



# ELPHINSTONE

## Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Elphinstone, Inc.. If you have any questions about the contents of this brochure, please contact us at (212) 882-1067 or by email at: [help@elphinstonecap.com](mailto:help@elphinstonecap.com). 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.*

*Additional information about Elphinstone, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Elphinstone, Inc.'s CRD number is:311264.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

Version Date: 03/26/2024

## Item 2: Material Changes

There are no material changes in this brochure from the last annual updating amendment of Elphinstone, Inc. Material changes relate to Elphinstone, Inc's policies, practices or conflicts of interests concerning this Wrap Fee Program Brochure only.

## Item 3: Table of Contents

### Item 1: Cover Page

General .....	1
Item 2: Material Changes .....	1
Item 3: Table of Contents .....	1
Item 4: Advisory Business.....	2
Item 5: Types of Clients.....	4
Item 6: Portfolio Manager Selection and Evaluation .....	5
Item 7: Client Information Provided to Portfolio Managers .....	11
Item 8: Client Contact with Portfolio Managers.....	12
Item 9: Additional Information .....	12
Item 10: Requirements For State Registered Advisers.....	15

## Item 4: Advisory Business

### A. Description of the Advisory Firm

Elphinstone, Inc. ("Elphinstone") provides portfolio management to clients under this wrap fee program as sponsor and portfolio manager.

Elphinstone is an automated software platform accessible via the Android and IOS App Stores – Elphinstone is what is known as a "robo-advisor." All investment advice is provided pursuant to the information provided by the client in the onboarding process. Elphinstone strives to provide what it considers the appropriate investment advice based on client responses (thus a client is responsible for providing accurate information). However, a client may choose a different investment strategy and Elphinstone will work with broker partners (see section 4.E below) to execute. No personalized investment advice beyond the automated software response is provided.

Total Assets Under Management	Annual Fee
All Assets	1.00%

Fees will be invoiced and billed directly to the client, payable by bank transfer, on a monthly basis.

Fees are paid in arrears. Elphinstone uses an average of the daily balance in the client's account throughout the billing period, after taking into account deposits and withdrawals, for purposes of determining the market value of the assets upon which the advisory fee is based.

Clients may terminate the agreement without penalty, for full refund of Elphinstone's fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

Elphinstone also has a related business in Pakistan operating as Elphinstone Pakistan, Ltd. ("Elphinstone Pakistan"). Elphinstone Pakistan is registered with the Pakistan Securities and Exchange Commission and provides automated investment advising to Pakistani individuals and to corporate customers providing accounts to their employees through Elphinstone Pakistan. This investment advice is distinct from the automated advisory service provided by Elphinstone, Inc. Clients should verify that they are using the correct Elphinstone software application to access Elphinstone's advisory software. Employees of Elphinstone Pakistan also provide software and technical support to Elphinstone. This brochure and related filings are for Elphinstone for Elphinstone's US products.

## **B. Contribution Cost Factors**

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client's account, the adviser's ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

## **C. Additional Fees**

Elphinstone will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. Elphinstone will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that Elphinstone has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, fees associated with "step out" transactions if the account uses different custodians or broker-dealers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

## **D. Compensation of Client Participation**

Neither Elphinstone, nor any representatives of Elphinstone receive any additional compensation beyond advisory fees for the participation of client's in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, Elphinstone may have a financial incentive to recommend the wrap fee program to clients.

## **E. Broker Relationships**

Elphinstone does not operate its own broker-dealer, but instead partners with Alpaca Securities and Interactive Brokers to offer brokerage services and accounts to its clients. Client assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or a bank. The Firm makes custodial recommendations that are based on our perception of the breadth of services offered and quality of execution.

We seek to recommend custodians that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including but not limited to the quality of transaction execution services, the quality of asset custody services, the

capability to execute and settle trades, the capability to facilitate transfers and payments to and from client accounts, the breadth and choice of no-load and load-waived mutual funds and the availability of, the lowest cost (class) shares within a particular mutual fund family, the availability of investment research and tools that assist our firm in making investment decisions and which therefore benefit the end client, the overall quality of service and communication, the pricing competitiveness in providing services, including trading costs, the willingness to negotiate prices for services, prior service to us and to our clients, the availability of free (no transaction fee) exchange-traded funds, and the availability of other services and investment products that benefit us and our clients.

Alpaca Securities does not charge brokerage fees to our clients – or to us – but instead earns its revenue via payment for order flow from market makers in order to offer trade execution services to its clients. Interactive Brokers does charge a brokerage fee to its clients, but those fees are covered under Elphinstone’s wrap fee.

## **F. Custody**

Custody of client assets invested in US-listed securities is maintained by Alpaca Securities, LLC or with Interactive Brokers. Alpaca Securities’ head office is located at 20 N San Mateo Drive, Suite 10, San Mateo, CA 94401. Interactive Brokers’ headquarters is at One Pickwick Plaza, Greenwich, CT 06830.

Elphinstone takes custody of client funds solely for the purpose of facilitating deposit and withdrawal transactions for our clients between their personal bank accounts and their brokerage accounts at the brokerage firms at which they have accounts. Those funds are maintained at JPMorgan Chase Bank, N.A. Generally these funds are passed through within one business day to an Alpaca Securities or Interactive Brokers custodial account, unless there is an unforeseen error or delay technical error. If there is a significant delay, or for some reason the transfer between Elphinstone’s custody account and Alpaca Securities or Interactive Brokers cannot be completed, Elphinstone shall notify the client promptly.

For securities in Pakistan through Elphinstone Pakistan, the Central Depository Company of Pakistan physically holds a client’s investments. The CDC Head Office is located at CDC House, 99-B, Block B, S.M.C.H.S. Main Shahra-e-Faisal, Karachi – 74400.

## **Item 5: Types of Clients**

Elphinstone generally offers advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Corporations

There is no account minimum for Elphinstone’s US product.

## **Item 6: Portfolio Manager Selection and Evaluation**

### **A. Selecting/Reviewing Portfolio Managers**

Elphinstone will not select outside portfolio managers for management of this wrap fee program. Elphinstone will be the sole portfolio manager for this wrap fee program.

Elphinstone will use industry standards to calculate portfolio manager performance.

Elphinstone reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is annually and is reviewed by Elphinstone.

### **B. Related Persons**

Elphinstone and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses Elphinstone's management of the wrap fee program. However, Elphinstone addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

### **C. Advisory Business**

The Elphinstone US investment product – delivered through the eponymous Elphinstone app – offers automated investment advice to residents of Pakistan for investments in capital markets in the United States. The company offers advised portfolios in addition to providing clients with access to the ability to make self-directed investment decisions and trades. Some disclosures below distinguish between Elphinstone, Inc. and Elphinstone Pakistan, Ltd. and discuss Elphinstone Pakistan so that customers know what is specific to Elphinstone, Inc.

For the advised portfolios, the company asks its users to specify their preference for conventional or Islamic modes of investing, with the latter then being restricted purely to investments that are compliant under Shariah investing principles (explained below). Each client is presented with a sliding scale that represents the trade-off between risks and returns, and clients are advised that the longer the duration for which they are saving, the more capacity they have to take on risk, and the shorter the duration for which they are saving, the less capacity they have to take on risk.

The portfolios consist of two components: a fixed income component and an equity component.

For conventional portfolios, the equity portfolio consists of five low-cost equity index ETFs and the fixed income portfolio consists of five low-cost ETFs that track either short-dated US Treasuries or floating rate US Treasury securities. The more a customer wants to reduce their risk, the greater their exposure will be to US Treasuries, and the more they want to increase returns, the more their exposure will be increased towards equity indices.

For Islamic portfolios, the equity portfolio consists of all components of the S&P 500 index that comply with Shariah-compliance principals, as defined by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), weighted by market capitalization. The fixed income component consists of a fixed income ETF that invests in global sukuks (Islamic bonds). Once again, the more a customer wants to reduce their risk, the greater their exposure will be to the sukuk ETF, and the more they want to increase returns, the more their exposure will be increased towards equities.

Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. Elphinstone will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that Elphinstone has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs. To address this conflict, Elphinstone will always act in the best interest of its clients consistent with its fiduciary duty as an investment adviser.

### ***Services Limited to Specific Types of Investments***

Elphinstone generally limits its investment advice to mutual funds, equities, fixed income securities, ETFs, ETFs in the gold and precious metal sectors, real estate funds, non-U.S. securities, and insurance products including annuities, although Elphinstone primarily recommends ETFs. Elphinstone may use other securities as well to help diversify a portfolio when applicable.

### ***Written Acknowledgement of Fiduciary Status***

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Under this special rule's provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

### ***Client Tailored Services and Client Imposed Restrictions***

Elphinstone offers the same suite of services to all of its clients. However, specific client investment strategies and their implementation are dependent upon the client's current situation (income, tax levels, and risk tolerance levels).

### ***Wrap Fee Programs***

As discussed herein, Elphinstone sponsors and acts as portfolio manager for this wrap fee program. Elphinstone manages the investments in the wrap fee program. The fees paid to the wrap account program will be given to Elphinstone as a management fee.

### ***Amounts Under Management***

Elphinstone has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$ 364,784	\$0	December 2023

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

Elphinstone does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

### ***Methods of Analysis and Investment Strategies***

One of the biggest parts of the service we offer our clients is fund selection. We do not just help you calculate how much you need to be saving, and which asset classes you should invest in; our app or website will recommend specific funds for you to invest in, and then we actually help you make those investments through our website and app.



So, it is important for us to explain exactly how it is that we are selecting the mutual funds in which we will be investing your hard-earned money. Given the bias we have towards long-term investing, SmartRupee's process first starts with selecting only the funds that have a demonstrated track record of long-term performance. We, of course, take our own advice of "past performance is no guarantee of future results" seriously, but that does not mean that past performance should not be a factor in determining in which funds to invest.

We eliminate from our consideration any funds that have been in existence for less than 10 years because we want to evaluate only funds that have been around long enough to have a long-term track record to assess.

Of those funds, we then begin parsing out which funds to recommend, focusing on the ability to do two things: generate high returns, and generate consistent returns. To that end, our proprietary recommendation algorithm focuses on two core metrics: historical performance, adjusted for extenuating factors, and ability to consistently beat a relevant benchmark index.

In other words, we are not simply looking for funds that offer the highest returns: we are looking for funds that demonstrate the ability to do so consistently.

Other factors in our model include the reliability of the asset management company, including past complaints of misconduct against them by the Securities and Exchanges Commission of Pakistan (SECP). Funds that are managed by companies with a tarnished record of complaints against them are excluded from consideration for our recommendation engine, even if they have performed well over the past decade.

We also diversify across categories, ensuring that our clients do not have exposure to a single asset management company. That means that for every asset category – equities, fixed income, pension funds, balanced funds, etc. – we will always recommend more than one fund managed by different asset managers to ensure a diversification of risk.

Two of the factors we use in making decisions on which funds to invest in – historical performance and ability to beat the benchmark index – are displayed as part of our recommendations page.

We select funds for our clients based on the needs for which they are saving and the amount of time that they have to save up for a particular need. Shorter investment horizons – five years or less – result in investments being allocated towards fixed income funds, mostly those invested in low-risk government bonds. Investment horizons of between five and ten years see assets allocated either to a balanced fund (which mixes equity, fixed income, and money market instruments) or to a customized allocation of equity and fixed income funds, depending on the client's needs.

Longer term investment horizons – defined as 10 years or more – are invested in equity investments through high-performing, diversified equity mutual funds.

SmartRupee performs the fund selection on behalf of our clients, and we offer them a choice of both Conventional and Islamic fund options for each category of investment and each asset class.

### **Methods of Analysis**

Elphinstone's methods of analysis include fundamental analysis and fundamental analysis.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets.

### **Investment Strategies**

Elphinstone uses/recommends long term investing.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

## ***Material Risks Involved***

### **Methods of Analysis**

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

### **Investment Strategies**

**Long term investing** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk

that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Risks of Specific Securities Utilized***

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities, ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower than the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities, and also has internal expenses that can lower investment returns.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment

returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Precious Metal ETFs** (e.g., Gold, Silver, or Palladium Bullion backed “electronic shares” not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** exposure (including REITs) entails several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Specifically, revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Non-U.S. securities** present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

*Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Voting Client Securities (Proxy Voting)***

Elphinstone will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 7: Client Information Provided to Portfolio Managers**

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

## **Item 8: Client Contact with Portfolio Managers**

Elphinstone does not restrict clients from contacting portfolio managers. Elphinstone's representatives can be contacted during regular business hours using the information on the Form ADV Part 2B cover page. No personalized investment advice beyond the automated software response is provided.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-Regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

#### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

Mr. Usman Khosa is a registered representative of J.P. Morgan Securities LLC.

#### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither Elphinstone nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

#### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Mirco Jonathan Haag is a lawyer and from time to time may offer clients advice or products from those activities. Clients should be aware that these services may involve a conflict of interest; however, Elphinstone always acts in the best interest of the client. Clients are free to obtain these services or products through another provider and always have the right to utilize or decline the services of any Elphinstone representative in such

individual's outside capacity.

### ***Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections***

Elphinstone does not select third-party investment advisers.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

Elphinstone has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Elphinstone's Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

Elphinstone does not recommend that clients buy or sell any security in which Elphinstone or a related person has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of Elphinstone may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Elphinstone to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. Elphinstone will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of Elphinstone may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Elphinstone to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, Elphinstone will never engage in trading that operates to the client's disadvantage if representatives of Elphinstone buy or sell securities at or around the same time as clients.

### ***Frequency and Nature of Periodic Reviews***

Account allocations are determined by algorithm, and reviews may be randomly conducted to ensure the algorithm is appropriately placing client investments.

Accounts are reviewed at least annually by Farooq Tirmizi, President and CEO, with regard to clients' respective investment policies and risk tolerance levels.

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

### ***Content and Frequency of Regular Reports Provided to Clients***

Each client will receive a quarterly account statement from the custodian. Elphinstone will also provide at least quarterly a separate written report to the client.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

While Elphinstone, Inc. charges a wrap fee for its services (see above for further details, e.g. Section 4.A), Elphinstone Pakistan is able to offer its service to individual clients without a fee above the management fee already charged by the asset management companies because it makes a commission from the asset management companies whose mutual funds we recommend to our clients. Those asset management companies pay Elphinstone Pakistan those commissions as a percentage of the management fees they charge our clients. In that sense, Elphinstone Pakistan clients are paying for the investment management services that Elphinstone is offering: Elphinstone Pakistan is just not charging anything extra, but instead sharing in fees that any investor would have to pay anyway to invest in a mutual fund. In fact, if one fund is a better fit for a customer, the app or website will recommend it even if Elphinstone Pakistan would get a smaller share of the management fee compared to other funds. Elphinstone Pakistan currently only offers placement of funds with a selection of Pakistani mutual funds, and receives a fee from each of these Pakistani funds.

Under the fiduciary standard and our Code of Ethics, we cannot recommend a fund purely because it will result in a higher commission for us. Our recommendations have to be driven solely by what is in the best interests of the client. Why would we uphold this much higher standard? It is not just because we want to be an ethically, legally, and morally upright company. It is also because it is in our long-term interest to do so.

Our business will thrive if people feel that they can trust us for advice, and that their money is safe when it is invested through our company. That will not happen if we sacrifice our long-term credibility for a few extra pennies in the short-term. A poorly performing fund in the short term might give us a little more in commission this year, but if our client then leaves us, we lose out on potentially decades worth of revenue from that

client. If we recommend the right fund, even at a lower commission, we will likely retain their trust and their business for a lifetime.

### ***Compensation to Non – Advisory Personnel for Client Referrals***

Elphinstone does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### ***Balance Sheet***

Elphinstone neither requires nor solicits prepayment of more than \$1,200 / \$500.

### ***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

Elphinstone does not have any financial condition that would impair its ability to meet contractual commitments to clients.

### ***Bankruptcy Petitions in Previous Ten Years***

Elphinstone has not been the subject of a bankruptcy petition.

## **Item 10: Requirements For State Registered Advisers**

Please see the “Recommendations Involving Material Financial Interests” and “Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests” sections above.