

Form ADV Part 2A

**Item 1 – Cover Page**

**Transcend AI, LLC**  
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**Palo Alto, CA 94301**  
**Tel: (408) 464-5171**

**August 31, 2020**

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

The Adviser is registered as an investment adviser with the SEC. Registration of an investment Adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provides you with information with which you can determine whether to hire or retain an adviser.

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

## **Item 2 – Material Changes**

Transcend AI, LLC (“Transcend” or the “Firm” or “we”) is a newly registered investment adviser with the Securities and Exchange Commission (“SEC”). As such, no material changes are noted here. Our prospective clients are strongly encouraged to read this Brochure in its entirety prior to engaging Transcend for any advisory services.

Pursuant to state regulation, Transcend will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Transcend’s fiscal year-end. Additionally, as the Firm experiences material changes in the future, we will send you a summary of our “Material Changes” under separate cover. For more information about the firm, please contact us at (408) 464-5171.

Additional information about Transcend and its investment adviser representative is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Pursuant to SEC rules, Transcend will ensure that clients receive a summary of any materials changes to this Brochure within 120 days of the close of Transcend’s fiscal year.

### **Item 3 – Table of Contents**

|  |    |
|--|----|
| Item 1 – Cover Page .....  | 1  |
| Item 3 – Table of Contents .....   | 3  |
| Item 4 – Advisory Business .....   | 4  |
| Item 5 – Fees and Compensation.....  | 5  |
| Item 6 – Performance-Based Fees and Side-by-Side Management .....          | 7  |
| Item 7 – Types of Clients.....   | 7  |
| Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss ..... | 8  |
| Item 9 – Disciplinary Information.....                                     | 10 |
| Item 11 – Code of Ethics .....   | 11 |
| Item 12 – Brokerage Practices .....  | 12 |
| Item 13 – Review of Accounts .....   | 15 |
| Item 14 – Client Referrals and Other Compensation.....                     | 15 |
| Item 15 – Custody.....   | 16 |
| Item 16 – Investment Discretion .....                                      | 16 |
| Item 17 – Voting Client Securities .....                                   | 17 |
| Item 18 – Financial Information.....                                       | 17 |

## **Item 4 – Advisory Business**

### *A. Description of the Company*

Founded in 2020, Transcend AI, LLC (“Transcend” or the “Firm”) is a California -based investment advisory firm that provides investment supervisory services on a discretionary basis to certain clients described in Item 7 herein (“Clients”). The investment instruments Transcend advises its clientele on include, but are not limited to, stocks, forex currencies, commodities, futures and derivatives. Please refer to Item 8 for additional information relating to the investment strategies pursued by Transcend and their associated risks. The principal owners of the Firm are Arun Ram and Ashok Raj who serve as Partners in Transcend AI, LLC.

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

Transcend provides discretionary investment advice and management to clients on a continuous basis and in accordance with the investment objectives and strategies provided by the Client. Transcend holds a limited power of attorney to act on a discretionary basis with Client funds. Please refer to Item 16 for additional information.

Transcend will not maintain possession or custody of the funds or securities of any Client. The Client funds will typically be deposited in either a brokerage firm or bank custodian account. With Client consent, Transcend may cause fees to be paid out of accounts by the Client’s custodian.

Transcend builds and operates quantitatively based strategies for managed accounts for Accredited Investors and Qualified Clients (as those terms are defined in the Investment Advisers Act of 1940 as amended (“Advisers Act”). Transcend has built a proprietary artificial intelligence engine that trades stocks, forex currencies, commodities, futures and derivatives. We use technical indicators and market conditions to trade liquid securities on United States-based exchanges

Investment advice is provided to Clients who are deemed suitable according to the investment objectives, needs, guidelines, risk tolerance, and other information as provided by the Client. This begins through gathering information from each Client on a Client Profile Form, or other similar documentation. Based upon information received from the Client, the Firm determines suitability and invests accordingly.

Please refer to Item 5 below for detailed information on fees and compensation for these services.

### Advisory Agreements

#### **1. Information Received by Individual Clients**

At the onset of the Client relationship, Transcend gathers information on each Client’s investment objectives, risk tolerance, time horizons and financial goals. Transcend does not assume responsibility for the accuracy of the information provided by the Client and is not obligated to verify any information received from the Client or from any of the Client’s other professionals

(e.g., attorney, accountant, etc.). Under all circumstances, Clients are responsible for promptly notifying Transcend in writing of any material changes to the Client's objectives, risk tolerance, time horizon, and financial goals. In the event that a Client notifies Transcend of any changes, Transcend will review such changes and implement any necessary revisions to the Client's portfolio.

## 2. Client Agreements and Disclosures

Each Client is required to enter into a written agreement with Transcend setting forth the terms and conditions under which the Firm shall render its services (the "Agreement"). In accordance with applicable laws and regulations, Transcend will provide its disclosure brochure (ADV Part 2A), brochure supplement (ADV Part 2B), Form CRS (ADV Part 3) and most recent Privacy Notice to each Client prior to or contemporaneously with the execution of the Agreement. The Agreement between Transcend and the Client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Transcend's fees (as discussed below) shall be prorated through the date of termination.

Neither Transcend nor the Client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of Transcend shall not be considered an assignment.

As further discussed in Item 15 below, Client's assets will be custodied with a qualified custodian. All custodial and execution fees assessed for Client's assets remain the sole responsibility of Client.

### *C. Wrap fee programs*

We do not participate in wrap fee programs.

### *D. Assets Under Management*

The Firm is newly formed and, as such, the Firm has no assets under management as of the date of this Brochure. Accordingly, as of August 17, 2020, the following represents the amount of client assets under management by the Firm:

| Type of Account   | Assets Under Management |
|-------------------|-------------------------|
| Discretionary     | \$0.00                  |
| Non-Discretionary | \$0.00                  |
| Total:            | <b>\$0.00</b>           |

## **Item 5 – Fees and Compensation**

Transcend charges fees based on a percentage of assets under management, including cash and cash equivalents. The fee charged by Transcend for its advisory services will be set forth in each Client's Agreement. Although Transcend believes its advisory fees are competitive, Clients should be aware that lower fees for comparable services can be available from other sources.

### Asset Management Fees

Transcend generally charges a monthly asset management fee based on the Client account's assets under management, including cash and cash equivalents, as of the close of business on the last business day of the preceding calendar month. For "qualified clients" as that term is defined in Rule 205-3(d), the standard management fee is 1% per annum, plus performance-based fees as described in the next section. For non-qualified clients, the standard fee is two percent (2.0%) per annum. For non-qualified clients, asset management services are only offered on a discretionary basis. Asset management fees are calculated and paid monthly in arrears.

Unless otherwise waived in Transcend's sole discretion, the Firm requires a minimum account size of \$1,000,000 to open an account. Transcend reserves the right to waive or reduce any account minimums, management fees and/or performance fees (as further described below) with respect to any Client and for any of the Firm's employees and/or family members. Transcend's fees are not negotiable. Furthermore, the Firm can negotiate fees with future advisory clients that are different than the fees discussed herein.

Should a Client open an account during a month, management fees will be prorated for assets held for a partial month based on the number of days that the account was open during the month. In the event that Transcend's services are terminated mid-month, the annual fee shall be prorated through the date of termination as defined in the Agreement.

For purposes of calculating assets under management and advisory fees, Transcend will consider all investment management accounts which constitute the "household" of the Client's assets. Typically, a client's household consists of any spouse, parent, child, partner, or sibling.

### Performance Based Fees

For certain qualified clients, as further defined in Item 6 below, Transcend offers a performance-based fee (i.e., a fee calculated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of an advisory client). The performance fee is payable only if, and to the extent that, the net capital appreciation of the Client's capital account exceeds the high-water mark established previously (as adjusted for additions and/or withdrawals of capital). The assessment of performance based fees and any allocations based on performance will be done in accordance with all requirements for such compensation arrangements as specified under Rule 205-3 of the Advisers Act and rules promulgated thereunder, including the requirement that such fees can be charged only to "qualified clients" as that term is defined in Rule 205-3(d). For Clients receiving performance-based fees who terminate their Agreement with the Firm during a performance period, the Firm can or will, in its sole discretion prorate fees owed upon termination by valuing the client's account as of the termination date, and then apply the performance fee, if any, at that point. For qualified clients, the standard fee is 1% of assets under management as described above plus 20% of the profits above a high-water mark. Additionally, qualified clients may elect an optional fee arrangement of 0% of assets under management plus 30% of profits above the high-water mark.

Clients can incur brokerage commissions and other execution costs charged by the custodian or

executing broker-dealer in connection with transactions for a Client's account. Clients should further understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a Client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by Transcend.

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

The Firm offers performance fee arrangements to qualified clients (as that term is defined in the Advisers Act). Such performance fees are not negotiable. The Firm will structure any performance fee arrangement subject to Section 205(a)(1) of the Adviser Act in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3. In measuring a Client's assets for the calculation of performance fees, the Firm shall include realized and unrealized capital gains and losses. Fees are contingent on "Net Account Growth," so unless the account balance increases from a prior "high-water mark," the performance fees are waived. Fees are calculated monthly in arrears. The initial account balance will always be zero with the initial high-water mark established by adding Client's contributions and transfers (as of the day in which such contributions/transfers are received). Thereafter, a new high-water mark is established whenever the account value (adjusted dollar for dollar on contributions and/or prorated for redemptions) on the last business day of the month is higher than the previous high-water mark. The Firm fees and trading costs will reduce the account value, but not the high-water mark.

The Firm will ask for the Client's written authorization to directly debit performance-based fees from the Client's account through the custodian. The Firm will send a fee statement to the custodian indicating only the amount of the fee to be debited by the custodian. It is the Client's responsibility to verify the accuracy of the fee calculation and to understand that the custodian will not determine whether the fee is properly calculated. The custodian will send to the Client a statement, at least quarterly, but generally monthly, indicating all amounts disbursed from the account including the amount of the advisory fees paid directly to the Firm.

In charging performance fees to Client accounts, there exists a conflict as the Firm can receive greater fees from Client accounts having a performance-based compensation structure than from those accounts where the Firm only charges a fee unrelated to performance (e.g., an asset-based fee). As a result, the Firm has an incentive to direct the best investment ideas to, or to allocate or sequence trades in favor of, the account that pays a performance fee. The Firm's side-by-side management of accounts that are charged an asset-based fee and accounts that are charged a performance-based fee is governed by the Firm's internal policies and procedures and Code of Ethics (see Item 11, below), which are designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent the conflicts described above from influencing the allocation of investment opportunities among clients. Performance-based fee structures could also create an incentive for the Firm to over-value certain assets held by clients. The Firm has adopted policies designed to promote fair, accurate and current valuations of securities and portfolios. The Firm utilizes, to the fullest extent possible, the most recent prices reported by the largest securities exchange on which such securities are traded and/or qualified custodians for timely valuation information for advisory client securities and portfolios.

## **Item 7 – Types of Clients**

We provide investment services to individual and institutional clients including, for example, registered investment advisors, corporate pension and profit-sharing plans, charitable institutions, foundations and endowments.

#### Conditions for Managing Accounts

Transcend imposes a minimum account size of \$1,000,000 but reserves the right to waive the minimum or decline a potential client for any reason in its sole discretion. A Client can make cash additions to and/or withdrawals from Client's account(s) at any month-end, pursuant to a 15-day notice requirement as set forth in the Agreement between Transcend and the Client. Client acknowledges that cash will be made available for withdrawal only when transactions effected to raise cash are settled.

Prior to engaging Transcend to provide any of the investment advisory services described in this Brochure, the Client will be required to enter into one or more written agreements with Transcend setting forth the terms and conditions under which Transcend shall render its services.

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

#### Methods of Analysis

Transcend utilizes a proprietary algorithm to potentially predict expected market and individual security momentum direction using known technical/charting signals and a proprietary expected directional move signal that the algorithm generates using a combination of market and underlying factors.

Transcend's algorithm is updated on a constant basis in an effort to make it more robust in its ability to scan and select assets that have the most volatile expected moves of the day. The algorithm scans the market during trading hours continuously and update the list in real-time.

#### Investment Strategies

Potential trades are measured every time the algorithm detects a change in underlying stock or market conditions. The algorithm activates its sell program if it senses market conditions turning weak or negative. The algorithm activates its buy program if it senses market conditions turning positive. Positions are scaled up or down based on confirmations of the algorithm's prediction of upward or downward directional momentum. Orders are placed if the probability of expected directional move is greater than 90%. If probability increases over 95%, positions are scaled up, if the probability goes below 95%, corresponding positions are scaled down, and if probability goes below 90%, positions are closed. Option positions are scaled to a maximum based on a percentage of daily volume.

The securities traded are all public, and United States-listed. They are primarily options, futures, and equities. We have liquidity filters designed to assure that our trades are in



instruments with transparent pricing, tight bid-ask spreads, and high volume.

### Risks of Loss

Investing in securities involves a significant risk of loss which Clients should be prepared to bear. Transcend investment recommendations are subject to various market, currency, economic, political, and business risks, and such investment decisions may not always be profitable.

Clients should be aware that there may be a loss or depreciation to the value of the Client's account. There can be no assurance that the Client's investment objectives will be obtained and no inference to the contrary should be made.

Past performance is not indicative of future results. Therefore, Clients should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, futures, and options, etc.) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk.

Because of the inherent risk of loss associated with investing, the Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines.

There are certain additional risks associated with the securities recommended and strategies utilized by Transcend including, among others:

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of Client investments. This is also referred to as systemic risk.
- Non-diversification risk – The risk of focusing investments in a small number of issuers, industries or foreign currencies, including being more susceptible to risks associated with a single economic, political, or regulatory occurrence than a more diversified portfolio might be.
- Equity (stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Opportunity Cost Risk – The risk that an investor may forego profits or returns from other investments.
- Futures Risk - When buying a futures contract, you put relatively little initial money down. The costs and rewards are not established until the contract's expiration date, at which point

both parties discover their outcome. This means that you have very little control over your risk profile. If an asset's value surges or collapses in value, you can end up owing an enormous (and unforeseeable) amount of money on this contract.

- Options Risk below are some of the main risks associated with investing in options:
  - When writing covered call options to produce income for a client's account, there can be times when the underlying stock is "called" (call option contract exercised or assigned) by the investor that purchased the call option. That means the client would be required to sell the underlying security at the exercise (pre-determined) price to that investor.
  - carries additional risks (see above for details) and would result in margin interest costs to the client.
  - Option positions can be adversely affected by company specific issues (the issuer of the underlying security) which can include but are not limited to bankruptcy, insolvency, failing to file with regulatory bodies, being delisted, having trading halted or suspended, corporate reorganizations, asset sales, spin offs, stock splits, mergers and acquisitions. In addition, market related actions, political issues, and economic issues can adversely affect the option market. These factors could restrict, halt, suspend, or terminate option positions written (sold) or purchased.
  - Changes in value of the option will not always correlate with the underlying security, and the account could lose more than principal amount invested.
  - Options involve risk and are not suitable for all clients. Therefore, a client should read the option disclosure document, "Characteristics and Risks of Standardized Options", which can be obtained from any exchange on which options are traded, at [www.optionsclearing.com](http://www.optionsclearing.com), or by calling 1-888-OPTIONS, or by contacting your broker/custodian.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an evaluation of Transcend or the integrity of Transcend's management. Transcend has no material legal or disciplinary items to disclose.

## **Item 10 – Other Financial Industry Activities and Affiliation**

Neither Transcend nor its management persons are registered as a broker-dealer or broker-dealer representative. Neither Transcend nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

Monty Joshi, the Firm's Chief Compliance Officer, is on the Board of Directors of Optimal Asset Management, a technology-based wealth manager focused on longer-term holdings. Optimal does not run a high-frequency trading model like Transcend's, nor trade in any of the holdings that comprise Transcend's anticipated investment universe.

Mr. Joshi also consults for Compound Financial, a web-based holistic financial planner. Compound does not run any high-frequency trading strategies, or trade in any of the holdings

within Transcend's anticipated investment universe.

## **Item 11 – Code of Ethics**

### Description of Code of Ethics

Transcend is a fiduciary who owes its Clients undivided loyalty. As an investment advisory registered under the Advisers Act, and other applicable federal and state securities laws, Transcend owes the Client a fiduciary duty to put the Client's interest first which includes, but not limited to, a duty of care, loyalty, obedience, and good faith. This fiduciary obligation imposes upon Transcend and its associated persons a duty to deal fairly and to act in the best interest of its Clients. In addition, this obligation imposes upon Transcend and its associated persons numerous responsibilities, including the duty to render disinterested and impartial advice; to make suitable recommendations within the context of the total portfolio to Clients in light of their needs, financial circumstances and investment objectives; to exercise a high degree of care to ensure that adequate and accurate representations of its business and other information about securities are presented to Clients; and to not engage in fraudulent, deceptive or manipulative practices.

To this end, Transcend has adopted a Code of Ethics ("Code") which establishes standards of conduct for the firm's supervised persons and includes general requirements that such supervised persons comply with their fiduciary obligations to Clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of Client information.

Transcend does not recommend securities in which it has a financial interest however, because Transcend's investment professionals and associated persons can or will transact in the same securities for personal accounts, at the same time as they may buy or sell for Client accounts, it is important to mitigate potential conflicts of interest. As such, Transcend has adopted personal securities transaction policies in its Code, which all of Transcend's associated persons must follow. Specifically, the Code requires personnel to report personal trades and holdings and prohibits or requires pre-clearance for certain trades in certain circumstances. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to personnel annually. Transcend will provide a copy of its Code of Ethics to any Client or prospective client upon request. Please contact Transcend at (408) 464-5171.

### Participation or Interest in Client Transactions

It is Transcend's policy not to enter into any principal transactions or agency cross transactions on behalf of Client accounts. Principal transactions occur where an adviser, acting as principal for its own account buys securities from or sells securities to any advisory Client. Agency cross transactions occur where a person acts as an investment adviser in relation to a transaction in which the adviser, or an affiliate of the adviser, acts as broker for both the advisory Client and for another person on the other side of the transaction.

Transcend or individuals associated with Transcend may buy or sell for their personal account(s) securities or investment products identical to those recommended to or already owned by Clients.

Alternatively, Transcend may cause Clients to buy a security in which Transcend or such individuals have an ownership position. Such recommendations will only be made to the extent that they are reasonably believed to be in the best interests of the Client. Nevertheless, such practices present potential conflicts of interest. To mitigate these conflicts, Transcend has adopted a Code of Ethics, which outlines the procedures regarding personal trading that must be followed (see details below). Additionally, as part of Transcend's fiduciary duty to Clients, Transcend and its supervised persons will endeavor at all times to put the interests of the Clients first and at all times are required to adhere to Transcend's Code of Ethics.

### Personal Trading

On occasion employees of Transcend may buy for their own accounts securities which Transcend also recommends to Clients. It is possible that officers or employees of Transcend may buy or sell securities or other instruments that Transcend has recommended to Client and may engage in transactions for their own account in a manner that is inconsistent with Transcend's recommendations to a Client. Personal securities transactions by employees may raise potential conflicts of interest when such persons trade in a security that is owned by, or considered for purchase or sale for, a Client.

In order to mitigate this conflict of interest and to comply with all applicable laws and regulations, Transcend's Code of Ethics sets forth the professional and fiduciary standards that all associated persons must follow. The Firm's intention is to protect Client interests at all times and to demonstrate Transcend's commitment to its fiduciary duties of honesty, good faith, and fair dealing with Clients. All associated persons are expected to adhere strictly to the policy and are required to follow specific procedures regarding personal trading, including:

- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- Conduct all personal securities transactions in a manner consistent with the adopted policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities; and
- Comply with applicable provisions of the federal securities laws.

Transcend and its associated persons may also buy or sell specific securities for their own accounts based on personal investment considerations, which Transcend does not deem appropriate to buy or sell for Clients.

### **Item 12 – Brokerage Practices**

When the Firm places orders for the execution of portfolio transactions for Client accounts, transactions are allocated to brokers and dealers for execution in various markets at prices and commission rates that, based upon good faith judgment, will be in the best interest of the client. In addition to using brokers as "agents" and paying commissions, the Firm may affect transactions in

securities directly from or to dealers acting as principal at prices that include markups or markdowns and may purchase from underwriters or dealers in public offerings at prices that include compensation to the underwriters and dealers.

The following discussion summarizes the material aspects of the Firm's practices for the selection of broker-dealers to execute Client transactions.

#### **A. Discretionary Authority and Selection Criteria**

Transcend will have discretionary authority to make the following determinations without first obtaining Client's permission for each transaction:

- the securities that are to be bought or sold;
- the total amount of the securities to be bought or sold;
- the brokers through which securities are to be bought or sold; and
- the commission rates at which securities transactions for client accounts are effected.

All clients are required to establish custodial accounts with one of Transcend's selected qualified custodians. Transcend may only implement its investment management recommendations after the Client has arranged for and furnished the Firm with all information and authorization regarding accounts with appropriate financial institutions to act as custodian.

Factors which Transcend considers in selecting broker-dealers include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by particular brokers selected by Transcend may be higher or lower than those charged by other broker-dealers.

Transcend generally affects all transactions for managed accounts through the broker-dealer. Transcend periodically evaluates the commissions charged and the service provided by the broker-dealer and compares those with other broker-dealers to evaluate whether overall best qualitative execution could be achieved by using alternative broker-dealers. Other factors Transcend may consider when evaluating its choice of broker dealer include:

- Ability to trade investments that Transcend determines suitable for a client's portfolio in accordance with Transcend's strategy;
- Any custodial relationship between the Client and the broker-dealer;
- Excellent customer service;
- Interaction simplicity with the adviser;
- Discount transaction rates; and
- Reliability and financial stability.

#### **B. Best Execution**

Transcend will generally seek “best execution” in light of the circumstances involved in transactions. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the overall best qualitative execution, taking into consideration the full range of a broker-dealer’s services, including among others, net price, reputation, financial strength and stability, efficiency of execution and error resolution, the size of the transaction and the market for the security. Transcend will not obligate itself to obtain the lowest commission or best net price for an account on any particular transaction. Consistent with the foregoing, while Transcend will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

To ensure that brokerage firms selected by Transcend are conducting overall best qualitative execution, Transcend will periodically (and no less often than annually) evaluate the trading process and brokers utilized. This evaluation will include, but is not limited to price, commission, timing, research, aggregated trades, capable floor brokers or traders, competent block trading coverage, ability to position, capital strength and stability, reliable and accurate communications and settlement processing, use of automation, knowledge of other buyers or sellers and administrative ability.

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

Transcend does not receive research or other “soft dollar” benefits from any of its broker-dealers

#### **2. Directed Brokerage**

For our individual Clients, Transcend currently requires direct account Clients to establish brokerage accounts with one of our selected custodians. We have chosen our custodians because they offer low transaction prices, best execution, and excellent integration tools and interfaces that allows Transcend to trade Client’s assets most efficiently. When acting as a sub-advisor to another registered investment advisor or third party administrator (“TPA”), Transcend will execute all transactions through the TPA’s custodian or the executing broker selected by the TPA’s custodian, provided that Transcend has an established relationship with that custodian or executing broker or agrees to establish one. Generally, trades are executed through a direct interface through the TPA’s custodian or the broker-dealer affiliated with or otherwise selected by the Client’s custodian. Transcend has no economic relationship with a broker-dealer that creates a material conflict of interest.

#### **C. Trade Aggregation and Allocation**

Transactions for each Client will be effected independently unless Transcend decides to purchase or sell the same securities for several Clients at approximately the same time. Transcend performs investment management services for various Clients, some of which may have similar investment objectives. Transcend may aggregate sale and purchase orders with other Client accounts and proprietary (employee) accounts that have similar orders being made at the same time, if in Transcend’s judgment such aggregation is reasonably likely to result in an overall economic benefit to the affected accounts. Such benefits may include better transaction prices and lower trade execution costs. Transcend may (but is not obligated to) combine or “batch” such orders to

obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Transcend's Clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. If all aggregate orders do not fill at the same price, transactions will generally be averaged as to price and allocated among participating accounts pro rata to the purchase and sale orders placed for each participating account on any given day. If such orders cannot be fully executed under prevailing market conditions, Transcend may allocate the securities traded among participating accounts and each similar order in a manner which it considers equitable, taking into consideration, among other things, the size of the orders placed, the relative cash positions of each account, the investment objectives of the accounts, and liquidity of the security.

## **Item 13 – Review of Accounts**

### **A. Periodic Reviews**

Accounts are monitored on an ongoing basis, which includes detailed periodic reviews. The frequency of reviews is at the discretion of Transcend, but accounts are typically reviewed not less than annually. Accounts are reviewed for performance, consistency with the investment strategy and Client objectives, and other account parameters in order to determine if any adjustments need to be made. All reviews are performed by the investment adviser representative assigned to a Client account.

### **B. Other Reviews and Triggering Events**

In addition to the periodic reviews described above, reviews may be triggered by changes in a Client's personal, tax or financial status. Account holdings also are reviewed when changing market conditions warrant such review. Clients are encouraged to notify the Firm and its advisory representatives of any changes in his/her personal financial situation that might affect his/her investment needs, objectives, or time horizon.

### **C. Regular Reports**

Written account statements are generated no less than quarterly and are sent directly from the account custodian. These statements list the account positions, activity in the account over the covered period, and other related information, including any fees deducted from the account. Clients are also sent confirmations following each brokerage account transaction unless confirmations have been waived. Clients are urged to carefully review all account statements.

In addition, clients may receive other supporting reports from investments in Client accounts, mutual funds, trust companies, broker-dealers or insurance companies based on their involvement with the account and their applicable internal reporting requirements.

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

### **A. Economic Benefits Received**

Transcend and its related persons do not have any arrangement, oral or in writing, where it is or they are paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to Clients or directly.

#### **B. Compensation for Client Referrals**

The Firm does not directly or indirectly compensate any person who is not a supervised person for Client referrals.

### **Item 15 – Custody**

Under applicable regulations, Transcend is deemed to have custody of Client funds or securities by reason of the fact that Transcend has authority to debit its fees directly from the Client's account. To mitigate any potential conflicts of interests, all Transcend client account assets will be maintained with an independent qualified custodian.

Clients will receive statements on at least a quarterly basis directly from the qualified custodian that holds and maintains their assets. Clients are urged to carefully review all custodial statements and compare them to any account reports provided by Transcend. Transcend reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. Please refer to Item 12 for additional important disclosure information relating to Transcend's practices and relationships with custodians.

Under applicable regulations, advisers with custody are generally required to undergo an independent verification of the assets for which the adviser has custody through an annual surprise examination by an independent certified public accountant. Advisers, such as Transcend, which are deemed to have custody solely as a consequence of the authority to debit fees directly from Client accounts are not required to obtain an independent verification of those Client funds and securities maintained by a qualified custodian so long as certain steps are followed. This includes providing each Client with an invoice or similar statement that includes the adviser's fee and information on how it was calculated. Clients should understand that it is their responsibility to ensure that the fee calculation is correct, and not the custodian.

If funds or securities are inadvertently received by Transcend, they are returned to the sender immediately or as soon as practical.

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

#### **Discretionary Authority**

Transcend has full investment discretion over (1) which securities are to be bought or sold in Client accounts; (2) the amount of securities to be bought or sold in Client accounts; and (3) when transactions are made. This means that Transcend does not have to obtain prior consent from the Client when investing Client assets. In addition, Transcend's authority to trade securities may be limited in certain circumstances by applicable legal and regulatory requirements.



### Limited Power of Attorney

By signing Transcend's Agreement, Clients authorize Transcend to exercise this full discretionary authority with respect to all investment transactions involving the Client's investment management account. Pursuant to such Agreement, Transcend is designated as the Client's attorney-in-fact with discretionary authority to effect investment transactions in the Client's account which authorizes Transcend to give instructions to third parties in furtherance of such authority.

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

### Proxy Voting

Transcend does not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. We expect that the Client will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to the Client by mail, unless they have authorized our firm to contact them by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 – Financial Information**

Transcend does not require or solicit prepayment of more than \$1,200 in fees per Client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. Transcend does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to Clients and has not been the subject of a bankruptcy proceeding.