

FIRM BROCHURE (Part 2A of Form ADV)



CleverAlpha Asset Management, LLC

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This brochure provides information about the qualifications and business practices of CleverAlpha Asset Management, LLC. If you have any questions about the contents of this brochure, please contact us at **310-293-7837** or support@cleveralpha.com. 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.

CleverAlpha Asset Management, LLC is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about CleverAlpha Asset Management, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

1. Item 2: Material Changes

Since the last annual update of this Brochure, the following material changes have occurred:

1. **Office Address Change:** The Firm's primary office has moved to 5155 West Rosecrans Avenue, Suite 320A, Hawthorne, CA 90250.
 2. **Service Tiers:** The Firm has defined two service tiers within the Wrap Fee Program: the **Digital Service** (standard robo-advisor) and the **Premium Service** (AI tax-scoring integrated with the algorithmic portfolio allocation).
 3. **Fee Schedule:** The Fee Schedule was updated to include specific pricing for the Premium Service tier (up to 0.50% per annum).
 4. **Billing Method:** The Firm clarified that advisory fees are calculated and assessed **monthly in arrears**.
 5. **Service Providers:** The Firm clarified its relationship with **Dwolla, Inc.** and **MX Technologies** for payment processing, bank account verification and account funding.
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Item 4: Advisory Business

A. Description of Advisory Firm

CleverAlpha Asset Management, LLC ("CleverAlpha" or the "Firm") is an SEC-registered investment adviser. The Firm provides discretionary investment management services primarily through an interactive digital platform ("Robo-Advisor").

B. Types of Advisory Services

The Firm offers two tiers of digital investment management services:

1. Digital Service ("Robo-Advisor")

The Firm's standard offering utilizes proprietary algorithms to manage client portfolios. Clients enter their financial information, investment goals, and risk tolerance into the Firm's digital platform, which generates a recommended portfolio of Exchange Traded Funds (ETFs) or other securities. The Firm manages the account on a discretionary basis, automatically rebalancing the portfolio to stay aligned with the target allocation.

2. Premium Service ("AI Tax-Optimization")

Available upon client request and Firm confirmation, this enhanced tier leverages advanced algorithmic capabilities for tax efficiency. This includes AI-Assisted Asset Location, where the Firm's software programmatically assigns assets between taxable and tax-advantaged accounts (e.g., IRAs, Roth IRAs) to optimize after-tax returns.

Methodology of AI Asset Location

The Firm's AI is utilized specifically for Relative Tax Burden Scoring in the assistance of Asset Location, not for security selection (determining "what to invest in"). The AI scores ETFs relatively across an overriding target model portfolio to determine where to locate that asset (e.g., placing a REIT ETF in a traditional contributory IRA, a Small Cap Growth ETF in a Roth IRA, and a Municipal Bond ETF in a Taxable Investment Account).

This scoring process relies on publicly available recurring data fields and established industry methodologies. The AI attempts to extract core data to score ETF tax burden attempting to gather and use the following inputs:

- **Tax-Cost Ratio:** Measures how much annualized return is lost to taxes on distributions; higher ratios indicate worse tax drag.
- **Distribution Breakdown and Yields:**
 - Ordinary income / interest distribution yield.
 - Qualified dividend yield vs. non-qualified.
 - Short-term and long-term capital gains distribution yields.
- **Capital Gains Distribution History:** Analysis of the frequency and magnitude of capital gains payouts over time, obtained from sponsor data.
- **Turnover and Structure:** Assessment of portfolio turnover rates and ETF design (e.g., plain-vanilla index vs. high-turnover active strategies, use of in-kind redemptions or "heartbeat" trades) as structural drivers of realized gains.

These fields allow the Firm to build a normalized "tax burden score" to guide asset placement.

C. Wrap Fee Program

The Firm participates in a Wrap Fee Program. This means that the Management Fee paid by the client generally includes transaction costs and brokerage commissions for trade execution at the designated custodian. The specific fee schedule and terms are detailed in the Form ADV Part 2A, Appendix 1 (Wrap Fee Program Brochure), which is provided to all clients.

D. Assets Under Management

As of December 14, 2025, the Firm manages approximately \$28,000,000 in assets on a discretionary basis.

Item 5: Fees and Compensation

A. Fee Schedule

The Firm's Management Fee is based on the service tier selected by the Client and the complexity of the Client's financial profile. The Firm utilizes a principled approach for transparency in fees and believes there is no need to obfuscate products and service pricing.

1. Digital Service ("Robo-Advisor")

The standard digital service provides algorithmic portfolio management and automated rebalancing.

- **Account Values from \$0 to \$5,000:** \$1.00 per month.
- **Account Values greater than \$5,000:** 0.25% per annum.
- **Fee Reductions:** Management fees for this digital service generally are 25 basis points per annum, charged monthly. However, fees may be lower under specific circumstances, such as when CleverAlpha is acting in a sub-advisory capacity or for High Net Worth and Institutional accounts with assets exceeding \$1 million.

2. Premium Service ("AI Tax-Optimization")

- **All Account Values: Up to 0.50% per annum.**
- **Fee Reductions:** Management fees for this premium service generally are 50 basis points per annum, charged monthly. However, fees may be lower under specific circumstances, such as when CleverAlpha is acting in a sub-advisory capacity or for High Net Worth and Institutional accounts with assets exceeding \$1 million.
- **Applicability and Complexity:** The Premium Service fee reflects the additional scrutiny and resources required to implement advanced computational Asset Location strategies. Potential clients should understand that Asset Location services may not be necessary or beneficial for every investor. For example, this service may not provide value if a Client:
 - **Does not hold assets across multiple account types** (e.g., lacks a mix of large taxable and tax-advantaged/retirement holdings);
 - **Does not maintain all relevant accounts with the Firm**, preventing a holistic analysis;
 - **Holds positions with significant embedded capital gains** in taxable accounts, where the immediate tax cost of an omnibus cross-account rebalance would outweigh the cumulative long-term value of asset location;
 - **Is in a lower marginal tax bracket**, where the tax savings generated by asset location strategies may be less than the incremental cost of the Premium Service;
 - **Has a short investment time horizon** or liquidity needs that prevent the multi-year compounding required for asset location to generate "tax alpha"; or
 - **Is in the decumulation phase (e.g., taking RMDs)**, where mandatory withdrawals reduce the efficacy of tax-deferral strategies.

Therefore, the fee of up to 50 basis points is reserved for Clients with complex portfolio make-ups where Asset Location is relevant and requires the Firm to dedicate higher levels of algorithmic resources and oversight to derive long-term value.

B. Payment of Fees

- **Billing Method:** Fees are calculated and assessed monthly in arrears based on the Account value as of the last day of the previous month.
- **Fee Deduction:** Clients authorize the Firm to instruct the Custodian to deduct the Management Fee directly from the Client's account. This includes specific authorizations for Trading Authorization and Fee Payment Authorization as detailed in the Account Application Agreement.
- **Payment Processing:** Clients may also utilize Dwolla, Inc. and MX Technologies to facilitate funding and fee payments. By using this service, Clients authorize the Firm to share necessary personal and financial data with Dwolla to open and support the requisite payment account.

C. Other Fees and Expenses

While the Management Fee covers most transaction costs, Clients may incur certain charges imposed by third parties, including:

- Internal management fees and expenses charged by ETFs and mutual funds (Expense Ratios).
- Wire transfer fees and other account administration fees charged by the Custodian.
- SEC fees or other regulatory surcharges on securities transactions.

D. Termination and Refunds

Either party may terminate the Investment Advisory Agreement at any time by providing written notice. Since fees are billed in arrears, no refund of pre-paid fees is typically required. Any fees accrued but unpaid at the time of termination will be due and payable.

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

The Firm **does not** charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7: Types of Clients

The Firm provides investment advice to individuals, high net worth individuals, and corporations or other business entities. The Firm does not impose a minimum account size to open an account, although specific fee schedules apply based on account value.

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

A. Investment Strategies

The Firm utilizes the Capital Asset Pricing Model Black Litterman (CAPM BL) to construct diversified portfolios of ETFs designed to maximize return for a given level of risk and a specified time horizon. The Firm's proprietary algorithms analyze Client data to recommend a specific portfolio allocation.

B. Material Risks

Investing in securities involves a risk of loss that clients should be prepared to bear. In addition to general market risks, the specific risks associated with the Firm's AI and technology-driven services include:

1. AI and Algorithmic Risk (Tax-Scoring)

The Firm utilizes an AI scoring engine to determine relative tax burdens of assets. While this process is grounded in objective data (tax-cost ratios, distribution history), reliance on this technology introduces specific risks:

- **Model Failure & Liability:** There is a risk that the AI may mis-score an asset (e.g., treating a high-yield ETF as tax-efficient and placing it in a taxable account), potentially leading to an avoidable tax bill. To mitigate this, the Firm treats the AI output as a decision-support tool rather than an unchecked autopilot system. Asset-location scores are reviewed by a human before the algorithm is permitted to

generate or implement any trade recommendations. This control acknowledges that AI-generated analysis can contain errors or omissions, and ensures such issues do not directly affect live portfolios.

- **"Hallucination" and Misinterpretation Risk:** The AI utilizes a fixed, rules-based weighting framework. However, as with any AI system, there is a risk the model could misread, omit, or over/under-weight certain data points, or present correlations that appear reasonable but are not tax-law accurate. This includes nuanced issues like wash-sale treatment across taxable and retirement accounts, which are not fully automated. Therefore, recommendations involving tax-sensitive actions are subject to human review.
- **Scoring Overrides:** Advisors and Clients retain the ability to direct how specific securities are held (e.g., keeping a position in a taxable account despite a poor AI tax score). In these situations, the AI engine does not provide any guarantee of "optimal" or maximized tax outcomes. The AI functions solely as a decision-support tool; when a n Advisor or a Client overrides the system, their instructions take precedence over the model's rankings, and actual tax outcomes may differ from those implied by the model.

2. Cybersecurity & Data Privacy

The Firm utilizes third-party cloud providers (including AWS and Google Cloud) for data storage and service delivery.

- **Business Continuity:** While the Firm relies on cloud infrastructure, it maintains a secondary method to manage accounts. In the event of a cloud service outage, the Firm retains the ability to review positions and meet liquidity requests directly via the custodian's (Schwab Advisor Service) platform.
- **Data Protection (AI Specifics):** To protect client privacy, **Personally Identifiable Information (PII) is never sent to any AI or Large Language Model (LLM)**. All information processed by the AI is anonymized or sent without PII. This strict adherence is embedded in both the Firm's technology and standard practices to ensure there is no link between PII and AI programmatic access.

3. General Technology Risks

- **Algorithm & Technology Risk:** While the Firm rigorously tests its systems, software bugs, coding errors, data feed disruptions, or platform outages could materially impact account management or execution. Clients engaging the Firm accept the risks associated with a digital-first investment model.
- **Digital Assets:** To the extent the Firm's algorithms allocate to digital assets (cryptocurrencies) or related ETFs, Clients should be aware that these assets carry heightened risks, including extreme price volatility, regulatory uncertainty, and potential for loss of principal.

Item 9: Disciplinary Information

The Firm and its management personnel have **no** reportable legal or disciplinary events.

Item 10: Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Registered Representative

The Firm's CEO, Richard Cabanes, and CTO, Lucio Flores, are registered as representatives of Velocity Clearing LLC ("Velocity"), a FINRA-registered broker-dealer.

- Richard Cabanes holds Series 24, Series 7, and Series 63 licenses.

- Lucio Flores holds Series 7 and Series 63 licenses.

B. Nature of Relationship and Conflicts of Interest

Mr. Cabanes and Mr. Flores serve to assist Velocity in developing Registered Investment Adviser (RIA) services, specifically advising on strategic initiatives such as expanding into tax-advantaged account types (IRAs, HSAs) and building infrastructure to aggregate retail advisory assets.

Mitigation of Conflicts:

To ensure this outside business activity does not compromise the Firm's fiduciary duty to CleverAlpha clients, the following measures are in place:

- **Time Allocation:** The principals dedicate the vast majority of their professional time (typically more than 90% of working hours) to CleverAlpha. The engagement with Velocity is project-based, long-horizon, and does not require day-to-day operational attention that would interfere with CleverAlpha duties.
- **No Shared Resources or Soft Dollars:** CleverAlpha does not receive soft-dollar benefits from Velocity, does not share in Velocity's technology stack, and does not use Velocity's systems for custody, trading, or compliance.
- **Data Separation ("Chinese Wall"):** Velocity Clearing personnel **do not** have access to CleverAlpha client data. There is strict separation of systems, data, and infrastructure. Furthermore, CleverAlpha operates from Los Angeles, CA, while Velocity's operations are based in New York and New Jersey. Client information is maintained on CleverAlpha's systems only.
- **Independence:** The Firm does not utilize Velocity for brokerage, custody, or any other services, nor does it recommend Velocity Clearing LLC's products to Clients.
- **Shared Office Space and Expense Allocation:** CleverAlpha and Velocity share a common physical office address. However, this arrangement is strictly limited to the location itself. CleverAlpha does not participate in any expense-sharing agreement with Velocity for operational costs. Specifically, CleverAlpha solely bears all of its own operating expenses, including but not limited to rent, high-speed internet (ethernet and Wi-Fi), computer hardware, software licenses, utilities, and office supplies. There is no expense offset, subsidy, or reimbursement arrangement between the two firms; each entity is fully responsible for its own financial obligations. This separation ensures that CleverAlpha's operational resources are dedicated exclusively to its clients and are not commingled with or dependent upon the broker-dealer.

C. Payment Processing (Dwolla and MX Technologies)

The Firm utilizes Dwolla, Inc. and MX Technologies for payment processing, account verification and account funding. This arrangement involves the sharing of Client non-public personal information (NPI) to establish "Dwolla Platform" accounts.

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

A. Code of Ethics

The Firm has adopted a Code of Ethics pursuant to Rule 204A-1, which sets forth the high ethical standards of business conduct required of our employees. The Code includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition on rumor mongering, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items.

B. Personal Trading

The Firm's employees and access persons may trade in the same securities that are recommended to clients (e.g., broad-market ETFs). To prevent conflicts of interest, the Code requires pre-clearance of certain transactions and quarterly reporting of personal securities transactions. The Firm's CCO reviews these reports to ensure no employee is putting their interest above those of clients. We ask supervised persons to declare any outside business activities and/or brokerage accounts held outside of our Master Account number view within Charles Schwab.

C. Whistleblower Protection

The Firm strictly prohibits retaliation against any employee who, in good faith, reports a suspected violation of the Code or applicable law.

A copy of the Firm's Code of Ethics is available to any client or prospective client upon request.

Item 12: Brokerage Practices

A. Directed Brokerage

The Firm requires all Clients to maintain their accounts at Charles Schwab & Co., Inc. ("Schwab"), a qualified custodian. By directing brokerage to Schwab, the Firm may be unable to negotiate commissions on a trade-by-trade basis, which could result in higher transaction costs compared to other advisers who do not direct brokerage. However, the Firm has determined that Schwab provides best execution capabilities consistent with the Firm's fiduciary duty.

B. Soft Dollars

The Firm does not engage in soft dollar arrangements (utilizing client commissions to pay for research or services).

C. Trade Aggregation

Because the Firm manages accounts individually via algorithms, it typically does not aggregate (block) trades.

Item 13: Review of Accounts

A. Periodic Reviews

- **Digital Service:** Portfolios are monitored continuously by the Firm's algorithms. Rebalancing is triggered when asset class weightings drift beyond pre-determined tolerances.
- **Premium Service:** In addition to algorithmic monitoring, Premium accounts may be subject to periodic algorithmic reviews for tax-optimization opportunities (Asset Location).

B. Client Reports

Clients have continuous access to their account information, performance, and holdings via the Firm's secure client portal and as back up (as disclosed in the firms Business Continuity Plan) into Schwab via the Charles Schwab Alliance platform. Written account statements and trade confirmations are generated and delivered directly by the Custodian (Schwab) but are also accessible by request from Schwab or viewable and downloaded on the Client's CleverAlpha portal.

Item 14: Client Referrals and Other Compensation

The Firm does not currently pay solicitation fees to third parties for client referrals.

Item 15: Custody

A. Limited Custody

The Firm is deemed to have limited custody of client funds solely because of its authority to deduct advisory fees directly from client accounts.

B. Account Statements

Clients will receive account statements directly from the Qualified Custodian (Charles Schwab & Co., Inc.) at least quarterly. Clients are urged to compare the account statements received directly from the Custodian to any report provided by the Firm.

C. Standing Letters of Authorization (SLOA)

To the extent Clients use Dwolla or other tools relying on Standing Letters of Authorization to move funds to third parties or their own bank accounts, the Firm adheres to the seven conditions set forth in the SEC's No-Action Letter to the Investment Adviser Association (February 21, 2017) to avoid the surprise examination requirement.

Item 16: Investment Discretion

The Firm accepts discretionary authority to manage securities accounts on behalf of clients. The Firm has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. This discretion is exercised in a manner consistent with the stated investment objectives for the particular client account.

Item 17: Voting Client Securities

Client Responsibility and Philosophy

CleverAlpha will not vote proxies on behalf of Clients. While the Firm operates as an automated, scalable service, the Firm maintains a principled approach that investors should remain involved with their own financial well-being. We believe there is a distinction between removing "hassle" and removing "ownership."

Therefore, Clients retain the exclusive responsibility for receiving and voting proxies, making reorganization decisions, and receiving interim mailings, and Clients will receive proxy materials directly from the Custodian. We encourage Clients to authorize themselves to receive and vote these proxies to maintain full transparency and control over their shareholder rights.

Similarly, regarding the disclosure of beneficial ownership information, we suggest Clients review their rights under Rule 14b-1 of the Securities Exchange Act of 1934. Unless a Client objects to disclosure, the Custodian is required, upon issuer request, to disclose the Client's name, address, and security positions to the issuer of any security held in the Account. We request that clients decline this disclosure option.

Item 18: Financial Information

A. Prepayment of Fees

The Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, the Firm is not required to include a financial balance sheet.

B. Financial Condition

The Firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. The Firm has not been the subject of a bankruptcy petition.

Additional Information You can find more information about CleverAlpha on the SEC's Investment Adviser Public Disclosure website by searching "CleverAlpha Asset Management, LLC." If you have any questions, please call (310) 293-7837.