



**Item 1:** Cover Page for Part 2A of Form ADV Investment Advisor Brochure

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November 1, 2019

This Form ADV Part 2A ("Brochure") gives information about the investment advisor and its business for the use of clients and prospective clients. If you have any questions about the contents of this Brochure, please contact us using one of the methods listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration of an investment advisor does not imply any certain level of skill or training.

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

## Item 2. Material Changes

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Exceed Advisory LLC (“Exceed,” “we,” “us,” “our”) is required to advise clients and prospective clients of any material changes to our Firm Brochure (“Brochure”) from our last annual update.

Since our last update dated March 1, 2019 there have been no material changes.

In addition to providing annual notice of material changes, we will also promptly provide ongoing disclosure information about material changes as necessary during the year.

Last Annual Amendment Filing: March 25, 2019

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## INVESTMENTS

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## Item 4. Advisory Business

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### *Description of Firm and Principal Owners*

We became registered with the SEC as an investment advisor in July of 2014. We are a wholly-owned subsidiary of Exceed Holdings LLC, which was formed in 2013. Our CEO, Joseph Halpern, is also the CEO of Exceed Holdings and owns 40% of that company. No other individual or entity owns more than 25% of Exceed Advisory.

### *Our Advisory Services*

Our advisory business is built on creating defined outcome investments in a variety of different vehicles. We do not provide general portfolio management, nor do we advise on general market news or conditions or recommend particular securities.

Our advice is limited to creating defined outcome investments and the use of those defined outcome investments in different types of investment vehicles, including separately managed accounts (“SMA”), mutual funds, and exchange traded funds (“ETF”). A “defined outcome investment” is an investment strategy that targets a specific, definable risk/reward trade-off. In our context, the defined outcome investment is typically a combination of fixed income (debt) instruments and derivatives (primarily index options).

When providing advice to clients, we implement a defined outcome investment strategy based on the client’s risk/reward objectives. For example, the client may indicate that it seeks enhanced exposure to the S&P 500 or to specific overseas markets with a small level of downside protection. We would then gather additional data, such as desired term and types of exposure (e.g., 1.5x, 2x, buffered downside etc.) and formulate our advice accordingly.

Our defined outcome investments generally use a combination of listed options and fixed income securities. These are by definition term investments because they expire (in the case of options) or mature (in the case of fixed income securities). Upon expiration or maturity, we establish new defined outcome investments based on the original client criteria.

### *How We Tailor our Services; Client Ability to Restrict Investments*

When advising a mutual fund (“Fund”) or an ETF, our advice will conform to the management agreement in place between us and the Fund or ETF. Investors in the Funds or ETFs are not permitted to restrict investments in those vehicles.



When providing advice to SMAs, our services are tailored to the client's needs and are responsive to the specific concerns the client hopes to address through a defined outcome investment.

In all cases, our advice will generally be limited to defined outcome investments and the related use of debt instruments and options. Within that framework, we will work with our clients to address any investment restrictions that may exist. In addition to the structured solutions we implement, we also retain the ability to invest in other securities, to the extent consistent with our obligations under the advisory agreement and in accordance with the client's objectives. Client accounts will routinely hold cash or equivalents, and we may use our discretionary authority to invest in other securities, as we deem appropriate. SMA clients may provide direction to us or impose restrictions regarding our investment in other securities.

#### *Wrap Fee Programs*

We don't participate in wrap fee programs. All clients pay separately for investment advice and trade execution.

#### *Assets Under Management*

We manage all client assets on a discretionary basis. As of October 31, 2019, we had \$107 million in assets under management.

### **Item 5. Fees & Compensation**

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This section describes our brokerage, custody, fees and fund expenses so you will know how much you are charged and by whom for our advisory services provided to you.

#### *Fee Schedule*

When advising or sub-advising ("advising") a Fund or ETF, our fees are determined by the fee agreement between Exceed and the Fund or ETF. This agreement is approved by the Fund board of directors or trustees, and the fees are disclosed in the prospectus and statement of additional information. These fees are not negotiable by end investors.

Our fees for advising SMAs are negotiable and are targeted at between 25 and 125 basis points (.0085 and .0125) annually.

### *Fee Payment*

Our fees for advising Funds and ETFs are deducted directly from Fund/ETF assets and are included in the security's internal expense ratio.

Our fees for advising SMAs are deducted directly from client accounts. We deduct our fees first from available cash, and then by liquidating a portion of the portfolio (if required).

In some cases, we may act as a sub-advisor and would not have a direct agreement with the end client. In this case, we would be paid as determined by the primary advisor.

### *Other Fees and Expenses*

SMA clients are responsible for all custodial fees, execution costs, and transaction fees, including commissions. See Item 12, which discusses our Brokerage Practices, for more information.

For Funds or ETFs, other fees and expenses are disclosed in the prospectus for the particular security.

### *SMA Fees Payable in Advance*

Our SMA advisory fees are payable quarterly in advance. Upon termination prior to the end of the billing period, clients will receive a pro-rata refund of any pre-paid fees. The refund due is based on the daily billing rate. For example,  $\text{AUM @ end of period} * (.0085/360)$  multiplied by the number of days remaining in the period.

SMA fees are calculated for the upcoming period based on the prior quarter-end value in the account. The account custodian selected by the client will provide a period-ending value to us, which we will use to determine the quarterly fee. Account valuation is obtained by aggregating the value of the individual holdings in the portfolio. If applicable, the absolute value of any short position is added to the total account value. We rely on underlying valuations provided by the custodian and do not independently verify or obtain pricing data. We do, however, periodically sample the values obtained from the custodian and test prices against our expectations. In cases where we believe the custodian or the custodian's pricing service has mispriced client holdings, we will request an adjustment by the custodian.

### *Compensation for the Sale of Other Products*

No one associated with Exceed Advisory receives commissions or other fees for the sale of securities products, including the Funds or ETFs we may advise. The firm may implement in the future bonus plans with its employees that will take into account the firm's overall profitability, as well as its success in meeting revenue and asset-under-management growth targets.

## Item 6. Performance-Based Fees & Side-By-Side Management

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Performance-based fees are fees that increase when the performance of the account exceeds certain pre-determined levels. This is a common fee arrangement for hedge funds and other pooled investment vehicles. Side-by-side management results when an advisor manages both accounts that are charged a performance-based fee and accounts that are not charged a performance-based fee.

We do not accept performance-based fees and do not engage in side-by-management.

## Item 7. Types of Clients & Account Requirements

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We generally provide advice to the following types of clients:

- Registered Investment Companies
- Institutions
- Other advisers
- High net worth individuals

## Item 8. Methods of Analysis, Investment Strategies & Risk of Loss

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- A. Our advice revolves around alignment of client investment needs with defined outcome investments. Investing in securities involves risk of loss that clients should be prepared to bear.
- B. Most of our strategies employ a combination of fixed income securities and derivatives to achieve a particular defined outcome over a period of time and/or after a set amount of time. Risks that can affect a client's investment include:
  - Our mistakes in portfolio construction or trade execution of securities
  - Defaults by fixed income issuers
  - Unusual market events or environments that affect pricing and liquidity of purchased securities

- C. Some of the more general risks of equity markets, options, and fixed income securities are described below.

*Equity Risk:* Many of Exceed's strategies are developed based on assessment of risk relative to the equity markets. Exceed's strategies generally attempt to provide specific limits to either one or both of upside and downside participation in the markets. This means that investors in Exceed's strategies may experience markedly different performance than investors in a broad-based index fund, for example. Investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of growth stocks may be more sensitive to changes in current or expected earnings than prices of other stocks. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets. A higher turnover rate, or increased trading may result in higher transactions costs and higher taxes in taxable accounts and may also affect the strategies' overall performance.

*Market Liquidity Risks:* The value of securities held in client accounts that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, in September 2001, and more recently the "Flash Crash" in May 2010 (the biggest one-day point decline, 998.5 points, on an intraday basis in Dow Jones Industrial average history) could lead to violent price swings in securities held within client portfolios and could limit the ability to buy or sell securities. Liquidity risks can result in substantial losses.

*Options/Derivatives:* Purchasing a long option gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor writes (or sells) an option, if the buyer exercises the option prior to expiration, the investor is obligated to sell to the buyer of the option a specified number of shares at a pre-determined price per share (in the case of a call option) or purchase from the buyer of the option a specified number of shares at a pre-determined price per share (in the case of a put option). The seller receives a premium in exchange for writing the option. The potential loss on short (naked) call options is hypothetically unlimited. We limit this risk in constructing the components of our defined outcome solutions. Options are wasting assets and expire at pre-determined

dates. Commission charges for options transactions may be higher than the charges assessed for other assets, such as individual equities.

*Fixed Income Risks:* investments in fixed income securities represent numerous risks such as credit, interest rate, reinvestment, and prepayment risk, all of which affect their price/value. These risks represent the potential for significant price volatility. In general, securities with longer



maturities are more sensitive to price changes. Price and yield are inversely related. This means that when interest rates rise, the prices of outstanding bonds fall. Bond markets have experienced extended periods of historically low interest rates. Should interest rates rise in the future, there is significant risk of decline in the value of current bond holdings. If held to maturity intervening price fluctuations are not a significant risk. If the firm, or an individual client, is required to liquidate prior to maturity, however, the portfolio could experience losses that would likely be increased in a rising interest rate environment. For corporate bonds (which are frequently used in Exceed's strategies) prices may be especially sensitive to developments affecting the company's business and to changes in the ratings assigned by rating agencies. The prices of high-yield, fixed income securities fluctuate more than high-quality debt issues. High-yield securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors. In the event of a default, the investment may suffer a partial or total loss.

#### Item 9. Disciplinary Information

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We are required to disclose specific legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. We have no events to disclose in response to this item.

#### Item 10. Other Financial Industry Activities & Affiliations

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Joseph Halpern is Chief Investment Officer ("CIO") and Chief Compliance Officer ("CCO") for Fountainhead Capital Management, LLC, Fountainhead AM, LLC and Fountainhead Retirement Services LLC, all affiliated SEC Registered Investment Advisors. Mr. Halpern will be compensated for his roles.

#### Item 11. Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

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We have adopted a Code of Ethics ("Code") designed to make clear that our fiduciary duties to clients are foundational to all of our business activities. An important part of the Code includes our policies concerning personal trading by our associates, and the need to put client investment needs ahead of personal investment considerations. All of our supervised persons must read and agree to abide by the

Code of Ethics and to submit regular reports concerning their personal securities holdings and transactions.

A copy of the Code is available upon request by calling or emailing Joseph Halpern at (646) 580-7046 or [info@exceedinvestments.com](mailto:info@exceedinvestments.com).

Our associates may well invest in the same securities and defined outcome investments in which our clients invest. The securities that comprise our defined outcome strategies are generally liquid and widely available. We do not believe that personal trading by our associates is likely to affect the price of the securities or to restrict access to any investment by our clients.

Nonetheless, we generally require that our associates not trade in securities under consideration by Exceed, and that associate trades be aggregated with client trades (where permissible under our agreement with the client and solely to permit simultaneous execution) or placed after client trades. We do provide a *de minimus* exemption for personal trades that result in an open long or short position valued at not more than \$10,000, and for trades in individual equity securities that result in an open long or short position or no more than 500 shares.

## Item 12. Brokerage Practices

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### *Factors in Selecting or Recommending Brokers*

In selecting or recommending broker-dealers for client transactions, our primary objectives are competitive commission rates and best execution. Factors taken into account include the price of the security, commissions paid on the transaction, the efficiency and cooperation with which the transaction is affected, the expediency of settlement, and the financial strength and stability of the broker, if applicable. We may negotiate commissions at a rate in excess of the amount another broker would have charged if we determine in good faith that the overall net economic result is favorable to the client. We

evaluate whether brokerage commissions are reasonable based upon available information about the general level of commissions paid by similar clients (e.g., institutional clients) for comparable services.

We do not consider whether a broker-dealer has sold our affiliated Funds or ETFs in deciding whether to use that broker for trade execution. We also do not consider whether the broker has referred clients to us.

Our best execution committee reviews quarterly the quality of executions using information received from our executing brokers, as well as other data that permit us to conduct a qualitative review.

We do not receive research or other products or services, other than execution, from any broker-dealer or third party in connection with client securities transactions.

In cases where we act as sub-advisor, we generally do not have control over brokerage decisions and typically execute transactions as directed by the primary advisor's policies and procedures.

#### *Directed Brokerage*

Clients may direct us to execute trades through specific broker-dealers. However, where this occurs we may not be able to achieve the most favorable execution. Client decisions to direct brokerage may therefore cost the client more money because the client may pay higher brokerage commission than we would otherwise pay, we may not be able to aggregate the client's orders with other orders to obtain transaction-cost discounts, and the client may receive less favorable execution prices.

#### *Aggregated Transactions*

Either Exceed or the sub-advisers we select may routinely aggregate orders for the purchase or sale of securities for various client accounts. This permits us to lower transaction costs and effectively manage our best execution obligations. Where we or a sub-adviser aggregate orders, all clients who participate in the aggregated orders will receive a single average price and the commissions for the transaction will be allocated pro-rata across all participating client accounts. As discussed in Item 11, above, we may also permit our employees and other affiliated persons to participate in aggregated transactions. We believe this helps us to minimize conflicts by ensuring that our employees do not achieve an advantage over clients.

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

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Overall holdings and strategies are reviewed continuously by the firm's Portfolio Manager. Specific reviews of individual accounts are conducted quarterly by the firm's Investment Committee, to ensure that investments are made in accordance with our agreement with the client.

If we advise SMA clients, we may agree to provide statements or other reports separate from those delivered by the client's qualified custodian. We do not provide any regular reports to Funds we advise.

### **Item 14. Client Referrals & Other Compensation**

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#### Item 15. Custody

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We do not have custody of client funds or securities, except as a result of our ability to deduct fees directly from SMA accounts we may advise. The qualified custodian selected by the client will send quarterly, or more frequent, account statements directly to all clients. In some cases, we may also send statements describing performance or related information, if we have agreed to do so in our advisory agreement. We urge SMA clients to carefully compare the account statements they receive from the qualified custodian with those they receive from us, and to notify us right away of any problems.

We do not directly deduct our fees from Funds we advise.

#### Item 16. Investment Discretion

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Our advisory agreements with clients grant us discretionary authority and contain a limited power of attorney describing this authority. We will not implement any discretionary power prior to the execution of an appropriate advisory agreement.

Clients do not generally have the ability to limit our discretionary authority, however we will execute our authority in accordance with the advisory agreement, and in accordance with the client's investment objectives.

#### Item 17. Voting Client Securities

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Proxies are typically voted by equity shareholders. Because our investment advice is generally limited to solutions comprised of debt instruments and listed options, we do not anticipate that we will be required to vote proxies on behalf of clients. Should we be required to do so, however, we maintain a policy of voting proxies in a way that, in our opinion, best serves the interest of our clients, or is in the best interests of a Fund's shareholders, as applicable. As an investment manager, we are primarily concerned with meeting the objectives of our clients and, as is consistent with those objectives and related restrictions, maximizing the value of our clients' investment portfolios. We normally would vote in support of company management but would vote against proposals that we believe would have a material negative impact of the value of our clients' holdings.



Where we advise a Fund that itself holds other registered investment companies (RIC), representing more than 10% of the Fund's total assets, we will vote all RIC proxies in direct proportion to the manner in which other RIC shareholders vote. This permits us to operate in accordance with the requirements of Section 12(d)(1)(A) of the Investment Company Act of 1940 and is commonly referred to as "mirror voting."

We will allow SMA clients to direct our voting.

Clients may request information about how we voted specific proxies, as well as obtain a copy of our proxy voting policies and procedures, by emailing or calling us.

#### Item 18. Financial Information

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We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and are therefore not required to provide a balance sheet.