a way that Alpha Architect's personal, proprietary or affiliated accounts receive more favorable treatment than Clients' accounts. Similarly, Alpha Architect may not allocate profitable trades at each day's end so as to disproportionately favor certain Clients without appropriate disclosure.

In making investment decisions for the accounts, securities considered for investment by one Client may also be appropriate for another Client. On occasions when the purchase or sale of a security is deemed to be in the best interest of more than one Client, Alpha Architect may, but will not be obligated to, aggregate or "batch" orders for the purchase or sale of securities for all such accounts to the extent consistent with best execution and the terms of the relevant investment advisory agreements. Such combined or "batched" trades may be used to facilitate best execution, including negotiating more favorable prices, obtaining more timely or equitable execution or reducing transaction charges.

When Alpha Architect decides to purchase or sell the same securities for several Clients at approximately the same time, Alpha Architect is not required to aggregate such transactions, but will do so absent a determination by our Firm's Compliance Officer based on the best interests of Alpha Architect's Clients. Alpha Architect will aggregate and allocate orders only in a manner designed to ensure no Client or account is favored over others over time. Alpha Architect believes that aggregation is consistent with Alpha Architect's duty to seek best execution and

best price for Clients and is consistent with Alpha Architect's investment advisory agreements with each Client for which trades are being aggregated.

We have instructed our broker-dealer (custodian) to process our Clients' trades in the most cost effective manner while securing quality of execution. The Compliance Officer will review transactions periodically to prevent and detect excessive costs related to non-compliance with order aggregation procedures.

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**ITEM 13**                    **REVIEW OF ACCOUNTS**

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**A. PERIODIC REVIEWS**

Alpha Architect's criterion for reviewing Client accounts is as follows:

The day-to-day supervision of the accounts is the responsibility of the principals of Alpha Architect. Each investment account is reviewed at least quarterly for compliance with policy, suitability of investments and customer investment objectives. Other factors that would trigger a more frequent review are material market events, changes in the Client's personal situation, or Client request.

**B. INTERMITTENT REVIEW FACTORS**

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or by changes in your financial status (such as retirement, termination of employment, relocation, or inheritance).

**C. CLIENT REPORTS**

Client performance reporting requirements are determined by the terms of the Agreement. In all cases, net performance is reported on a quarterly basis to separate account Clients via the Broker's online client account portal.

Clients will receive statements from their broker-dealer. At a minimum, each Client will receive a quarterly report from his broker-dealer that will include a statement of account holdings, market value, broker commissions, and advisory fees for the previous month.



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

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**A. ECONOMIC BENEFITS FOR ADVISORY SERVICES RENDERED**

Alpha Architect does not receive and does not have any arrangement to receive economic benefits (such as sales awards or other prizes) from any third-party for providing investment advice or other advisory services to Clients.

**B. COMPENSATION FOR CLIENT REFERRALS**

Alpha Architect is required to disclose any direct or indirect compensation that it provides for client referrals. If a client is introduced to Alpha by an unaffiliated solicitor, Alpha 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 is paid solely from Alpha's investment management fee, and does not result in any additional charge to the client. If the client is introduced to Alpha by an unaffiliated solicitor, the solicitor provides the client with a copy of Alpha's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation.

Alpha does compensate unaffiliated solicitors for client referrals in accordance with the above-stated terms.

**A. CUSTODIAN OF ASSETS**

Our firm has indirect custody of managed account funds and securities by virtue of our discretionary authority and the ability to deduct advisory fees payable to it. Our Client's assets are currently held by Interactive Brokers, State Street, and Northern Trust, all of which are broker-dealers (custodians) of portfolio assets. These broker-dealers maintain custody of Clients' assets at all times.

Alpha Architect has custody of pooled investment vehicles according Investment Advisers Act Rule 206(4)-2 ("Custody Rule") because it and its affiliates serve as general partners to private funds. However, client assets and securities managed by Alpha Architect are held at independent, qualified custodians. Alpha Architect has entered into a written agreement with an independent public accountant to provide audited financial statements to the private fund's investors within 120 days following the private fund's fiscal year end.

**B. ACCOUNT STATEMENTS**

Although we are the adviser to our Clients, Client statements will be provided by the appropriate broker-dealer electronically. When Clients receive these statements, they should review them carefully.

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**ITEM 16****INVESTMENT DISCRETION**

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Generally, our clients retain us on a discretionary basis upon execution of a management agreement. We have discretionary authority with respect to the investment decisions on behalf of our clients pursuant to the management agreements. Investments for separately managed client accounts are managed in accordance with each client's stated investment objectives, strategies, restrictions and guidelines.

Investments for pooled investment vehicles are managed in accordance with the fund's investment objective, strategies and restrictions and are not tailored to the individualized needs of any particular investor in the fund. Therefore, fund investors should consider whether the fund meets their investment objectives and risk tolerance prior to investing. Information about the pooled investment vehicles can be found in their governing documents, which will be available to current and prospective investors only through Alpha Architect or another authorized party.

We do not have discretionary authority to vote any proxy with respect to any security held in Client managed account portfolios unless negotiated separately on a case by case basis.

If Alpha Architect is asked by a Client to vote a proxy, Alpha Architect will vote proxies in the best interest of the Client. Alpha Architect has adopted proxy voting policies and procedures. Alpha Architect will act in the best interest of the Client in determining whether and how to exercise a Client's investment rights as a securities holder, including whether and how to vote on any proxy voting matter and how to respond to corporate actions.

Alpha Architect policy is to vote proxies on behalf of pooled investment vehicle accounts. Alpha Architect has adopted proxy voting policies and procedures. Alpha Architect will act in the best interest of the pooled investment vehicle in determining whether and how to exercise a pooled investment vehicle's rights as a securities holder, including whether and how to vote on any proxy voting matter and how to respond to corporate actions.

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**ITEM 18**                    **FINANCIAL INFORMATION**

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**A. BALANCE SHEET REQUIREMENT**

Alpha Architect does not require or solicit prepayment of fees six months or more in advance.

**B. FINANCIAL CONDITION**

The firm does not have any financial impairment that will preclude it from meeting contractual commitments to Clients.

**C. BANKRUPTCY PETITION**

The Firm has not been the subject of a bankruptcy petition at any time during the last 10 years.

Alpha Architect is strongly committed to preserving and safeguarding our clients' personal financial information. Confidentiality is extremely important to both us and our clients, and we therefore take strict measures to protect the confidentiality and security of our clients' personal information.

**Personal Information**

To provide financial planning and investment services, we collect nonpublic personal information from our clients. The categories of nonpublic personal information collected from a client depend upon the scope of the client engagement. It may include information about the client's personal finances, information about transactions between the client and third parties, information from custodians, banks, or other financial institutions, information from the client's other advisors, and information collected from written or verbal communications with the client. We do not disclose any of our clients' personal information to anyone except as permitted or required by law. We do not disclose any of our clients' personal information to affiliated or nonaffiliated third parties (such as our clients' other professional and/or service providers) without our clients' authorization and consent and only for the purpose of providing services on our clients' behalf. Federal law allows you the right to limit the sharing of your NPI by "opting-out" of the following: sharing for affiliates' everyday business purposes – information about your creditworthiness or sharing with non-affiliates to market to you. State laws and individual companies may give you additional rights to limit sharing. Please notify us immediately at our address or telephone number if you choose to opt out of these types of sharing.

**Security**

Alpha Architect has instituted certain technical, administrative and physical safeguards through which Alpha Architect seeks to protect personal information about current and former clients from unauthorized use and access. First, technical procedures are used in order to limit the accessibility and exposure of client information contained in electronic form. Second, administrative procedures are used in order to control the number and type of employees, affiliated and nonaffiliated persons, to whom customer information is accessible. Third, physical safeguards have been established to prevent access to client information contained in hard-copy form. As these procedures illustrate, Alpha Architect realizes the importance of information confidentiality and security, and emphasizes practices which are aimed at achieving those goals.

## **Questions**

Alpha Architect welcomes questions and comments about our Privacy Policy. Please call us at +1.215.882.9983 or email at [compliance@alphaarchitect.com](mailto:compliance@alphaarchitect.com).