

**Item 1 Cover Page**



alphaAI Capital Management  
201 Folsom Street  
San Francisco, CA 94105

[www.alphaai.capital](http://www.alphaai.capital)

August 15, 2023

**This brochure provides information about the qualifications and business practices of alphaAI Capital Management. If you have any questions about the contents of this brochure, please contact us at (913) 549-8289. 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 as a registered investment advisor does not imply a certain level of skill or training.**

**Additional information about alphaAI Capital Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 Material Changes**

There have been no material changes to this Brochure since the date of the firm's last annual update noted below.

The material changes discussed above are only those changes that have been made to this Brochure since the firm's last annual update of the Brochure. The date of the last annual update of the Brochure was January 19, 2023.

### Item 3 Table of Contents

#### Brochure

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

## **Item 4 Advisory Business**

alphaAI Capital Management is an investment advisor firm registered with the U.S. Securities and Exchange Commission ("SEC"), since September 2021.

The principal owner of alphaAI Capital Management is Richard Sun, Managing Partner.

### Advisory Services

alphaAI Capital Management's ("alphaAI" or "Advisor") principal service is providing fee-based custom portfolio management services over the Internet. The Advisor practices custom management of portfolios, on a discretionary basis, according to the client's objectives. The Advisor's primary approach is to use a tactical allocation strategy aimed at reducing risk and increasing performance. The Advisor principally utilizes exchange listed securities to accomplish this objective. The Advisor may recommend, on occasion, redistributing investment allocations to diversify the portfolio in an effort to reduce risk and increase performance. The Advisor may recommend specific stocks to increase sector weighting and/or dividend potential. The Advisor may recommend employing cash positions as a possible hedge against market movement which may adversely affect the portfolio. The Advisor may recommend selling 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 the position(s) in the portfolio, change in risk tolerance of client, or any risk deemed unacceptable for the client's risk tolerance.

alphaAI will tailor its advisory services to its client's individual needs based on information the client provides to alphaAI through its website. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client's requirements.

alphaAI does not provide portfolio management services to wrap fee programs.

As of August 10, 2023 alphaAI had \$2,493,731 in discretionary, an \$0 in non-discretionary, client assets under management..

## **Item 5 Fees and Compensation**

### Asset Management Fees

Management fees range from 0.50% per annum to 1.5% per annum depending on the type and complexity of the investment management strategy employed as well as the size of the account or overall client relationship. These fees may be negotiated by alphaAI at its sole discretion. Fees are payable monthly in advance based on the value of portfolio assets of the account managed by the Advisor as of the opening of business on the first business day of each month. The management fee may be adjusted to account for significant contributions or withdrawals made to the account during the month. New account fees will be prorated from the inception of the account to the end of the first month. The client will give written authorization permitting the Advisor to be paid directly from their account held by the custodian. The custodian will send a statement at least quarterly to the client.

At no time will alphaAI accept or maintain custody of a client's funds or securities except for authorized fee deduction. Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisor's fee is separate and distinct from the custodian and execution fees.

alphaAI's management fee is payable in advance. Upon termination, any fees paid in advance will be prorated to the date of termination and any unearned fees will be refunded to client.

Neither alphaAI nor its supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Qualified clients, as defined by Rule 205-3 of the Investment Adviser's Act, may enter into advisory agreements where alphaAI is entitled to a performance fee as part or all of its compensation. Qualified clients must meet one or more of the following requirements:

- i. Client is a natural person who, or a company that, immediately after entering into the contract has at least \$1,100,000 under the management of the Advisor;
- ii. Client is a natural person who, or a company that, immediately prior to entering into the contract, has a net worth (together, in the case of a natural person, with assets held jointly with a spouse) of more than \$2,200,000 at the time the contract is entered into (excluding the equity in the Clients' primary residence) reduced by any indebtedness that is secured by the Client's primary residence in excess of the estimate fair market value of the residence;
- iii. Client is a qualified purchaser as defined in section 2(a)(51)(A) of the Investment Company Act of 1940 at the time the contract is entered into.

Suitability will be determined through due diligence inquiries determined to be appropriate in the circumstances by alphaAI. alphaAI, at its sole discretion, may reject any client application where the above financial standards are not met and/or where it reasonably believes the investor lacks the necessary financial sophistication, who purport to not fully understand alphaAI's method of compensation and the nature of its risks, or who are otherwise deemed to be unsuitable for such an arrangement.

The firm may receive a Performance Fee in addition to the Asset Management Fee based upon any gains obtained in the client's account for the calendar year. This fee will be equal to 15% of any gains in the client account during that period. The Performance Fee will be calculated each month and subject to a "high water mark" to ensure that the firm will not receive the Performance Fee unless, and only to the extent that, there are cumulative gains in the client's account when the fee is calculated each month. The Performance Fee will be payable after the end of the calendar year and deducted from the client account concurrent with the first monthly Asset Management Fee following the calendar year-end. For accounts terminated before the end of the calendar year, the Advisor will calculate the Performance Fee for the period from the beginning of the year (or if the Agreement was entered into part way through the year, from the date of the inception of the Agreement) through the termination date and deduct the fee directly from the client account.

There is an inherent conflict of interest when a firm charges performance-based fees to some accounts and management fees based on a percentage of assets under management to other accounts, in that an advisor is incented to favor the accounts from which it will earn higher compensation. To mitigate this conflict, the firm provides its advisory services to all client accounts, including those clients who are not charged a performance fee. These services include, but are not limited to, evaluation of investor suitability and adhering to the investor risk profile when making investment decisions, account reviews that are the same for all clients, and impartial application of alphaAI's Internet based investment advisory services. In addition, the firm maintains trading policies and a Code of Ethics that are intended to deliver consistency, that no one client is favored over another.

Another conflict of interest concerning accounts with performance-based fees is that the advisor is incented to use higher risk investments than called for by the client risk profile. Such investments may generate higher returns, which in turn would generate higher performance-based fees for the advisor. alphaAI has a fiduciary obligation to its clients to put the interest of their clients first over and above the interest of the firm and its supervised persons. In addition, alphaAI attempts to further mitigate this conflict by maintaining suitability and employing trading policies and procedures designed to assist the advisor in further meeting its fiduciary obligations to adhere to the client's agreed upon risk profile.

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

The Advisor will offer its services to individuals, high net worth individuals, corporations and other business entities.

alphaAI is registered with the SEC as an internet investment adviser and provides investment advice to all of its clients exclusively through an interactive website, except that SEC Rule 203(A)-2(e) permits alphaAI to provide investment advice to fewer than 15 clients through other means on a rolling 12-month basis. alphaAI may, at its discretion, provide direct investment advice and communications to some clients and not to others outside of the firm's interactive website.

The Advisor's cumulative minimum account requirement for opening and maintaining an account is \$30,000. However, based on facts and circumstances the Advisor may, at its sole discretion, accept accounts with a lower value.

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

alphaAI uses a quantitative analysis technique that draws from fundamental, technical, and cyclical analysis methods, to construct portfolios and help clients make decisions about investing in rule-based strategies and in formulating investment advice or managing assets for clients. alphaAI's website, its methods of analysis, and investment strategies are utilized across all of alphaAI's clients, as applicable for their individual portfolios, constraints, and objectives.

Fundamental analysis of businesses involves analyzing its financial statements and health, its management and competitive advantages and its competitors and markets. Fundamental analysis is performed on historical and present data but with the goal of making financial forecasts. There are several possible objectives; to conduct a company stock valuation and

predict its probable price evolution; to make a projection on its business performance; to evaluate its management and make internal business decisions and to calculate its credit risk.

Technical analysis is a method of evaluating securities by relying on the assumption that market data, such as charts of price, volume and open interest can help predict future (usually short-term) market trends. Technical analysis assumes that market psychology influences trading in a way that enables predicting when a stock will rise or fall.

Cyclical analysis of economic cycles is used to determine how these cycles affect the returns of an investment, an asset class or an individual company's profits. Cyclical risks exist because the broad economy has been shown to move in cycles, from periods of peak performance followed by a downturn, then a trough of low activity. Between the peak and trough of a business or other economic cycle, investments may fall in value to reflect the uncertainty surrounding future returns as compared with the recent past.

The investment strategies the Advisor will implement may include: long term purchases of securities held at least for one year; short term purchases for securities sold within a year; trading of securities sold within 30 days; short sales; and margin transactions.

The methods of analysis and investment strategies followed by the Advisor are utilized across all of the Advisors clients, as applicable. One method of analysis or investment strategy is not more significant than the other as the Advisor is considering the client's portfolio, risk tolerance, time horizon and individual goals. However, the client should be aware that with any trading that occurs in the client account, the client will incur transaction and administrative costs.

Investing includes the risk that the value of an investment can be negatively affected by factors specifically related to the investment (e.g., capability of management, competition, new inventions by other companies, lawsuits against the company, labor issues, patent expiration, etc.), or to factors related to investing and the markets in general (e.g., the economy, wars, civil unrest or terrorism around the world, concern about oil prices or unemployment, etc.).

Risks of fundamental analysis may include risks that market actions, natural disasters, government actions, world political events or other events not directly related to the price or valuation of a specific company's fundamental analysis can adversely impact the stock price of a company causing a portfolio containing that security to lose value. Risks may also include that the historical data and projections on which the fundamental analysis is performed may not continue to be relevant to the operations of a company going forward, or that management changes or the business direction of management of the company may not permit the company to continue to produce metrics that are consistent with the prior company data utilized in the fundamental analysis, which may negatively affect the Advisor's estimate of the valuation of the company.

The primary risks in technical analysis are that the factors used to analyze the price, trends and volatility of a security may not be replicated, or the outcomes of such analysis will not be the same as in past periods where similar combinations existed. Because of the reliance on trends, technical analysis can signal buying at market peaks and selling at market troughs.

In cyclical analysis, economic or business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. Also, the lengths of the economic cycles may be difficult to predict with accuracy. Therefore, the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

All investments involve some degree of risk. In finance, risk refers to the degree of uncertainty and/or potential financial loss inherent in an investment decision. In general, as investment risks rise, investors seek higher returns to compensate themselves for taking such risks. Clients need to be aware that investing in securities involves risk of loss that clients need to be prepared to bear.

The Advisor primarily recommends that clients invest in exchange listed equity securities, and the material risks of this type of investment are:

#### Business Risk

With a stock, you are purchasing a piece of ownership in a company. With a bond, you are loaning money to a company. Returns from both of these investments require that the company stays in business. If a company goes bankrupt and its assets are liquidated, common stockholders are the last in line to share in the proceeds. If there are assets, the company's bondholders will be paid first, then holders of preferred stock. If you are a common stockholder, you get whatever is left, which may be nothing.

#### Volatility Risk

Even when companies aren't in danger of failing, their stock price may fluctuate up or down. Large company stocks as a group, for example, have lost money on average about one out of every three years. Market fluctuations can be unnerving to some investors. A stock's price can be affected by factors inside the company, such as a faulty product, or by events the company has no control over, such as political or market events.

#### Liquidity Risk

This refers to the risk that investors won't find a market for their securities, potentially preventing them from buying or selling when they want. This can be the case with the more complicated investment products.

#### Other Material Risks:

Model Risk: alphaAI uses quantitative models to make investment recommendations, manage portfolios and provide clients with software services. Quantitative models consist of formulas, algorithms and methodologies for estimating unknown quantities from observable data. Errors may arise from inaccurate data, limitations of the models, implementation of the models, the choice of models, or application of such models, any of which could result in erroneous investment recommendations, decisions or other actions that could negatively impact investment performance.

Systems Risk: As an Internet-based investment adviser, alphaAI makes extensive use of automated computer systems, including proprietary software, third-party software components, cloud services and brokerage systems. Any of these components could suffer



errors that may negatively impact alphaAI's ability to provide investment recommendations, monitor risks, provide software services or execute trades. alphaAI may not be in a position to evaluate the risks and potential for error in third-party systems. Errors in these systems could cause erroneous trades or failures to trade. Additionally, human error using these systems could also cause investment losses.

Cyber Security Risk: alphaAI relies on computer systems to provide advisory and software services. While alphaAI takes precautions to secure these systems, alphaAI's ability to provide such services could still be impaired by a malicious actor breaching security mechanisms and disrupting proprietary systems, or those operated by brokerage, custodian or other party. A malicious actor could also breach systems security to access or disclose confidential client information. There is also a risk of inadvertent disclosure of confidential information.

Data Vendor Risk: alphaAI's automated systems rely on data from third party vendors to make investment recommendations, manage portfolios and provide clients with software services. Data errors or disruptions could adversely impact alphaAI's ability to provide these services.

### **Item 9 Disciplinary Information**

Neither alphaAI nor its management persons have had any legal or disciplinary events, currently or in the past.

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

Neither alphaAI nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither alphaAI nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

alphaAI does not currently have any relationships or arrangements that are material to its advisory business or clients with either a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund), other investment advisor or financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

alphaAI does not recommend or select other investment advisers for clients.

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

alphaAI is registered with the SEC and maintains a Code of Ethics pursuant to SEC rule 204A-1. alphaAI has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for

all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of alphaAI deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of alphaAI are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. alphaAI collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. alphaAI will provide a copy of the Code of Ethics to any client or prospective client upon request.

alphaAI does not recommend to clients, or buy or sell for client accounts, securities in which the firm or a related person has a material financial interest.

alphaAI and/or its investment advisor representatives may from time to time purchase or sell products that they may recommend to clients. This practice creates conflicts of interest in that personnel of alphaAI can take advantage of the advance knowledge of firm securities trading and trade their personal accounts ahead of the client trades or recommend trades in client accounts that may affect the price of the securities owned by the Investment Advisor Representatives. To mitigate these conflicts, alphaAI has adopted a Code of Ethics as noted above. alphaAI's Code of Ethics is available upon request. Finally, supervised persons of registered investment advisors are fiduciaries by law and are required to put the client's interest before those of the firm and themselves.

alphaAI requires that its investment advisor representatives follow its basic policies and ethical standards as set forth in its Code of Ethics.

Investment Advisor Representatives of alphaAI may trade for their own accounts securities that are being traded for client accounts at or about the same time. To mitigate the conflict of interest in such circumstances, alphaAI's policy is to require the trading of all relevant client accounts prior to the trading of their own accounts. The Chief Compliance Officer examines personal trading activities of alphaAI's personnel to verify compliance with this policy.

## **Item 12 Brokerage Practices**

Clients that sign up for alphaAI's investment management services will open an account online with Interactive Brokers, a non-affiliated FINRA registered broker-dealer. alphaAI has selected Interactive Brokers based on execution and custodial services offered, cost, quality of service and industry reputation. alphaAI will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both alphaAI and client in making its decision on broker-dealers.

alphaAI may receive proprietary research services or other products as a result of recommending a particular broker which may result in the client paying higher commissions than those obtainable through other brokers. If alphaAI does receive such products or services, it will follow procedures which ensure compliance with Section 28(e) of the Securities Exchange Act of 1934 or applicable state securities rules.

The firm seeks to obtain the most favorable net results for clients' price, execution quality, services and commissions. Although the firm seeks competitive commission rates, it may pay

commissions on behalf of clients which may be higher than those available from other brokers in order to receive other services. The firm may enter into such transactions so long as it determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker. The services that may be considered in this determination of reasonableness may include (1) advice, either directly or through publications or writing, as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities; (2) analysis and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or (3) effecting securities transactions and performing functions incidental thereto. Such research furnished by broker-dealers may be used to service any or all of alphaAI's clients and may be used in connection with accounts other than those that pay commissions to the broker-dealers providing the research. In particular, third-party research provided by broker-dealers may be used to benefit all of the firm's clients. This creates a conflict of interest in that the firm has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution.

Benefits received may be used as soft dollars provided that:

- The service is primarily for the benefit of alphaAI's clients
- The commission rates are competitive with rates charged by comparable broker-dealers; and
- alphaAI does not guarantee a minimum amount of commissions to any broker-dealer.

alphaAI does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

alphaAI recommends that all clients use a particular broker-dealer for execution and/or custodial services. The broker-dealer is recommended based on criteria such as, but not limited to, reasonableness of commissions charged to the client, tools and services made available to the client and the Advisor, and convenience of access to the account trading and reporting. The client will provide authority to alphaAI to direct all transactions through that broker-dealer in the investment advisory agreement.

As an investment advisory firm, alphaAI has a fiduciary duty to seek best execution for client transactions. While best execution is difficult to define and challenging to measure, there is some consensus that it does not solely mean the achievement of the best price on a given transaction. Rather, it appears to be a collective consideration of factors concerning the trade in question. Such factors include the security being traded, the price of the trade, the speed of the execution, apparent conditions in the market, and the specific needs of the client. alphaAI's primary objectives when placing orders for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality and 5) skill required of the broker. alphaAI may not necessarily pay the lowest commission or commission equivalent as specific transactions may involve specialized services on the part of the broker.

alphaAI does not permit clients to direct brokerage.

alphaAI may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g. for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of alphaAI's investment advisory agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. alphaAI may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

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

Investment advisory client accounts are monitored by alphaAI's Internet based software systems on a daily or ongoing basis. The nature of the review is to determine if the client account is still in line with the client's stated objectives. alphaAI's software has multiple built-in fail safe systems that check each other, and on a monthly basis the accuracy of the alphaAI software is reviewed by Richard Sun, Managing Partner.

The client is encouraged to notify alphaAI if changes occur in his/her personal financial situation that might materially affect his/her investment plan.

The client will receive written statements no less than quarterly from the qualified custodian. alphaAI does not deliver separate client reports.

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

alphaAI is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure.

alphaAI does not directly or indirectly compensate any person who is not a supervised person for client referrals.

### **Item 15 Custody**

alphaAI does not have custody of client funds or securities, except for the withdrawal of advisory fees directly from client accounts (please see Item 5 which describes the safeguards around direct fee deduction). However, as noted in Item 13 above, clients will receive statements not less than quarterly from the qualified custodian, and we encourage you to

review those statements carefully. Any discrepancies should be immediately brought to the firm's attention.

### **Item 16 Investment Discretion**

alphaAI generally has discretion over the selection and amount of securities to be bought or sold in client accounts without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales may be subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by alphaAI.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of an Investment Advisory Agreement containing all applicable limitations to such authority. All discretionary trades made by alphaAI will be in accordance with each client's investment objectives and goals.

### **Item 17 Voting Client Securities**

alphaAI will not vote, nor advise clients how to vote, proxies for securities held in client accounts. The client clearly keeps the authority and responsibility for the voting of these proxies. Also, alphaAI cannot give any advice or take any action with respect to the voting of these proxies. The client and alphaAI agree to this by contract. Clients will receive proxy solicitations from their custodian and/or transfer agent.

### **Item 18 Financial Information**

alphaAI does not require or solicit prepayment of more than \$500 in fees per client, six months or more in advance, and is not required to file a balance sheet.

alphaAI has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If alphaAI does become aware of any such financial condition, this brochure will be updated and clients will be notified.

alphaAI has never been subject to a bankruptcy petition.