

**Part 2A of Form ADV Firm Brochure**

March 17, 2021

**CUBIC Advisors, LLC**

CRD No. 165008

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This brochure provides information about the qualifications and business practices of CUBIC Advisors, LLC.

If you have any questions about the contents of this brochure, please contact us at [john.slater@cubicadvisors.com](mailto:john.slater@cubicadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC or state regulatory authority does not imply a certain level of skill or expertise.

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

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## Item 2: Material Changes

There are no material changes in this brochure from the last annual updating amendment of CUBIC Advisors, LLC (CUBIC Advisors) on 03/30/2020. Material changes relate to CUBIC Advisors, LLC's (CUBIC Advisors) policies, practices or conflicts of interests only.

Our brochure may be requested by contacting us by phone at 610-788-2142 or by email at [john.slater@cubicadvisors.com](mailto:john.slater@cubicadvisors.com). We will provide you with a copy of our brochure at any time without charge.

Additional information about us and about our investment advisory representatives is also available via the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Information about your advisory representative may be found in the representative's supplement to our brochure.

CUBIC Advisors, LLC  
CRD Number 165008

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## Item 4: Advisory Business

### A. Description of Your Advisory Firm

CUBIC Advisors, LLC ("CUBIC"), is a limited liability company registered in the Commonwealth of Pennsylvania. John G. T. Slater, Jr. is the principal member. CUBIC has been providing investment advisory and financial planning services since October 2012.

### B. Description of Advisory Services Offered

#### B.1. Investment Management Services

CUBIC, through its investment adviser representatives, manages investment advisory accounts on both a discretionary and nondiscretionary basis for affluent and high-net worth individuals, corporations, partnerships, trusts, and other legal entities. Services may include, at the client's election, some or all of the following:

- Advice with respect to the appropriate allocation of assets;
- Advice with respect to the creation of diversified portfolios consisting of recommended mutual funds, exchange-traded funds, or other individual equity or debt securities; and
- Discretionary investment management services based on clients' individual personal and financial circumstances.

Clients provide CUBIC with information regarding their personal financial circumstances, investment objectives and tolerance for risk. Clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk. CUBIC will also contact clients at least annually to determine whether there have been any changes in a client's personal financial circumstances, investment objectives and tolerance for risk.

#### Use of Third Party Managers

CUBIC may periodically recommend and refer clients to unaffiliated third party money managers ("sub-advisor") to achieve Client objectives. CUBIC may recommend that a portion or all of their portfolio be implemented by utilizing one or more unaffiliated money managers through a direct sub-advisory relationship.

The client will enter into an advisory agreement with the sub-advisor. Prior to entering into the advisory agreement, CUBIC will provide the sub-advisor's Form ADV Part 2 Disclosure Brochure. CUBIC will assist the client in establishing investment objectives for the account, the selection of the sub-advisor(s), and defining any restrictions on the account. CUBIC will continue to provide oversight of the client's account and ongoing monitoring of the activities of the sub-advisor(s).

#### B.1.a. Discretionary Authority

For clients who elect to give CUBIC discretion over their investment advisory accounts, CUBIC, through its investment adviser representatives, will make all investment decisions with respect to

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purchasing, holding, or selling individual securities, including options, equities, fixed income (taxable and non-taxable) products, exchange-traded funds, and mutual funds. CUBIC, through its investment adviser representatives, will also make investment decisions regarding portfolio asset allocation and rebalancing.

#### **B.1.b. Non-Discretionary Authority**

If CUBIC does not have discretionary authority over a client's account, the client is required to do the following:

- Specifically approve and initiate the purchase or sale of any security recommended by CUBIC and / or its investment adviser representative(s); and
- Specifically select the appropriate investment strategy or portfolio allocation model.

To the extent the client desires to use the services of a broker-dealer, custodian, or other professional other than those specifically recommended by CUBIC, the client is responsible for making appropriate arrangements directly with such service provider. Such client-selected service providers are subject to CUBIC's approval. Purchases and sales of securities, and the use of the services of such providers as broker-dealers, custodians, due diligence providers, performance measurement service providers, mutual funds, alternative investment providers, or other professionals will require the client to pay fees and charges in addition to the fees payable to CUBIC with respect to the advice and other services that such service providers render to the client.

#### **B.2. Financial Planning Services**

CUBIC, through its investment advisory representatives, may be engaged to provide financial planning advice. Based on the client's needs, the financial planning services may include investment planning, retirement planning, estate planning, and asset allocation comparisons and selection.

CUBIC and its investment adviser representatives gather required information through in-depth personal interviews and questionnaires and software. Information gathered includes a client's current financial status, investment objectives, future goals, and attitudes toward risk.

#### **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account.

#### **D. Wrap Fee Programs**

CUBIC does not offer a wrap fee program. (Wrap fee programs offer services for one all-inclusive fee.)

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## E. Client Assets under Management

As of December 31, 2020, CUBIC managed approximately \$49.8 million in client assets on a discretionary basis (where we make all of the investment decisions) and approximately \$13.2 million of client assets were managed on a non-discretionary basis (where our clients make the investment decisions based upon our recommendations).

## Item 5: Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Investment Advisory Fees

CUBIC charges an annual fee based upon a percentage of the market value of the assets being managed. As discussed in response to Item 5.C below, CUBIC's annual fee does not include brokerage commissions, transactions fees, and other related costs and expenses which will be incurred by the client. CUBIC does not receive any portion of these commissions, fees, costs and expenses. CUBIC's asset-based fee schedule for Investment Management services is as follows:

	Investment Management
Base Fee	0.25 – 2.00%
Minimum Fee Per Quarter	\$300
Minimum Investable Assets	\$250,000

Fees are negotiable.

Advisory fees are subject to the Investment Advisory Agreement between CUBIC and the client, and are generally charged monthly in arrears. Clients will be invoiced at the end of each calendar month, based upon the market value of the client's account at the end of the prior month as determined by the account custodian. The fees will be prorated if the investment advisory relationship commences other than at the beginning of a calendar month.

#### Fees for Third Party Managers

The advisory services provided by sub-advisors and the fees they charge for those services are detailed in their respective disclosure brochures. Your CUBIC advisory representative will provide you with a copy of the brochure for each investment manager recommended to you. The fees paid to third-party investment managers are in addition to the fees paid to CUBIC for the advisory services provided by your advisory representative, and will appear separately on your custodial statement. CUBIC does not receive any compensation from these sub-advisors other than CUBIC's investment advisory fee as described above.

#### A.2. Financial Planning Fees



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For clients that are utilizing CUBIC's Investment Management Services, financial planning services may be negotiated and included in the asset-based fee schedule in Item 5.A.1. above.

## **B. Client Payment of Fees**

CUBIC generally requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

For advisory fees paid by direct debit from the client's account:

- the client provides the qualified custodian with written authorization for the direct debit;
- an invoice is sent to the client showing the amount of the fee, how it was calculated, and the value of the assets on which the bill is based and the method of calculation;
- fees are generally charged monthly in arrears;
- fees are generally calculated by a third party and reviewed by CUBIC; and
- the qualified custodian sends the client a statement each month indicating all amounts disbursed from the account.

For advisory fees paid by direct billing:

- fees are generally invoiced monthly in arrears;
- an invoice is sent to the client showing the amount of the fee, how it was calculated, and the value of the assets on which the bill is based;
- client is expected to pay promptly by check; and
- the qualified custodian sends the client a statement each month indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## **C. Additional Client Fees Charged**

All fees paid to CUBIC for investment advisory services are separate and distinct from the fees and expenses charged by any broker-dealer, custodian, mutual fund, variable annuity, pooled investment vehicle, or exchange-traded fund. The management fees for mutual fund or variable annuities are disclosed in the fund or annuity's prospectus. Clients are advised to read these materials carefully before investing. All commissions and transaction fees are separately stated and are the responsibility of the client. Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

A client using CUBIC may be precluded from using certain mutual funds or investment managers because they are not offered by the platform manager or are not available through the broker-dealer or custodian.

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## **D. Prepayment of Client Fees**

CUBIC bills clients for its services monthly in arrears, and as such does not require the prepayment of fees.

A client may terminate the investment advisory agreement upon giving ten (10) days advance written notice of termination to CUBIC. Upon termination of the account, any earned, unpaid fees will become due and payable.

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

CUBIC's advisory professionals are compensated primarily through advisory fees. Certain CUBIC's advisory professionals may receive commission-based compensation for the sale of commodities/ futures products. Please see Item 10.C. for detailed information and conflicts of interest.

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

CUBIC does not offer or receive performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

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

CUBIC, through its investment adviser representatives, generally provides investment advice to the following types of clients:

- Individuals and high-net-worth individuals;
- Businesses, including Insurance Companies;
- Partnerships;
- Trusts, estates, or charitable organizations; and
- Pension and profit sharing plans.

CUBIC requires a minimum account value of \$250,000 for its advisory services. We, at our sole discretion, may allow you to engage our services if you have a smaller account.

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

CUBIC and its investment adviser representatives are responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk / return analysis, technical analysis, and statistical and / or computer models utilizing long-term economic criteria. In addition, CUBIC reviews research

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material prepared by others, reviews corporate filings, corporate rating services, and a variety of financial publications.

Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.

Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios and related data.

Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.

Computer models may be used to attempt the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

CUBIC may retain independent third parties to work in conjunction with its advisors to provide input and guidance for the investment direction communicated by the firm.

Investing in securities involves risk of loss.

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

### **A.1. Separate Account Managers, Mutual Funds and Exchange-Traded Funds, Individual Equity and Fixed Income Securities**

CUBIC may recommend separate account managers to manage client assets or no-load and load-waived mutual funds and individual securities (including fixed income instruments). Such management styles may include, among others, large-cap, mid-cap, and small-cap value, growth, and core, international and emerging markets. CUBIC may also assist the client in selecting one or more appropriate manager(s) for all or a portion of the client's portfolio. Such managers typically manage assets for clients who commit to the manager a minimum amount of assets established by that manager.

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds (ETFs), individual securities (including fixed-income securities), and managers is set forth below.

CUBIC has formed relationships with third-party vendors that:

- provide a technological platform for separate account management;
- prepare performance reports;
- perform due diligence monitoring of mutual funds and managers; and
- perform billing and certain other administrative tasks.

CUBIC may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, managers, and pooled investment vehicles to

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clients as appropriate under the circumstances. CUBIC reviews certain quantitative and qualitative criteria related to mutual funds and managers and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a mutual fund or manager evaluated against that of its peers and other benchmarks;
- an analysis of risk-adjusted returns;
- an analysis of the manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis;
- the fund, sub-adviser, or manager's fee structure; and
- the relevant portfolio manager's tenure.

Qualitative criteria used in recommending mutual funds or managers include the investment objectives and / or management style and philosophy of a mutual fund or manager, a mutual fund or manager's consistency of investment style, and employee turnover and efficiency and capacity. CUBIC will discuss relevant quantitative and qualitative factors pertaining to its recommendations with clients prior to a client's determination to retain a mutual fund or manager.

CUBIC may negotiate reduced account minimum balances and reduced fees with managers under various circumstances. There can be no assurance that clients will receive any reduced account minimum balances or fees, or that all clients will receive any reduced account minimum balances or fees available to other clients. Also, account minimum balances and fees may significantly differ between clients. Each client's individual needs and circumstances will determine portfolio weighting, which can have an impact on fees given the mutual funds or managers utilized.

CUBIC will regularly review the activities of mutual funds and managers selected by the client. Clients who engage managers or invest in mutual funds should first review and understand the disclosure documents of those managers or mutual funds, which contain information relevant to such retention or investment, including information on the methodology used to analyze securities, investment strategies, fees, and conflicts of interest. Similarly, clients qualified to invest in pooled investment vehicles should review the private placement memoranda or other disclosure materials relating to such vehicles before making a decision to invest.

#### **A.2. Material Risks of Investment Instruments**

CUBIC typically invests in equity securities, corporate debt securities, municipal and government debt instruments, asset-backed securities, and mortgage backed securities as detailed below:

- Equity securities;
- Warrants and rights;
- Mutual fund securities;
- Exchange-traded funds;
- Corporate debt securities;
- Bank certificates of deposit;
- Municipal securities;
- U.S. government securities;

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- Government and agency mortgage-backed securities; and
  - Mortgage-backed securities.

#### **A.1.a. Equity Securities**

Investing in individual companies involves risk. Risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

#### **A.1.b. Warrants and Rights**

Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse market conditions or other factors and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it will become worthless.

#### **A.1.c. Mutual Fund Securities**

Investing in mutual funds carries risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having sold the fund.

#### **A.1.d. Exchange-Traded Funds ("ETFs")**

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDSSM, NASDAQ 100 Index Tracking StockSM ("QQQs SM") iShares® and VIPERs®.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide (bid and ask) spreads, diluting or negating any upward price movement or enhancing downward price movement. Also, ETFs require more frequent portfolio reporting by

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regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Some ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral. The use of leverage (i.e., the use of margin) generally results in additional costs to the ETF. High volatility and low liquidity can severely and negatively impact the performance of the ETF.

#### **A.1.e. Certificates of Deposit**

Certificates of Deposit are generally considered safe instruments, although they are subject to the level of interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be pre-payment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.1.f. Municipal Securities**

Municipal securities carry risks in addition to those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Some municipal bonds are tax free at the federal level, but all are taxable in individual states other than the state in which both the investor and municipal issuer is domiciled.

#### **A.1.g. U.S. Government Securities**

U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. Treasury securities are supported by the full faith and credit of the United States.

#### **A.1.h. Government and Agency Mortgage-Backed Securities**

The principal issuers or guarantors of mortgage-backed securities are the Government National Mortgage Association ("GNMA"), Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"). GNMA, a U.S. government corporation within the Department of Housing and Urban Development ("HUD"), creates pass-through securities from pools of government-guaranteed (Farmers' Home Administration, Federal Housing Authority or Veterans Administration) mortgages. The principal and interest on GNMA pass-through securities are backed by the full faith and credit of the U.S. government.

FNMA is a U.S. government-sponsored corporation owned entirely by private stockholders, subject to regulation by the secretary of HUD. FHLMC, a corporate instrumentality of the U.S. government, issue pass-through securities from pools of conventional and federally insured and / or guaranteed residential mortgages. FNMA guarantees full and timely payment of all interest and principal, and FHMLC guarantees timely payment of interest and ultimate collection of principal of its pass-through securities. Mortgage-backed securities from FNMA and FHLMC are not backed by the full faith and credit of the U.S. government.

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### **A.1.i. Corporate Debt Obligations**

Corporate debt (a.k.a. fixed income securities) obligations include corporate bonds, debentures, notes, and commercial paper. Companies use these instruments to borrow money from investors. The issuer pays the investor a fixed or variable rate of interest and must repay the amount borrowed at maturity. Commercial paper (short-term unsecured promissory notes) is issued by companies to finance their current obligations and normally has a maturity of less than nine months. CUBIC may also invest in corporate debt securities registered and sold in the United States by foreign issuers (Yankee bonds) and those sold outside the U.S. by foreign or U.S. issuers (Eurobonds).

Fixed income securities carry risks in addition to those of equity securities described above. These risks include the company's ability to retire its debt at maturity, the interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign) and currency risk. If bonds have long maturities, they will likely have greater price swings when interest rates move up or down. The shorter the maturity the less volatile the price swings. Foreign bonds may also have liquidity and currency risk.

### **A.1.j. Mortgage-Backed Securities**

Mortgage-backed securities represent interests in a pool of mortgage loans originated by lenders such as commercial banks, savings associations, and mortgage bankers and brokers. Mortgage-backed securities may be issued by governmental or government-related entities, or by non-governmental entities such as special-purpose trusts created by commercial lenders. Pools may consist of whole mortgage loans or participations in mortgage loans. The majority of these loans are made to purchasers of between one and four family homes. The terms and characteristics of the mortgage instruments are generally uniform within a pool but may vary between pools. Mortgage poolers apply qualification standards to lending institutions, which originate mortgages for the pools as well as credit standards and underwriting criteria for individual mortgages included in the pools. Many mortgages included in pools are insured through private mortgage insurance companies.

Mortgage-backed securities differ from other forms of fixed income securities. Most mortgage-backed securities are pass-through securities, which means that investors receive payments consisting of a pro rata share of both principal and interest (less servicing and other fees), as well as unscheduled prepayments. Prepayments are caused by prepayments resulting from the sale or foreclosure of the underlying property or refinancing of the underlying loans. As prepayment rates of individual pools of mortgage loans vary widely, it is not possible to accurately predict the average life of a particular mortgage-backed security. Although mortgage-backed securities are issued with stated maturities of up to 40 years, unscheduled or early payments of principal and interest may shorten considerably the securities' effective maturities.

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### **A.1.k. Collateralized Obligations**

Collateralized mortgage obligations ("CMOs") are collateralized by mortgage-backed securities issued by GNMA, FHLMC or FNMA ("mortgage assets"). CMOs are multiple-class debt obligations. Payments of principal and interest on the mortgage assets are passed through to the holders of the CMOs as they are received, although certain classes (often referred to as "tranches") of CMOs have priority over other classes with respect to the receipt of mortgage prepayments. Each tranche is issued at a specific or floating coupon rate and has a stated maturity or final distribution date. Interest is paid or accrues in all tranches on a monthly, quarterly or semi-annual basis. Payments of principal and interest on mortgage assets are commonly applied to the tranches in the order of their respective maturities or final distribution dates, so that generally no payment of principal will be made on any tranche until all tranches with earlier stated maturity or distribution dates have been paid in full.

Collateralized debt obligations ("CDOs") include collateralized bond obligations ("CBOs"), collateralized loan obligations ("CLOs") and other similarly structured securities. CBOs and CLOs are types of asset-backed securities. A CBO is a trust that is backed by a diversified pool of high-risk, below-investment-grade fixed income securities. A CLO is a trust typically collateralized by a pool of loans, which may include, among others, domestic and foreign senior secured loans, senior unsecured loans, and subordinate corporate loans, including below investment grade or unrated loans.

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Leverage**

Although CUBIC, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, separate account managers and, in very limited circumstances, CUBIC will utilize leverage.

The use of leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment. The use of leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts have a minimum equity requirement when clients utilize leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.



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Regulations concerning the use of leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

## **B.2. Investment Strategies**

### **B.2.a. Reduced Risk Fixed Income Strategy**

This strategy is focused on capital preservation with some income generation. The strategy utilizes short duration and floating rate corporate and agency securities.

### **B.2.b. Passive Investment Strategy**

This strategy is an asset allocation strategy that primarily uses various Vanguard and DFA mutual funds and / or ETFs for each of the applicable asset classes.

### **B.2.c. Technical Trading Models**

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, and can accurately predict future market, industry, and sector performance.

## **C. Security-Specific Material Risks**

There is risk for clients whose investment portfolios lack diversification—that is, they have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for significant gain, but also offer the potential for significant loss.

## **Item 9: Disciplinary Information**

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

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

There is nothing to report on this item.

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### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.

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

### **A. Broker-Dealer or Representative Registration**

Neither CUBIC nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

David Pankiw, an investment adviser representative of CUBIC, and is registered with the National Futures Association "(NFA") as a commodities / futures broker through The Price Futures Group, Inc.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. The Price Futures Group, Inc.**

Certain managers, members, and registered personnel are registered Commodities / Futures Brokers with The Price Futures Group, Inc. Clients are advised of a potential conflict of interest in that CUBIC professionals receive commission and therefore have an economic incentive to recommend managed futures products.

Clients are also advised that CUBIC professionals strive to put their clients' interests first and foremost. CUBIC advisory clients are not compelled to purchase commodities or futures products; clients can purchase these products through any appropriately licensed commodities / futures firm.

### **D. Recommendation or Selection of Other Investment Advisers and Conflicts of Interest**

CUBIC does not receive any form of compensation from the separate account managers and / or investment product sponsors it recommends.

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

An Investment Adviser is a fiduciary. As a fiduciary, it is our responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is the core underlying principal for our Code of Ethics.

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

In accordance with the Investment Advisers Act of 1940, CUBIC has adopted policies and procedures designed to detect and prevent insider trading. In addition, CUBIC has adopted a Code of Ethics (the "Code") designed to comply with Rule 204A-1 under the Investment Advisers Act. Among other things, the Code includes written procedures governing the conduct of CUBIC's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of CUBIC or his designee. CUBIC will send clients a copy of its Code of Ethics upon written request.

CUBIC has policies and procedures in place to ensure that the interests of its clients are given preference to those of CUBIC, its affiliates, and its associated persons. For example, there are (i) restrictions as to when CUBIC and its associated persons may purchase or sell securities recommended by CUBIC, (ii) policies in place to prevent the misappropriation of material non-public information, (iii) policies and procedures to manage conflicts of interest, and (iv) such other policies and procedures reasonably designed to comply with federal and state securities laws.

## **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

CUBIC does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, CUBIC does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

## **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

CUBIC, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client; or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which CUBIC specifically prohibits. CUBIC has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest;
- prohibit front-running; and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

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Advisory representatives and employees must follow CUBIC's procedures when purchasing or selling the same securities purchased or sold for the client.

#### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

CUBIC, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other CUBIC clients. CUBIC will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3. Order Aggregation). It is the policy of CUBIC to place the client's interests above those of CUBIC and its employees.

## **Item 12: Brokerage Practices**

### **A. Factors Used to Select Broker-Dealers for Client Transactions**

#### **A.1. Custodian Recommendations**

CUBIC participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade"), member FINRA / SIPC / NFA. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisers services which include custody of securities, trade execution, clearance, and settlement of transactions. CUBIC receives some benefits from TD Ameritrade through its participation in the program. There is no direct link between CUBIC's participation in the program and the investment advice it gives to its clients, although the firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations;
- Research related products and tools;
- Consulting services;
- Access to a trading desk serving the firm's participants;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- The ability to have advisory fees deducted directly from client accounts;
- Access to an electronic communications network for client order entry and account information;
- Access to mutual funds with no transaction fees and to certain institutional money managers; and
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to the firm by third-party vendors.

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TD Ameritrade may also provide business consulting and professional services to CUBIC's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit CUBIC but may not benefit its clients. These products or services may assist CUBIC in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CUBIC manage and further develop its business enterprise. The benefits received by CUBIC or its personnel do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CUBIC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CUBIC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CUBIC's choice of TD Ameritrade for custody and brokerage services.

CUBIC has an economic incentive to recommend TD Ameritrade over other custodians. Such recommendation may be viewed as being in the best interests of CUBIC rather than in the best interest of its clients.

(Please see the disclosure under Item 14 of this Brochure.)

Our custodians do not charge separately for custody services, but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through or that settle into custodian accounts.

In certain instances and subject to approval by CUBIC, CUBIC will recommend to clients certain broker-dealers and / or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by CUBIC shall be made by and in the sole discretion of the client. The client recognizes that broker-dealers and / or custodians have different cost and fee structures and trade execution capabilities. As a result there may be disparities with respect to the cost of services and / or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and / or custodians.

#### **A.1.a. Soft Dollar Arrangements**

CUBIC does not utilize soft dollar arrangements. CUBIC does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **A.1.b. Institutional Trading and Custody Services**

Custodians provide CUBIC with access to their institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at

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a particular custodian. These services are not contingent upon CUBIC committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

#### **A.1.c. Other Products and Services**

Custodian also makes available to CUBIC other products and services that benefit CUBIC but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of CUBIC's accounts, including accounts not maintained at custodian. The custodian may also make available to CUBIC software and other technology that:

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing and other market data;
- facilitate payment of CUBIC's fees from its clients' accounts; and
- assist with back-office functions, recordkeeping and client reporting.

The custodian may also offer other services intended to help CUBIC manage and develop its business enterprise as further described above in A.1.

The custodian may provide other benefits such as educational events or occasional business entertainment of CUBIC personnel. In evaluating whether to recommend that clients custody their assets at the custodian, CUBIC may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely on the nature, cost or quality of custody and brokerage services provided by the custodian, which may create a potential conflict of interest.

#### **A.1.d. Independent Third Parties**

The custodian may make available, arrange, and / or pay third-party vendors for the types of services rendered to CUBIC. The custodian may discount or waive fees it would otherwise charge for some of these services or all or a part of the fees of a third party providing these services to CUBIC.

#### **A.1.e. Additional Compensation Received from Custodians**

CUBIC may participate in institutional customer programs sponsored by broker-dealers or custodians. CUBIC may recommend these broker-dealers or custodians to clients for custody and brokerage services. There is no direct link between CUBIC's participation in such programs and the investment advice it gives to its clients, although CUBIC receives economic benefits through its participation in the programs that are typically not available to retail investors. These benefits may include the following products and services (provided without cost or at a discount):

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- Receipt of duplicate client statements and confirmations;
  - Research-related products and tools;
  - Consulting services;
  - Access to a trading desk serving CUBIC participants;
  - Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
  - The ability to have advisory fees deducted directly from client accounts;
  - Access to an electronic communications network for client order entry and account information;
  - Access to mutual funds with no transaction fees and to certain institutional money managers; and
  - Discounts on compliance, marketing, research, technology, and practice management products or services provided to CUBIC by third-party vendors.

The custodian may pay for business consulting and professional services received by CUBIC's related persons, and may pay or reimburse expenses (including travel, lodging, meals and entertainment expenses for CUBIC's personnel to attend conferences). Some of the products and services made available by such custodian through its institutional customer programs may benefit CUBIC but may not benefit its client accounts. These products or services may assist CUBIC in managing and administering client accounts, including accounts not maintained at the custodian. Other services made available through the programs are intended to help CUBIC manage and further develop its business enterprise. The benefits received by CUBIC or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

CUBIC also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, and its continued participation may require CUBIC to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, CUBIC will typically receive benefits similar to those listed above.

As part of its fiduciary duties to clients, CUBIC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of benefits by CUBIC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CUBIC's recommendation of broker-dealers for custody and brokerage services.

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

CUBIC does not engage in the practice of directing brokerage in exchange for the referral of advisory clients, nor does CUBIC receive payment for the referrals CUBIC may make.

## **A.3. Directed Brokerage**

### **A.3.a. CUBIC Recommendations**

CUBIC typically recommends TD Ameritrade Institutional as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf. When it is in the client's best interest CUBIC may utilize other brokers to execute fixed income transactions.

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### **A.3.b. Client-Directed Brokerage.**

CUBIC does not permit clients to direct CUBIC to use a particular broker-dealer to execute portfolio transactions.

## **B. Aggregating Securities Transactions for Client Accounts**

### **B.1. Best Execution**

CUBIC may recommend that clients establish brokerage accounts with TD Ameritrade to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than TD Ameritrade, TD Ameritrade will accept delivery or deliver the applicable security from / to the executing broker. TD Ameritrade charges a "trade away" fee which is charged against the client account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients are directed to consult their custodian for their policies and fees.

CUBIC, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the amount of such securities, the executing broker, and the commission rates to be paid to effect such transactions. CUBIC recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. CUBIC will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker;
- The efficiency with which the transaction is effected;
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any);
- The efficiency of error resolution, clearance, and settlement;
- Block trading capabilities;
- Availability, comprehensiveness, and frequency of brokerage and research services;
- Commission rates;
- The economic benefit to the client; and
- Related matters involved in the receipt of brokerage services.

### **B.2. Security Allocation**

Since CUBIC may be managing accounts with similar investment objectives, CUBIC may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by CUBIC in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. Such aggregate orders may include transactions for accounts for employee benefit plans and private investment vehicles, such as limited partnerships or limited liability companies, in which CUBIC, its affiliates, principals or employees are among the investors.



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CUBIC's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. CUBIC will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients.

CUBIC's advice to certain clients and entities and the action of CUBIC for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of CUBIC with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of CUBIC to or on behalf of other clients.

### **B.3. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

When a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if CUBIC believes that a larger size block trade would lead to overall better price for the security being transacted.

### **B.4. Allocation of Trades**

All allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, fees, the size of each client's allocation, clients' liquidity needs and previous allocations. In most cases, accounts will get a pro rata allocation based on the initial allocation.

CUBIC acts in accordance with its duty to seek best price and execution and will discontinue any arrangements if CUBIC determines that such arrangements are no longer in the best interest of its clients.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

CUBIC's Managing Member, or a designee who has extensive experience, is assigned to each account and / or financial plan and is responsible for monitoring and maintaining compliance with client-specific guidelines. Formal reviews are performed at least annually and include client

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portfolio structure, strategies, and adherence to client investment policy and guidelines and benchmarks. More frequent reports may be provided upon request.

### **B. Review of Client Accounts on Non-Periodic Basis**

CUBIC's Advisory Representatives are responsible for ensuring that any significant change in a client's investment objectives, risk tolerance, or the concentration of a client's assets is appropriate for and has been reviewed with the client.

### **C. Content of Client-Provided Reports and Frequency**

CUBIC does not prepare reports but performs reviews for managed accounts on at least an annual basis. Reviews for managed accounts consist of an analysis of the following factors:

- client investment objectives;
- allocation versus target allocation;
- industry issues;
- credit issues;
- information concerning individual holdings in portfolios; and
- review of performance versus benchmark and performance attribution.

The client's custodian also provides regular account statements directly to the client. The custodian's statement is the official record of the client's securities account and supersedes any reports created on behalf of the client by CUBIC.

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

### **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

As disclosed under Item 12, CUBIC participates in TD Ameritrade's institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between CUBIC's participation in the program and the investment advice it gives to its clients, although the firm receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations;
- Research related products and tools;
- Consulting services;
- Access to a trading desk serving the firm's participants;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- The ability to have advisory fees deducted directly from client accounts;
- Access to an electronic communications network for client order entry and account information;
- Access to mutual funds with no transaction fees and to certain institutional money managers; and

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- Discounts on compliance, marketing, research, technology, and practice management products or services provided to the firm by third-party vendors.

TD Ameritrade may also have paid for business consulting and professional services received by CUBIC's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit CUBIC but may not benefit its clients. These products or services may assist CUBIC in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help CUBIC manage and further develop its business enterprise. The benefits received by CUBIC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, CUBIC endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by CUBIC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence CUBIC's choice of TD Ameritrade for custody and brokerage services.

### **B. Advisory Firm Payments for Client Referrals**

CUBIC does not make payment for client referrals.

## **Item 15: Custody**

Except to the extent that CUBIC directs the withdrawal of advisory fees from client accounts, CUBIC will not otherwise have custody of any funds in client accounts. CUBIC will utilize the services of several unaffiliated qualified custodians to maintain custody of clients' accounts, and such custodians will issue statements to the clients. Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances, and portfolio holdings in the client's account. The custodian's statement is the official record of the account and clients should review the custodian statement carefully.

CUBIC will send the client a written invoice itemizing the fee, including the formula used to calculate the fee, time period covered by the fee, and the amount of assets on which the fee was based.

## **Item 16: Investment Discretion**

Clients may grant a limited power of attorney to CUBIC with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, CUBIC will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

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## Item 17: Voting Client Securities

CUBIC does not vote proxies on behalf of its clients. Upon request CUBIC, will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of CUBIC supervised and / or managed assets. In no event will CUBIC vote proxies on behalf of its clients.

Except as required by applicable law, CUBIC will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. CUBIC has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. CUBIC also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, CUBIC has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where CUBIC receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client.

## Item 18: Financial Information

### A. Balance Sheet

CUBIC does not require the prepayment of fees of \$500 or more, six months or more in advance, and as such is not required to file a balance sheet.

### B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

CUBIC has no financial condition that might impair its ability to meet the contractual commitments of its clients.

### C. Bankruptcy Petitions during the Past Ten Years

There is nothing to report on this item.

## Item 19: Requirements for State Registered Advisors

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### **A. Principal Executive Officers and Management Persons**

John G. T. Slater, Jr. is the Managing Member of CUBIC. Education and business background information are included in the Brochure Supplement provided with this Brochure.

### **B. Outside Business Activities Engaged In**

Other than what has been supplied in response to Item 10 of this Brochure, there is no additional information to disclose.

### **C. Performance-Based Fee Description**

CUBIC does not charge performance-based fees. See Item 6 of this Brochure.

### **D. Disclosure of Material Facts Related to Arbitration or Disciplinary Actions Involving Management Persons**

Other than what has been supplied in response to Item 9, there is no additional information to disclose.

### **E. Material Relationships Maintained by this Advisory Business or Management Persons with Issuers of Securities**

Other than what has been supplied in response to Item 10.C. of this Brochure, there is no additional information to disclose.