

Part 2A

Item 1 – Cover Page

# **OPTIMAL ASSET MANAGEMENT, INC.**

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**AUGUST 2015**

This Brochure provides information about the qualifications and business practices of Optimal Asset Management, Inc.. (the "Adviser"). If you have any questions about the contents of this Brochure, please contact the Adviser at the telephone number shown above. The information in this Brochure has not been approved by the U.S. Securities and Exchange Commission ("SEC") or by any state securities authority.

Optimal Asset Management, Inc. is registered as an investment adviser with the U.S. Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provides you with information with which you can determine whether to hire or retain an adviser.

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

## Item 2 – Material Changes

This is the Adviser's amended filing on Form ADV. This Item 2 discusses specific material changes that are made to this Brochure, since the last filing on March 31, 2015.

We will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days after the close of our fiscal year. We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at the telephone number on the cover page or [info@optimalam.com](mailto:info@optimalam.com).

- Item 4.A – has been updated to reflect the company's change in corporate structure from an LLC to a C-Corp
- Item 4.E – has been updated to reflect updated Regulatory AUM through 6/30/15

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## Item 4—Advisory Business

### *A. Description of the Company*

Optimal Asset Management, Inc. is a Delaware limited liability company. The firm was founded in June 2012 by Vijay Vaidyanathan, who is the CEO. We provide sub-advisory and investment advisory services to private investment funds, investment managers, pooled investment vehicles, as well as trusts, qualified retirement plan sponsors and other business entities. We are a fee-only firm and we recognize a fiduciary duty to each of our clients to act in their best interests at all times.

### *B. Types of Investment and Advisory Services Offered*

We offer two advisory platforms:

1. Separately managed accounts;
2. Private investment funds (i.e., hedge funds), specifically the Prism Quant Fund I, Limited Partnership (see description below).

Both the Partnership and the SMAs are managed simultaneously by Optimal Asset Management, Inc. Each SMA generally will have its own investment objectives and the trading strategy will differ accordingly. However, our core focus is in building “blended” smart beta portfolios based on risk premia factors, which therefore enable an investor to better understand the nature of his risk exposures. For those certain clients who are unable or unwilling to subscribe for interest partnership interests in the Partnership for any reason, we can offer an SMA version of the Partnership's trading strategy.

### *C. Scope of Services*

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#### Separately Managed Accounts

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Our SMAs are tailored to meet the specific needs of individual clients. SMA clients may impose restrictions on investing in certain securities or types of securities. Other restrictions may be imposed by SMA clients with respect to leverage, concentration, absolute risk, tracking error, and trading/rebalancing frequency, among other aspects.

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#### Prism Quant Fund I, LP

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Optimal Asset Management, Inc. serves as the general partner of Prism Quant Fund I, LP (the "Partnership"), a private investment limited partnership. The Partnership's investment is driven by a proprietary quantitative model, with the GP vested with the discretion to adapt the strategy. Briefly, the model scores various equities' risk and return characteristics across a range of factors with the objective of constructing and holding portfolios of securities that are likely to provide better statistical risk-return properties than equity indices.

Interests in the Partnership are only suitable for "qualified clients or accredited investors".

An investment in the Partnership is speculative and involves substantial risks, several of which are described in its Offering Memorandum. Prospective investors should satisfy themselves that an investment in the Partnership is suitable for them and should carefully examine its Offering Memorandum before making an investment decision.

We manage the assets of the Partnership in accordance with investment guidelines set forth in the Offering Memorandum under the powers conferred upon us by a subscription agreement and the Partnership's constitutional documents. Each prospective investor in a Partnership receives a complete set of offering documents prior to investing.

*D. Wrap fee programs*

We do not offer wrap fee programs.

*E. Assets Under Management*

The Advisor is an investment advisory firm. It is registered with the SEC. As of June 30, 2015, we had \$368,225,095 in regulatory assets under management.

## Item 5 – Fees and Compensation

*A. Types of Compensation*

Separately Managed Accounts

The fees for the separately managed accounts (SMA's) are based on customer-specific negotiations/customization requirements, but are generally a certain fixed percentage of AUM (with a minimum fee), possibly on a sliding scale for increased AUM with each client.

#### Prism Quant Fund I, LP

The Partnership's Limited Partners pay a management fee of 0.5% or 0%, based on the chosen class of share. The Adviser's sole compensation is a performance fee equal to twenty percent (20%) or twenty-five percent (25%) per annum of the net "new" profits allocated to the limited partners ("new" profits are those net profits that exceed net losses previously allocated to the limited partner that have not been recovered), depending on the chosen share class.

The performance fee is debited from the capital account of each limited partner as of the end of each fiscal year (or upon the date of a permitted or required withdrawal) and allocated to the capital account of the general partner in accordance with the terms of the Partnership Agreement.

#### *B. Method of billing -Separately Managed Accounts*

Fees are generally calculated quarterly and paid quarterly based on the market value of the account at the end or as an average of the previous quarter. Exceptions are made to the published fee schedule under certain circumstances pursuant to a negotiated fee agreement with the client.

We follow the following process for our clients' protection:

- Each client account is separately held by a "qualified custodian;"
- The custodian sends statements no less frequently than quarterly showing all disbursements from the account, including the amount of the advisory fee; and
- Each client provides written authorizations for us to be directly paid on these terms.

Either the client or Optimal Asset Management may terminate the investment advisory agreement at any time by providing written notice to the other party. Full refunds will only be made in cases where cancellation occurs within five days of signing our investment advisory agreement. After five business days, clients will receive a pro-rata refund.

### *C. Other Fees and Costs*

In addition to the management fee set forth above, separately managed account clients may pay some or all of the following costs and expenses to third parties:

*Custodial Fees:* All custody costs and expenses are charged by the custodian to the account.

*Trading Costs:* Separately-managed account clients pay transaction fees (ticket charges) which generally are charged by the custodian on a transaction-by-transaction basis.

*Transaction costs:* Separately-managed account clients pay all commissions, bid-ask spreads, mark-up's and similar transaction costs which may be incurred in connection with the purchase and sale of individual securities.

### *D. Return of Unearned Management Fees*

When an investment advisory agreement commences or terminates between an account's regular valuation dates, a pro rata adjustment is made with respect to the management fee for the partial period. Upon termination of any account, any prepaid, unearned fees are promptly refunded.

### *E. Compensation From the Sale of Investment Products*

We do not accept compensation or commissions for the sale of securities or other investment products.

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

As set forth above, clients who invest in the Partnership generally pay an annual performance fee of twenty (20) percent or twenty-five (25) percent per annum of the Partnership's new profits. Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client like the Partnership).

Performance based fee arrangements may create an incentive for us to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing that are not

charged performance-based fees. We manage both types of accounts -the Partnership is charged a performance-based fee; the separately-managed accounts generally are not.

## Item 7 -Types of Clients

We provide investment services to individual and institutional investors including, for example, private investment funds, other investment managers, corporate pension and profit-sharing plans, charitable institutions, foundations and endowments.

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

Our investment strategy with our SMA clients begins with a thoughtful interaction to discuss existing and desired risk factor exposures, with the help of our software tool, Factor Blender. Factor Blender also enables the investor to get to its target exposures, through a portfolio vehicle consisting of long-only equity portfolios. Given the specific universe and mandate size, we build a portfolio with the capacity, rebalancing, and tracking error constraints required, for our client. Generally, we refer to these portfolios as “Factor Portfolios”, which we have traditionally implemented with a partner of our or our client’s choosing.

Our investment strategy in the Partnership rely largely on a proprietary and quantitative model utilizing Prism Single Stock Scores purchased in 2014 from Return Metrics Inc., an affiliate of the General Partner (the "Model"). In brief, the Model scores various equities' risk and return characteristics across a range of factors, and generates portfolios of stocks that the Model identifies as likely to provide better statistical risk-return properties than equity indices.

The Model was developed through years of refinement by experts with experience in both computer science and finance. The Model utilizes a range of stock metrics including accounting variables, sector information, and price and returns data to invest in stocks with a long bias.

It is important to note that the performance of any investment is subject to numerous factors which are neither within the control of, nor predictable by, Optimal Asset Management or our portfolio managers. These factors include a wide range of economic, political, competitive and other conditions which may affect investments in general or within specific industries or companies.



## Item 9—Disciplinary Information

We have no legal or disciplinary events to report involving Optimal Asset Management or Mr. Vaidyanathan or any other members of the Optimal Asset Management staff.

## Item 10—Other Financial Industry Activities and Affiliation

None to report

## Item 11—Code of Ethics

We have adopted a code of ethics ("Code of Ethics") describing our high standard of business conduct and fiduciary duties to our clients. As a fiduciary, we have a responsibility to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core principle for our Code of Ethics.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things.

Subject to satisfying the Code of Ethics and applicable laws, our officers and employees may trade for their own accounts in securities which are purchased for our clients. Among other things, our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in our clients' best interest and (ii) implementing the decisions while, at the same time, allowing employees to invest for their own accounts. Because the Code of Ethics in some circumstances permits employees to invest in the same securities as clients, there is a possibility that employees might benefit inadvertently from market activity by a client in a security held by an employee.

One may request a copy of our Code of Ethics by contacting us at the telephone number on the cover page.

## Item 12 - Brokerage Practices

"Best Execution" and "Soft Dollars"  
assets held in custody. The prime broker (and its affiliates) may transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes.

### Item 13 - Review of Accounts

Vijay Vaidyanathan and Monty Joshi review our securities transactions and portfolios on a continuous basis.

We, or our trading partner if applicable, provide quarterly reports to each client which include a performance report and a consolidated inventory or the investments upon which we exercise investment discretion. Monthly or quarterly statements from the account custodian(s) are sent to each separate account client directly from the corresponding brokers, banks, mutual funds, etc., which hold the client's investments. These statements disclose the assets in the custodian's custody.

The Partnership is audited annually and its limited partners receive copies of such audit and the accompanying financial statements within 120 days after the end of each fiscal year.

We strongly encourage you to review the monthly or quarterly account statements you receive from custodians.

### Item 14 – Client Referrals and Other Compensation

#### Client Referrals

We may engage the services of independent solicitors in the future. If a client is referred to us by a solicitor, this practice will be disclosed to the client in writing by the solicitor. In these cases, we would pay the solicitor out of our own funds - specifically, we would generally pay the solicitor a portion of the fees we earn for managing the capital of the client or investor that was referred.

The Advisor does not receive any other compensation for its services that is not disclosed herein.

## Item 15 – Custody

Custody means holding, directly or indirectly, client funds or securities or having any authority to obtain possession of them. The SEC and the State of California have rules and regulations which are designed to safeguard client assets. We follow the rules of the SEC, which require us to follow the following procedures:

### Custody: Separately Managed Accounts

*Maintain Accounts with Qualified Custodians:* We have all client funds and securities, except shares of mutual funds, maintained by a "qualified custodian" (i.e., a bank, registered broker-dealer) in separate accounts for each client. Although we may recommend a custodian, the client may choose its own. Shares of mutual funds and exchange traded funds are held by the fund's transfer agent.

*Periodic Account Statements:* Each custodian furnishes account statements to our clients no less frequently than quarterly. This statement, at a minimum, identifies the amount of funds and of each security in the account at the end of the quarter and all transactions in the account during the quarter.

### *Custody: Prism Quant Fund I, LP*

As the general partner of the Partnership, we are deemed to have custody of its assets. The SEC has rules and regulations which are designed to safeguard Partnership assets. As per SEC rules, we hold the Partnership's assets with a "qualified custodian" and have its accounts audited annually. In addition, we deliver to each limited partner a copy of the Partnership's audited financial statements within 120 days after the end of its fiscal year.

## Item 16 – Investment Discretion

We manage separate accounts on a discretionary basis and generally allow for limitations to be placed on our investment authority provided they are contained in the signed investment advisory agreement.

In accordance with the term of its Partnership Agreement, as the Partnership's general partner we have sole responsibility for the management of the Partnership's assets.

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

For those circumstances when our separate account clients grant us the direct authority to vote proxies, the Firm has retained Broadridge (“Broadridge”) to assist in the proxy voting process. Monty Joshi manages the Firm’s relationship with Broadridge and ensures that all proxies are voted according to clients’ specific instructions and the Firm’s general guidance. Broadridge will also retain certain required documentation associated with proxy voting.

You can obtain a copy of our proxy voting policy and a record of votes cast by us on behalf of clients by contacting us at the address on the cover page.

## **Item 18- Financial Information**

Optimal Asset Management, Inc. has no financial commitments that impair our ability to meet contractual and fiduciary commitments to our clients, and we have not been the subject of a bankruptcy proceeding.