

Form ADV Part 2A

**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.*

***Item 2 Material Changes***

There are no material changes as of December 31, 2023.

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**Item 4 Advisory Business**

Tandem Capital Management, Inc. is an independent registered investment advisor providing wealth management services to high-net-worth individuals, families, entrepreneurs, executives, and retirement plans since 1991. Tandem Capital Management, Inc. is a privately held corporation, owned by Kent G. Sheng, Lauren L. Wong, Jean F. Sheng and William Chen.

Tandem Capital Management, Inc. offers both investment-advisory and wealth planning services. Investment-advisory services are limited to listed, marketable securities. Wealth planning services are provided primarily to investment-advisory clients, and fees may be charged depending on the scope of work. Wealth 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 December 31, 2023, the firm managed \$213,808,712 in total, all on a discretionary basis.

**Item 5 Fees and Compensation****Fees on Investment Advisory Accounts**

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

For equity accounts comprising primarily shares of individual companies, an annual rate of 1.00% is charged on the first \$5 million under management, 0.70% on the next \$5 million and 0.60% thereafter.

For accounts consisting of mainly exchange-traded funds and mutual funds supplemented by select individual securities, an annual rate of 0.80% is charged on the first \$2 million under management, and 0.60% thereafter.

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

A fixed annual fee may be charged on certain smaller, related accounts.

A basic annual wealth plan is included for investment advisory clients. Advice and services required beyond a basic plan will be charged additional planning fees. A retainer is requested for ongoing wealth-planning services which will be billed on an hourly basis.

Wealth-planning-only fees are \$5,000 for a single plan with updates within 12 months, or \$500 per hour.

### **Fee Billing**

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 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 and, if applicable, pro-rated based on the value of the account at the end of the preceding quarter, adjusted for capital additions and withdrawals of 10% or more. 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 separate from the investment-management fees charged by the fund companies.
- Tandem Capital Management, Inc. and its employees do not earn any asset-based sales charges or service fees from the purchase or sale of mutual funds.

***Fees Paid in Advance***

Tandem Capital Management, Inc. 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, entrepreneurs, executives, trusts, estates, retirement plans, and profit-sharing plans.

There is a minimum account size of \$1,000,000. Under certain circumstances, this minimum account size may be waived.

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

Tandem Capital Management's objective is to help clients reach their financial goals by growing client capital over the long term and preserving it over time. We do this by taking a long-term focus in making diversified investments in equities that we believe are reasonably priced with respect to their growth rates. In fixed income, we take a defensive approach that focuses on investment-grade securities that provide current income and preservation of capital. Our analytical approach is both "top-down," which includes overarching economic, demographic

and policy considerations, and “bottom-up,” which includes fundamental analysis of specific stocks and industries. We do not use or recommend leverage in our discretionary accounts.

Equity portfolios may comprise any or all of the following: individual securities, equity open-end mutual funds (on a no-load basis), closed-end mutual funds, and exchange-traded funds.

In stock investing, we seek ownership in companies possessing prospects for long-term growth at a reasonable price. This begins with a “top-down” assessment of domestic and global economic prospects, geo-political conditions, demographic trends, technology shifts and structural economic changes. The top-down view helps order our sector and industry focus. Individual stock selection derives from fundamental analysis. That fundamental analysis includes examining a company’s profitability, financial strength, competitive advantages and management competence. We assess these qualities by understanding a company’s products, pipeline and competitive position and looking at various return measures including return on equity, capital and sales. The company’s use of debt and how management allocates its available capital are key investment considerations. In valuing investment candidates for purchase, we attach particular importance to the underlying growth rate of operating earnings, the price-earnings (“P/E”) ratio, and the company’s level of, and ability to grow, its free cash flow with respect to the total enterprise value of the company.

In our investment model consisting of funds, we begin with an asset allocation that diversifies a portfolio based on the client’s investment horizon and level of risk tolerance. We screen, research and select both active and passive funds that we believe will help meet the client’s investment objective. Where there are individual stocks or bonds that we believe are appropriate for the client, we may include select individual securities to supplement the diversification of the portfolio.

As long-term investors, our investment philosophy does not rely on timing the markets or predicting the market’s short-term behavior. Under most market conditions, we remain fully, or almost fully, invested. On average, we expect our annual portfolio turnover rate in equities to be much lower than that of the average, actively managed large-cap mutual fund.

Fixed-income and balanced account portfolios may comprise any or all of the following: individual debt securities, fixed-income open-end mutual funds (on a “no-load” basis), closed-end mutual funds, or exchange-traded funds.

Our taxable or tax-exempt bond portfolios are made up overwhelmingly of investment-grade securities, as rated by either Moody’s or Standard and Poor’s. We typically invest in high-quality investment-grade corporate bonds, U.S. Treasury securities, government agency bonds, municipal bonds, mortgage-backed securities, bond mutual funds, and fixed-income exchange-traded funds which include such securities. When establishing portfolios of individual fixed-income securities, we favor diversifying across issuers and adopting staggered maturities. While

dependent upon client need, our practice is to feature short- to intermediate-term maturities with securities held to maturity and not traded.

## **Risks**

In equities, Tandem Capital Management attempts to invest prudently, aided by our selection process. However, 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 and generate lower earnings. Competition may erode market share and cause revenue and earnings to fall. Geopolitical events could cause operations to cease and production to drop. These and other similar factors may cause stock prices to fall without assurance of rebounding.

The nature of our search for reasonably-priced stocks will lead us in many instances to companies under pressure and where a stock price is falling. Our search for value may lead us to select companies whose stocks may be depressed because of material fundamental issues and controversial headlines. In such cases we believe these issues are temporary or well reflected in the price of the stock which we believe to be undervalued. However, despite attempts to reverse bad decisions, losses can occur in situations where our analysis is incorrect or we misinterpret industry trends.

Typically, Tandem Capital Management limits its equity portfolios to 30-40 equity positions. Such a portfolio is more concentrated than a stock index or broader-based mutual fund of a hundred or more stocks. Therefore, the contribution of a poorly performing holding to portfolio performance is likely to be magnified. While our portfolios are typically diversified across many industries, our top-down analysis in stock selection may lead to a heavier sector weighting compared to the sector's weighting in a broad index. Similarly, our bottom-up analyses may lead to heavier representation by a single company. This may add to volatility.

Tandem Capital Management may on a very selective basis invest in smaller sized companies. These may offer limited trading liquidity and more volatility than larger-capitalization stocks. Similarly, we may invest in foreign securities which may present greater volatility, currency risk, political risk and economic uncertainty than a large-capitalization U.S. stock.

In relying upon fundamental analysis to help select individual securities, it is possible that the data provided in a company's filings or presentations to us or others upon whom we rely on for analyses or information distribution, though offered as reliable, turns out to be fraudulent. Investments made based upon such information can result in substantial or total loss of principal.

Within fixed-income investments, bond prices will typically decline when interest rates rise. A decline in the credit quality of an issuer or a provider of credit support can cause the price of a



debt instrument to decrease. Securities may suffer ratings downgrades which can cause declines in market value. Corporations and municipalities can default on their bond obligations causing substantial or complete loss of principal.

***Item 9 Disciplinary Information***

None.

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

None.

***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 and its employees' accounts that it also recommends to clients. 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 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**

Tandem Capital Management, Inc. will determine what a fair commission is based mainly on the quality of services and products offered 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**

Since July, 2017, Tandem Capital has discontinued participation in the soft dollar program for investment research. Remaining soft dollar credits will be applied towards currently approved investment research.

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.

Tandem Capital may receive limited non-soft-dollar research such as daily research notes, and notices of security offerings via email from a few broker-dealers. Research is used in aggregate for making investment decisions that benefit all accounts under management.

**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 possible that we do not have many client accounts at the same broker-dealer with which to negotiate 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.

**Aggregate ('bunched') Orders**

We will aggregate orders for several client accounts when we decide to purchase 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 purchase 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. The portfolio managers performs all investment reviews.

Monthly brokerage statements are generated by qualified custodians and mailed directly to 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. Clients may opt for access to their account information through the qualified custodian's online platform. For client meetings or discussions, we provide updated portfolio and performance reports generated from a third-party-licensed portfolio-management software application.

Financial plans are periodically reviewed based on clients' stated preference. Clients may choose to have their plans reviewed annually or when there are changes or anticipated changes to their financial picture.

***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.

We do not directly or indirectly compensate any person for client referrals.

***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.

When clients authorize, in writing, the deduction of our investment-management fees from their accounts, Tandem Capital Management will instruct the custodian to deduct these fees directly from their accounts. Clients have the ability to monitor the deduction of fees since the fees will be reflected both on invoices to clients and on the monthly statements mailed directly to the clients by the qualified custodian.

***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 the custodian. Clients may 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.