



## **Brochure**

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*This brochure provides information about the qualifications and business practices of Tandem Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (201) 822-0028. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission, or by any state securities authority.*

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

*Tandem Capital Management, Inc. is a Registered Investment Adviser. Registration with the U.S. Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.*



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Tandem Capital Management, Inc. has had no material changes since our last annual update on March 28, 2012.



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Tandem Capital Management, Inc. is an independent investment-management firm providing investment-advisory services to high-net-worth individuals, families, business owners, executives, and retirement plans since 1991. Tandem Capital Management, Inc. is wholly owned by SYS Investors Corp., a privately held corporation. Kent Sheng and Lauren Wong, principals of Tandem Capital Management, Inc., and Jean Sheng own 100% of the shares of SYS Investors Corp.

Tandem Capital Management, Inc. offers both investment-advisory and financial-planning services. Investment-advisory services are limited to listed, marketable securities. Financial-planning services are provided primarily to investment-advisory clients, and fees may be charged based on the scope of work. Financial-planning services also may be provided to non-investment-advisory clients referred by our clients or other professionals.

Tandem Capital Management, Inc. creates and manages each client's portfolio based on the client's stated investment objective. Clients may impose restrictions on investing in certain securities or types of securities.

Tandem Capital Management, Inc. does not participate in wrap fee programs.

As of June 8, 2012, the firm managed \$95,765,000 in total; \$95,488,000 on a discretionary basis, and \$277,000 on a non-discretionary basis.

## ***Item 5 Fees and Compensation***

### **Advisory Fees**

Fees for investment-advisory services are based on a percentage of assets under management.

For equity and balanced accounts, an annual rate of 1.00% is charged on the first \$5 million under management, 0.80% on the next \$2 million and 0.60% on the next \$3 million. Fees for assets in excess of \$10 million are negotiable.

Fixed-income-only accounts are charged an annual rate of 0.40% of assets under management.

A fixed annual fee may be charged on certain related accounts (such as custodial accounts).

Financial-planning fees are \$3,500 for a single plan with updates within 12 months, or \$300 per hour. Financial-planning fees are waived for investment-advisory clients with accounts over \$1 million.

Billing statements are sent directly to the client or as directed. Clients may choose direct remittance to Tandem Capital Management, or provide advance written authorization to have management fees deducted directly from their accounts that are held by a qualified custodian.

Investment-advisory (management) fees, equal to one-quarter of the annual fees, are payable when billed at the beginning of a quarter. These fees will be calculated based on the value of the account at the end of the preceding quarter, adjusted for capital additions and withdrawals. If the Investment Advisory Agreement is terminated during a quarter, the fee will be charged on a pro-rata basis up to the day the client's funds or securities are transferred out, in their entirety, to the client's designated account or address. The Investment Advisory Agreement is cancelable by either party with thirty (30) days' advance written notice sent from the client to the office of Tandem Capital Management, Inc. or from Tandem Capital Management, Inc. to the client's record address.

## **Other Fees**

### ***Brokerage commissions and fees; ADR fees***

- Brokerage commissions, fees and other transaction costs; and American Depositary Receipt (ADR) fees are paid directly by the client.
- Commissions are added to purchase transactions and deducted from sale transactions directly by the broker-dealer.
- ADR fees are deducted from client accounts by the custodian for payment to the financial institutions issuing the ADRs.
- Tandem Capital Management, Inc. and its employees do not earn any part of such commissions and fees.

### ***Money-Market Fund/Mutual Fund/Exchange-Traded Fund Fees***

- Cash balances in clients' portfolios are held in money-market funds at the qualified custodian.
- Included in the net asset values (NAVs) of these money-market funds and all other mutual funds are the funds' investment-management fees, administrative fees, and operating expenses.
- Tandem Capital Management's investment-advisory fee is for our management of clients' portfolios, which may hold ADRs, money-market funds, mutual funds and exchange-traded funds.
- Our advisory/management fee is a separate investment-management fee from those of the funds.

does not require or solicit prepayment from any client of more than \$1,200 in fees and payment six months in advance.

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

Not Applicable.

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

We provide investment advice to high-net-worth individuals, families, business owners, executives, trusts, estates, retirement plans, and profit-sharing plans.

There is a minimum account size of \$500,000 for all accounts. Under certain circumstances, this minimum account size may be waived.

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

Tandem Capital Management, Inc. employs a long-term, value-oriented approach to investing. Our goal is to preserve clients' capital over time through investing in companies with above-average growth rates and reasonable levels of risk.

We begin with a 'top-down' approach to assess the U.S. and global economic and market outlooks for the near and intermediate terms. This is an important first step for both equity and fixed-income investing.

In equity (stock) investing:

- We seek to identify trends, industries and sectors that would likely enjoy strong demand and growth.
- Next, we research those industries and sectors to select investment candidates that are positioned for revenue and earnings growth, but selling at prices below the value of that potential growth.
- In addition to competent management teams, we look for companies with healthy balance sheets, strong free cash flow, and attractive price-to-earnings multiples.
- Our sources of research include SEC filings, annual reports, corporate websites, business newsletters and magazines, independent research reports, brokerage research reports, and analyst meetings with management.
- We review companies of all sizes, but with special emphasis on those with mid to large market capitalizations.



mselves, we may invest in companies that are attractive  
unlock value within a shorter timeframe.

- Investing in securities involves the risk of capital loss and may not be appropriate for those with short investment horizons and need for near-term liquidity. Lack of demand may cause companies to incur losses or generate lower earnings. Competition may erode market share and cause revenue and earnings to fall. Geopolitical events may cause operations to cease or be curtailed and production to drop. These and other similar factors may cause stock prices to fall and there is no assurance that the prices will rebound within a short timeframe.
- For long-term investors, we aim to reduce market risk by diversifying each equity portfolio with companies in different industries and sectors. In general, our aim is to achieve superior after-tax returns through long-term investing and moderate portfolio turnover.

In fixed-income (bond) investing:

- Our universe for bonds consists of high credit quality, investment-grade bonds such as U.S. Treasury securities, government agency bonds, municipal bonds, investment-grade corporate bonds, mortgage-backed securities, and bond mutual funds.
- We seek issuers, yields and maturities based on a client's stated investment objective.
- We aim to diversify a fixed-income portfolio through bonds with various maturities.
- We do not actively trade in bonds and generally hold bonds until maturity.
- Investing in securities involves the risk of capital loss and may not be appropriate for those with short investment horizons and need for near-term liquidity. Interest rates may rise quickly, causing bond prices to fall. Higher inflation might cause investors to sell bonds to invest in stocks and other asset classes, thereby causing bond prices to fall. When interest rates fall, there is a risk of reinvesting proceeds from matured bonds in higher-priced bonds. Corporations and municipalities may default on their bonds, which might cause them to become worthless.
- For long-term investors, we aim to reduce market risk by diversifying each fixed-income portfolio with different issuers, yields and maturities. In general, our aim is to preserve capital by investing in maturities from one to seven years, with a laddering of various maturities.

None.

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

Not Applicable.

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

Tandem Capital Management's Code of Ethics (Code) applies to all directors, officers and employees.

This Code sets forth rules and standards of conduct for the employees of Tandem Capital Management. The purpose of this Code is to preclude circumstances which may lead to or give the appearance of conflicts of interest, insider trading, or unethical business conduct. The rules prohibit certain activities and personal financial interests as well as require disclosure of personal investments and the related business activities of all directors, officers and employees.

A copy of the current Code of Ethics will be provided to any client or prospective client upon request.

From time to time, Tandem Capital Management, Inc. may buy or sell securities for its own account, SYS Investors Corp.'s account, and its employees' accounts that it also recommends to clients. SYS Investors Corp. is a proprietary account and pays full management fees. Tandem Capital Management may, from time to time, bunch orders for all aforementioned accounts with block trades for clients.

At no time will Tandem Capital Management, Inc. effect transactions for its own account, SYS Investors Corp.'s accounts, and its employees' accounts which could be construed as conflicting with the best interests of its clients. Employees of Tandem Capital Management may buy or sell for their own accounts only in compliance with internal policy and procedures regarding personal securities transactions.

When orders from related accounts are bunched together with non-related accounts, and the aggregate order is only partially executed, the executed order will be prorated among only non-related accounts and full-fee-paying related accounts. Non-fee-paying related accounts (employee accounts) will not participate in partially filled orders.

***Item 12 Brokerage Practices***





determine what a fair commission is based mainly on the by broker-dealers. When evaluating broker-dealers, we consider factors such as trade execution services, back-office operations, and technology tools that will enhance our ability to meet the needs of our clients.

## **Research and Other Soft Dollar Benefits**

Tandem Capital Management, Inc. is not affiliated nor has compensatory relationships with any broker-dealer. Clients of Tandem Capital Management, Inc. do not pay commission to brokers which are higher than those obtainable from full-service brokers that provide research services. On the other hand, because of the servicing required, our clients do not pay the lowest online commissions offered.

A portion of the commission paid to the broker-dealer is considered "soft dollars" for use in investment decision making. This practice is protected by the "safe harbor" provided by Section 28(e) of the *Securities Exchange Act of 1934*, which permits investment advisors to use commission dollars to purchase investment research and brokerage services for the benefit of the accounts they manage.

Examples of services provided to Tandem Capital Management, Inc. through soft-dollar benefits are market quotation systems, stock-screening application, and research distribution service. Tandem Capital Management, Inc. also receives daily research notes, updates, and security offerings via email. As all services are used in aggregate for investment decisions that benefit all accounts under management, it is neither feasible nor possible to accurately allocate each benefit from each transaction to each account.

Tandem Capital Management does not initiate transactions for the purpose of generating soft dollars. Rather, soft dollars are generated as a by-product of the transactions initiated by the portfolio manager based solely on investment considerations. Tandem Capital Management does not and will not receive any cash or other direct benefit from this soft-dollar program other than what is stated above.

## **Directed Brokerage**

Tandem Capital Management, Inc. does not recommend, request or require clients to direct transactions to be executed through a specified broker-dealer.

Clients, however, may direct Tandem Capital Management, Inc. to execute transactions through a specified broker-dealer because of their existing relationship with that broker-dealer. In such cases, it is likely that we do not have many clients at the same broker-dealer to negotiate for favorable commission rates. Therefore, the specified broker-dealer may charge higher commission or transaction fees for individual transactions executed for a single client. The execution price for a single order may be less favorable than when a bunched order for several accounts is executed.

ent accounts when we decide to buy or sell the same security for those accounts with a similar investment objective and for whom the security will be an appropriate investment. We can aggregate only for those accounts that either have the same security to sell, or sufficient funds to buy the security. If the conditions are not met for aggregation, we may execute them separately when we deem appropriate.

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

Internally and for portfolio-management purposes, investment-advisory accounts are reviewed monthly, when purchase and/or sale transactions are considered, and when market-related events trigger such reviews. Account reviews with clients are based on client preferences, which may be for quarterly reviews, annual reviews, or reviews at their convenience. These reviews may be done in person, by telephone, or by email. Kent Sheng, CFA, president and portfolio manager, performs all investment reviews.

Monthly brokerage statements are generated by qualified custodians and mailed directly to the clients for their record. These statements show month-end market values of their portfolio holdings, and all transactions which occurred in the account during the month. For client meetings or discussions, we have updated portfolio and performance reports generated from a portfolio-management application.

Financial plans are periodically reviewed based on clients' stated preference. Clients may choose to have their plans reviewed annually; when there are changes to their financial picture; or when they would like to run some 'what-if' scenarios. Lauren Wong, CFA, managing director, performs the financial and investment reviews.

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

Tandem Capital Management, Inc. does not receive any economic benefit or cash from any non-clients in connection with giving advice to clients.

Tandem Capital Management, Inc. may directly compensate third-party solicitors for client referrals. As solicitors serve as the relationship managers for solicited clients, the advisory fee charged to solicited clients may be higher than its standard fees to other clients. Terms are disclosed to and acknowledged by such clients in the Solicitation Disclosure Document.

The solicitor is an independent contractor and is not affiliated to Tandem Capital Management or its custodians. The solicitor is not authorized by Tandem Capital Management, Inc. to provide investment advice to solicited clients regarding accounts that we manage.

### ***Item 15      Custody***

All assets in our clients' investment-advisory accounts are custodied at one or more qualified custodians. Tandem Capital Management, Inc. performs investment-advisory services for these accounts but does not have custody of clients' assets.

deduction of our investment-management fees from their accounts. We will deduct these fees directly from their accounts. (In its

instructions on **Form ADV Part 1A Item 9**, the SEC has implied that advisors who deduct advisory fees only are not considered to have custody of clients' assets.) Clients have the ability to monitor the deduction of fees since it will be reflected on the monthly statements mailed directly to the clients by the qualified custodian. Clients can compare the amount deducted to the fee calculated in the billing statement we provide them (see Item 5, Fee Billing).

#### ***Item 16 Investment Discretion***

We manage almost all clients' accounts on a discretionary basis. We disclose this in full in our Investment Advisory Agreement that clients receive and sign before we assume management of their accounts. If we agree, clients may impose restrictions and limitations on the management of their accounts which will be stated and confirmed in writing.

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

Tandem Capital Management, Inc. does not have the authority to vote client securities. Clients will receive their proxies or other solicitations directly from their custodian(s). Clients can contact us if they should have questions regarding a particular solicitation.

#### ***Item 18 Financial Information***

Not required because Tandem Capital Management, Inc. does not require or solicit prepayment of more than \$1,200 in fees per client and six months or more in advance; and does not have custody of client funds or securities.