

# TruEdge Asset Management, LLC.

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This Brochure provides information about the qualifications and business practices of TruEdge Asset Management, LLC. (“TruEdge”). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer, Karey Williams at 312-479-5305 . 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 TruEdge also is available on the SEC’s website at [www.Adviserinfo.sec.gov](http://www.Adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes.

Pursuant to SEC rules, if there are material changes to the Brochure, TruEdge will provide a summary of any material changes to its Brochure within 120 days of the close of its fiscal year. TruEdge may also provide information about material changes to clients at other times during the year, if necessary.

We will provide you with a new Brochure, at any time, without charge.

Currently, our Brochure may be requested by contacting TruEdge at [compliance@truedge.com](mailto:compliance@truedge.com) or Karey Williams at 312-479-5305.

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## **Item 4 – Advisory Business**

TruEdge is an investment management firm founded in 2022 that provides investment management and investment advisory services through independent investment advisors (“Advisor(s)”) for use with Advisors’ clients (“Client”). As of February 1, 2023, TruEdge Asset Management, LLC had \$0 million in assets under management.

TruEdge provides Advisors with an extensive range of investment sub-advisory services for use by Advisors with their Clients through its TruEdge Asset Management programs (“TAM”), including Separately Managed Accounts (“SMA”), TruEdge Model Portfolios and TAM Unified Managed Account (“UMA”), (together, the “Programs” and individually a “Program”).

The Programs are made available by TruEdge through each Client’s independent Advisor. In addition to the TruEdge sub-advisory services offered in the Programs, TruEdge also offers Advisors several advisory service tools, whereby TruEdge provides only administrative and technology services. A Client’s Advisor determines which services and Programs of TruEdge to utilize with its Clients and may utilize the services of other third-party services providers in conjunction with the Programs; Clients should therefore consult their Advisor’s Form ADV Part 2 for a more complete description of that Advisor’s specific use of TruEdge and the Programs. The selection of services offered to our Advisory clients by TruEdge include:

- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the Client
- Online reporting of Client account’s performance and progress
- Fully integrated back office support systems to advisors, including interfacing with Client’s custodian, trade order placement, and confirmation and statement generation. Access to third party platforms and strategies through the TruEdge Platform.

### ***The Programs***

For all Programs, Client and Advisor compile pertinent financial and demographic information to develop an investment program that will meet the Client’s goals and objectives. Utilizing the TruEdge platform tools, Advisor will allocate the Client’s assets among the different options in the Program and determine the suitability of the asset allocation and investment options for each Client, based on the Client’s needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. For all Programs, Client directly owns the underlying securities, mutual funds or Exchange Traded Funds (“ETFs”) in each of the Program’s investment strategies. Mutual funds, ETFs, closed-end funds, unit investment trusts and real estate investment trusts exchange traded funds are collectively referred to throughout this document generally as a “Fund” or “Funds.”

For Clients selecting the SMA program, the Client is offered access to an actively managed investment portfolio from a variety of disciplines. For certain Sub-Managers, TruEdge has entered into a licensing agreement with the Sub-Manager, whereby TruEdge performs administrative and/or trade order implementation duties pursuant to the direction of the Sub-Manager. In such situation, the Sub-Manager is acting in the role of a Model Provider (as defined below).

### ***Sub-Advisor***

### ***Third Party Models and Model Providers***

Many of the asset managers in the SMA Program and the Third-Party Fund Strategist Program described above are accessed through the use of investment models (“Third Party Models”), whereby the asset manager, acting as a “Model Provider,” constructs an asset allocation and selects the underlying investments for each portfolio. TruEdge performs overlay management of the Third Party Models by implementing trade orders, periodically updating and rebalancing each Third Party Model pursuant to the direction of the Model Provider. TruEdge may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third Party Models created by particular Model Providers.

### ***TAM Product Availability on Non-Affiliated Platforms***

Certain TAM strategies may also be offered to clients through agreements with non-affiliated institutional platforms. In doing so, TAM contracts with the non-affiliated firm as portfolio managers to the TAM offerings. For such portfolio management services, TAM obtains a manager fee, which is negotiated separately with each respective firm.

### ***Account Customization and Investment Restrictions***

The discretionary Programs identified above are intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Each Client’s account is managed on the basis of the Client’s financial situation and stated investment objectives, in accordance with the Client’s reasonable investment restrictions imposed by Client on the management of the assets in the account. In addition, Clients will be contacted at least annually by their Advisor, and notified quarterly to contact Advisor, in order to confirm whether there have been any changes to the Client’s financial situation, investment objectives or if Client would like to impose or modify investment restrictions on the account.

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

Advisors may offer the Program as a “wrap fee program” to Clients as described in Advisor’s Appendix 1 of its Form ADV Part 2A. TruEdge does not offer the Programs as a “wrap fee program.”

### ***Institutional Clients***

As also described below, TruEdge may make its technology platform available to Advisors, banks or trusts for them to manage their own advisory services to Clients. In such cases, TruEdge may be providing investment research, trade implementation, account billing, reconciliation and reporting and other administrative and technology services, but is not acting in an advisory role to any Client.

## **Item 5 – Fees and Compensation**

Clients in the Program pay an operations fee of 3 basis points or a minimum of \$100 per account to TruEdge, whichever is higher. TruEdge charges a range of 5 – 10 basis points for the utilization of submanagers models based on the submanager selected. Depending on the services utilized by the Advisor, the Program Fees also include, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services.

As one of its services, TruEdge performs account billing administration, whereby TruEdge, acting as billing service provider, deducts the Program Fees charged by the Advisor from the Client's account and pays the applicable parties. The Advisor's fees may be collected by TruEdge but are paid directly to the Advisor. However, if agreed upon with the Client, Advisor and custodians may choose to independently deduct fees from the Client's accounts. Clients should separately refer to Advisor's Form ADV Part 2A and fee schedule in the client agreement with the Advisor for a description of Advisor's fees for Client's particular account(s).

If the Client is utilizing custodial asset-based pricing, certain fees charged by a broker or custodian may also be assessed (described more fully below in "Other Issues Relating to Fees"). The Program Fees do not include assumed brokerage, clearing and custody fees. Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker/custodian (as opposed to transaction-based fees such as commissions). Clients, through coordination with their Advisor, may utilize transaction-based pricing for clearing and custody services. In that case, those fees will be disclosed separately to the Client in the applicable custodian's clearing and custodial paperwork.

### ***Fee Billing Calculation***

For the majority of TruEdge's Advisor relationships, the Program Fees charged are calculated on a monthly/quarterly basis based on the average daily balance including accrued income of the account during the previous month/quarter. The Program Fee calculation takes into account cash and cash equivalents, however certain advisors and custodian may exclude cash in their fee calculation. Unless otherwise agreed to by the Client with Advisor, Program Fees are charged on a monthly basis in advance and prorated to the end of the month upon inception of the account. TruEdge's billing services can accommodate different billing calculations. These customizations, such as billing quarterly, in arrears or billing accounts based on the account value on the last business day of the previous month result from customizations requested by the Advisor. Clients with different billing arrangements set up with the Advisors should refer to their Advisor's Form ADV or Appendix 1 and client agreement for specific details. The level of the Program Fee will vary with the amount of assets under management and the particular investment styles and investment options chosen or recommended.

When fees are calculated in advance there are no fee adjustments (i) for appreciation or depreciation in the value of the assets during that month/quarter, (ii) for adjustments to the asset allocation or rebalancing when assets are invested in a single portfolio that accesses multiple asset managers and Funds, such as a UMA for the replacement of a manager or Fund with such strategies as a UMA. This calculation process means that the Client may have paid a greater or lesser Program Fee for that month that had the intra-month reallocations and/or replacement of asset managers or funds been in place at the time of the monthly billing calculation.

### ***Termination***

The client agreement terms and conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid program fee, based upon the number of days remaining in the month after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind, otherwise certain commissions and/or fees may be charged by the broker-dealer liquidating security positions.

### ***Other Issues Relating to Fees***

The Program Fee may also contain administration fees for services performed by the individual Advisor representative's corporate office. These fees are not TruEdge fees and Clients should separately refer to Advisor's Form ADV Part 2A or Appendix 1 for a description of these types of fees.

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the Program to a particular Client include the size of the account, the type of account (*i.e.*, equity or fixed income), the size of the assets devoted to a particular strategy and the managers selected.

When Advisor selects a Sub-Manager or Model Provider, the Program Fee includes the fees paid to the Sub-Advisor, Sub-Manager or Model Provider for their services, in addition to the TruEdge fees associated with making those strategies accessible and administering them in the Program. When manager fees are displayed separately from the other program fees, these fees represent the management fees for which TruEdge makes the strategies available and not the fee paid to Sub-Managers or Model Providers. TruEdge separately negotiates the agreements between Sub-Managers and Model Providers, including fees paid, on terms and conditions that it deems acceptable. In general, TruEdge's retained portion of the separately displayed fee for an investment strategy may as high as .35% of the assets under management. Fees paid to Sub-Managers or Model Providers generally range from 0.15% to 1.00% of the assets under management. Certain Model Providers participating in the Third-Party Fund Strategist program may not charge management fees, because they utilize their proprietary mutual funds and/or ETFs and receive fees from the underlying expenses of the Funds. The pricing terms are routinely renegotiated with individual Sub-Managers and Model Providers, whereby TruEdge, Sub-Manager or Model Provider may receive a greater or lesser percentage of the Program Fee than the current percentage at the time Client selected a particular investment strategy. In general, this does not increase the Program Fee that is paid. In the rarer case where the Program Fee negotiations results in a need to increase the Program Fee, Client's Advisor (if such Advisor has investment discretion to act on behalf of the Client) would be notified in advance of any increase in Program Fees, with full opportunity to select another strategy in the Program or otherwise change Client's account.

The Program Fee does not cover charges associated with securities transactions in Clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any Funds, (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses). Further information regarding charges and fees assessed by Funds may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law; and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into the Program. With respect to this latter type of charge, TruEdge may liquidate such assets transferred into a Program at the direction of the Advisor. Clients should thus be aware that if they transfer in-kind assets into a Program, TruEdge may liquidate such assets immediately or at a future point in time; however, TruEdge does not assume best execution obligations for securities not yet invested in the Program. Assets being sold to fund a product on the Platform may incur a brokerage commission or other charge, including a CDSC. Clients also may be subject to taxes when TruEdge liquidates such assets. Accordingly, Clients should consult with their financial advisor and tax consultant before transferring in-kind assets into a Program. TruEdge strives to choose the lowest-priced share available for all TruEdge proprietary strategies, such as the TAM Strategies. The actual share class fund that is purchased and allocated to a Client account is specific to the Advisor's agreement with the fund company. TruEdge does not negotiate share class availability on behalf of entities or their Clients, nor does TruEdge take responsibility for the management and review of Client accounts for share class usage. Clients should consult with their Advisor for share-class specific guidance. The availability of mutual funds,

ETFs, and other products in a Program is determined by the Advisor. TruEdge does not advise Advisors on the selection of funds or other pooled vehicles.

In addition to the redemption fees described above, a Client may incur redemption fees when the portfolio manager to an investment strategy determines that it is in the Client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Funds prior to the expiration of the minimum holding period of the Funds. Some mutual funds also assess redemption fees to investors upon the short term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

The Program Fee does not cover certain custodial fees that may be charged to Clients by the Custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Accounts may be subject to transaction based ticket charges assessed by the custodian for the purchase of certain mutual funds, including possible fund surcharges. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

In connection with a Client's investment in ADRs, the Client could incur additional expenses and fees that are not included in the fees charged by TruEdge. For example, ADRs could be subject to dividend withholding taxes from the country of origin, which are an additional expense and reduce the dividend paid to the Client. The Client or Client's custodian is responsible for filing the appropriate forms/filings in the foreign country to reclaim any dividend withholding. In addition, paying agents who process ADR dividend payments to a Client will assess a fee for their services, which also reduces the dividend paid to the Client.

For smaller accounts, a minimum account fee may apply to the Program Fee or fees charged by the custodian. Minimum accounts fees are expressed in annual amounts, but are determined and assessed based on the account asset value at the beginning of each quarter. For example, if an account has a \$100 minimum annual account Program Fee, it will be assessed a minimum of \$25 every quarter. Therefore, if a client has large asset inflows or outflows during the year that cross the minimum asset value threshold, it is possible for an account to be assessed a minimum fee for a particular quarter even if at the end of the year a look back over the account's average balance for the entire year would have placed it above the minimum asset value threshold.

See Item 12 below for a description of the factors that TruEdge considers in utilizing broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

TruEdge does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client). Certain third-party offerings made available through the Platform that are not managed or co-advised by TruEdge may charge qualified investors a performance based fee. These products will not be widely available and access to these strategies will generally require that an Advisor and qualified client enter into a separate agreement with the manager. Please refer to the offering documents provided by the third party for more information. In making these strategies available through TruEdge's platform, TruEdge is not participating in any performance fees charged.

## **Item 7 – Types of Clients**



As described above under Programs, TruEdge may provide portfolio management services to individuals, high net worth individuals, Advisors, corporations, trusts, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds and trust programs. The Programs are made available by TruEdge through each Client's independent Advisor. Participation in each of the Programs may carry a minimum account size for any particular portfolio and product selected based on specific program requirements and Advisor minimums.

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

### ***Methods of Analysis***

TruEdge provides Advisors with a variety of portfolio construction methods utilizing an analytics module to blend a solution that best meets Client requirements. The Advisor can select investment strategies using a variety of search screens on the TruEdge technology platform that are configurable to create Advisor specific selection criteria. In addition, Advisors may utilize third-party analytic modules that are licensed through the TruEdge platform and independent of TruEdge's proprietary analysis.

### ***Investment Strategy, Fund Research and Due Diligence***

Through the Programs, TruEdge provides Third Party Models and Funds to Advisors and Clients with access to two basic categories of investment strategies – “Available,” and “Approved.”

TruEdge has not reviewed the investment merits of the investment strategy of the third party model or Fund, and TruEdge makes no recommendations concerning the use of them. Instead, Client's Advisor is responsible for determining that it has sufficient information about Available SMA strategies, Third-Party Models and Funds to distribute them to their Advisors and Clients.

### ***“Approved” – Fund Strategist Portfolios***

For the FSP evaluation process, TAM's research analysts provide a thorough review of material submitted by the asset managers, as well as interviews (conference calls and/or onsite visits) with senior management and key investment personnel. These interviews are intended to gain a better understanding of the firm's stability, key personnel, investment philosophy and process, performance metrics, risk controls and product line-up. FSP firms that have successfully completed all required materials and have not been “flagged” for material issues during the analyst review process are granted the status of “Approved-Analyst Reviewed”.

Certain FSP portfolios may have the status of “Approved-Watch List” applied to them. These are portfolios that have been given and continue to have the TAM team's Approved status designation, but that have experienced a significant event, which may include but are not limited to: changes to key investment personnel, changes in the investment process used, a significant departure from the proprietary ratings methodology, material underperformance and/or regulatory concerns. These portfolios will continue to be monitored and reviewed to determine if they should be removed from the Approved list by the TAM research team. TAM's research is agnostic to share classes and TAM will utilize advisory or institutional share classes whenever possible. However, Advisors that are recommending strategies to their clients should be aware of the share classes available to their respective firms, and are responsible for understanding the fees in the FSP products, and for monitoring the fees in their Client accounts.

### ***CIO Support and Investment Consulting Services***

TruEdge |TAM may charge an additional fee for access to specific product categories and rankings whereby TruEdge |TAM research has conducted additional research and due diligence of certain firms and products.

### ***Exceptions and Conflict of Interests***

TAM may make exceptions for managers on the Approved list. For these exceptions, TruEdge analysts use qualitative and quantitative tools to make a determination that the manager otherwise warrants to be added or to remain on the Approved list. For example, the SMA strategy may not have a track record of sufficient length, but the portfolio manager's proven track record may enable the strategy to be added to the Approved list. TruEdge's TAM Investment Policy Committee approves or disapproves all exceptions and can remove managers from the Approved list at its sole discretion. If an Investment Committee member or other TAM analyst is conflicted, the individual is required to disclose and recuse from the decision making process. Managers that have a significant affiliation with a client of TruEdge, or one of its affiliates, or are a direct client of TruEdge must also be reviewed as exceptions and must be approved by the TAM Investment Policy Committee.

Any due diligence completed by TruEdge or designee should be used in conjunction with the Advisor's existing research and as a supplement to any existing due diligence that Advisor or Advisor's firm may already have in place.

### ***Investment Strategies***

TruEdge provides Advisors with access to a variety of investment strategies and Funds as a core tenet of its capability. TruEdge provides Advisors with the ability to utilize our technology platform to assess portfolios holistically and across multiple programs, custodians, and registrations, allowing the Advisor to make a household assessment of their Client's needs. This analysis capability allows Advisors to consider multiple options for investment strategies and Funds as they seek to match their Client's needs with the features and benefits of each program.

### ***Risk of Loss***

Investing in securities involves risk of loss (including loss of principal) that each Client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed-income strategies are subject to interest rate risk and the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market.

TruEdge seeks managers and Funds with a variety of investment strategies in an effort to make a wide range of investment strategies available to Advisors and Clients. Some strategies may be high-risk strategies. Such strategies have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies and are not intended for all types of Clients. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the loss of all assets placed in the strategies. It is strongly recommended that Clients diversify their investments and do not place all of their investments in high-risk investment strategies.

Certain types of investment strategies have particular types of risk. Strategies that invest in international securities involve special additional risks, including currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Strategies that invest in small capitalized companies involve risks, including relatively low trading volumes, a greater degree of change in earnings and greater short-term volatility. Smaller companies typically have a higher risk of failure and are not as well established as larger blue-chip companies. Growth strategies can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks. High-yield bond strategies invest in lower-rated debt securities (commonly referred to as junk bonds) and involve additional risks because of the lower credit quality of the securities in the portfolio. Clients should be aware of the possible higher level of volatility and increased risk of default. "Alternative" is an investment type that is not one of the three traditional asset types (stocks, bonds and cash) and generally has low correlations to stocks and bonds. Alternative investments may have complex terms and features that are not easily understood and are not suitable for all investors. Risks that may be associated with liquid alternative investments may include leverage, shorting, security valuation, and nightly reconciliation. Concentrated, non-diversified or sector strategies investing more of their assets in a few holdings involve additional risks, including share price fluctuations, because of the increased concentration of investments. The lack of industry diversification subjects the Client to increased industry-specific risks. Finally, municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Certain ETFs in Third-Party Models utilize leveraged equity ETFs. The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to their underlying index.

Tactical and dynamic investment strategies involve more frequent trading than the traditional "buy-and-hold" investment strategies. Such trading can increase transaction costs and create more short-term tax gains than a Client may be used to seeing in other types of strategies.

Risks that may be associated with liquid alternative investments include: (1) Leverage - Leverage may enhance a fund's returns in up markets but exacerbate returns in a bad market. Some firms with leverage inherent in their portfolios may experience "margin call" types of actions in the event of liquidity dry-ups or if certain counterparties cannot provide the leverage needed; (2) Shorting - Certain securities may be difficult to sell short at the price that the manager would wish to execute a trade. A short position may have the possibility of an infinite loss if a security continues to go up in price and the manager does not cover; (3) Security valuation - Certain securities held in alternative mutual funds, such as derivatives or thinly traded stocks, bonds or swaps may not have a market in which the money manager may need to trade it quickly in case of fund redemptions. High Bid/Ask spreads or the lack of another buyer/seller to take the opposite position of a thinly traded security could cause inaccurate estimates in underlying security valuation by the administrator; and (4) Nightly reconciliation - The use of thinly traded securities, shorting and leverage may make it difficult for some alternative funds, based on their investment strategy, to provide accurate nightly NAVs for the mutual fund.

### ***Liquidity Risk***

Investing in certain types of securities that are thinly traded, or investing in bonds, ETFs or mutual funds that invest in thinly traded securities introduces liquidity risk. Liquidity risk is a financial risk that, for a certain period of time, a security or commodity cannot be readily traded in the market or cannot be traded without a significant discount to the market price. All tradable assets assume some level of liquidity risk. For example, alternative mutual funds and ETFs may use techniques such as shorting of securities, leverage and derivatives, all of which may have liquidity risks if there are not buyers and sellers available or if a counterparty cannot fulfill the order.

## **Item 9 – Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of TruEdge or the integrity of TruEdge's management. TruEdge has no legal or disciplinary action that must be disclosed in response to this Item.

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

TruEdge also provides other products and services to Advisors and other financial professionals in the role as a third-party service provider to assist them with administering their business needs.

### ***Reporting Services***

TruEdge offers reporting and data aggregation services to allow Institutions and Advisors the ability to monitor their clients' accounts. Advisors are able to examine their clients' holdings, allocation of assets and portfolio performance. Performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets.

### ***Back Office Processing/ Billing and Custodial Services***

TruEdge provides back-office functions including daily account reconciliation. TruEdge uses electronic data feeds from trading/clearing/custodial firms to streamline the account reconciliation process.

TruEdge's billing software automates billing for Institutions and Advisors. The Platform can accommodate a billing structure to include house-holding of accounts to capture scaling rates, several layers of combined accounts and assets, flat fee billing, credits, advance or arrear billing, daily weighted average billing and event triggered billing. Advisors are expected to confirm billing accuracy and notify TruEdge if errors are noted.

### ***Other Affiliations***

TruEdge has arrangements that are material to its advisory business or its Clients with a related entity. TruEdge is under common control with the following entities that are engaged in the securities or investment advisory business. Certain directors and members of executive management of TruEdge also serve as directors and/or executive management of these entities: Financial Services Holdings and Bristol Lane Group.

## **Item 11 – Code of Ethics**

TruEdge employees or related persons may have accounts with investment managers that TruEdge recommends to Clients as part of its investment programs. This means that TruEdge employees or related persons may buy or sell securities that Clients also own in their accounts. Investment decisions for TruEdge personnel may not be made at the same time or in the same manner as those made for Clients. TruEdge or a related person of TruEdge may purchase or sell securities that are recommended to or purchased or sold for Clients. Personal securities transactions by persons identified as access persons with TruEdge are subject to TruEdge's Code of Ethics. The Code of Ethics includes various reporting, disclosure and approval requirements, described in the summary below. TruEdge designed these requirements to prevent or mitigate actual or potential conflicts of interest with Clients. The Code of Ethics applies not only to transactions by the individual,

but also to transactions for accounts in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment.

In accordance with Securities and Exchange Commission rules relating to recordkeeping by investment advisors, TruEdge requires all Access Persons provide quarterly disclosure of all securities transactions identified in the Code of Ethics as "Reportable Securities" transactions. TruEdge further requires that all brokerage account relationships be disclosed, that TruEdge receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all access persons. Transactions in U.S. government securities, bankers acceptances, bank certificates of deposit, commercial paper, high quality short-term instruments, including repurchase agreements, index-based futures/options, options/futures on treasury notes and bills or currency options/futures, shares of open-end mutual funds and commodities are excluded from the reporting requirements.

The responsibilities of TruEdge's Chief Compliance Officer (or designee) include overseeing the regular monitoring and verification of compliance of covered persons with the requirements of the Code of Ethics, and reporting material violations to TruEdge's senior management. Covered transactions of the Chief Compliance Officer will be approved by another officer (or designee) of TruEdge. In addition to reporting and recordkeeping requirements, the Code of Ethics imposes various substantive and procedural restrictions on Reportable Securities transactions. The Chief Compliance Officer may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

A copy of TruEdge's Code of Ethics can be obtained by contacting TruEdge at [compliance@truedge.com](mailto:compliance@truedge.com).

## **Item 12 – Brokerage Practices**

TruEdge does not require a Client to utilize any particular broker/custodian and currently has relationships with many brokers/custodians that provide brokerage, clearing and custody services to Clients in the Programs. The choice of which broker/custodian to utilize is determined by Client in consultation with their Advisor, and a Client enters into a separate contractual relationship with the selected broker/custodian. Advisors may limit their Clients to a subset of broker/custodians. Those Advisors may be affiliated with one or more of these brokers/custodians and may require their Clients to contract with that broker/custodian. If an Advisor requires a Client to utilize the services of an affiliated broker/custodian, the Advisor may benefit and Client should review the Advisor's Form ADV Part 2A for a description of any potential conflicts of interests.

Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker/custodian (as opposed to transaction-based fees such as commissions). For certain custodial relationships, Truedge is able to present the asset-based fee as part of the Client's fee schedule in the client agreement. To the extent that such fees are not included in the fee schedule, the Client will be so informed in writing by the Advisor. Such fees may be charged directly to the Client or may be included within the overall cost of the security. Several of the available brokers/custodians have minimum fees for Client accounts which will be fully disclosed to Clients in the applicable account documentation. Although TruEdge is aware of the possibility that better execution may be available at another broker-dealer/custodian, because executing at another broker-dealer/custodian would likely incur commissions or other trading costs and could delay the timely receipt of updated transaction and account information necessary for TruEdge to process Client accounts within its investment system on a timely basis, TruEdge generally directs transactions to the broker-dealer/custodian chosen by Clients based on the lack of commissions or other trading costs for such trades.

### ***Best Execution***

By directing brokerage, Clients may not receive the benefit of the lowest trade price then available for any particular transaction and Client account trade orders may not be able to be aggregated to reduce transactional costs. For the Programs, Sub-Managers and TruEdge have the authority to effect transactions for Client accounts with or through a broker, dealer or bank other than that directed by Client, if TruEdge or Sub-Manager believes that “best execution” of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with Advisor, TruEdge or Sub-Manager. In such cases, commissions or other compensation to the brokers in such transactions will be in addition to the Program Fee (see Item 5 above, “Other Issues Relating to Fees”).

In placing orders for purchase and sale of securities and directing brokerage to effect these transactions, TruEdge’s primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, TruEdge considers a number of factors, including, without limitation, the overall direct net economic result to the Client, the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other factors involved in the receipt of brokerage services. TruEdge utilizes a global third-party service provider to assist in the review of trades for best execution purposes, and TruEdge’s Compliance Committee will periodically review the execution quality obtained on behalf of Clients.

In general, TruEdge routes trades directly to the custodian(s) of record. Occasionally, in order to obtain best execution and minimize market impact, certain thinly traded securities, illiquid or ETF trades, for example, can be ‘stepped-out’ in order to gain best execution and minimize market impact. In some instances, stepped-out trades are executed by the other firm without any additional commission or markup or markdown, but in other instances, the executing firm may impose a commission or a markup or markdown on the trade. If trades are placed with a firm that imposes a commission or equivalent fee on the trade, including a commission that may be embedded in the price of the security, the client will incur trading costs in addition to the wrap fee the client paid to your Advisor. On an annualized-basis, the number of step-out trades conducted by TruEdge equates to approximately 2% of total order flow. Actual step-out percentages may vary dependent on the Third Party Manager product(s) chosen by the Advisor and the securities held in the particular model. It is important to know that clients may pay a commission in addition to your wrap fee for those stepped-out trades.

Certain Sub-Managers do not utilize TruEdge to facilitate their trading in the securities within their strategies and consequently the use of these strategies may result in additional trade-away fees that are not included in the Program Fee, or that may be in addition to the Advisor’s wrap fee. Clients should consult with their Advisors and review the Sub-Manager’s Form ADV Part 2A for information related to any additional fees. Clients should carefully consider any additional trading costs the Client may incur before selecting a Sub-Manager.

### ***Trade Allocations***

Sub-Managers and Advisors performing trade order placement, trading rotation and allocation are managed by the Sub-Managers and Advisor. These Sub-Managers and Advisors have their own allocation policy and will direct how partial executions are allocated. TruEdge has no input or supervisory responsibility for these policies. Certain Model Providers, as disclosed in their Form ADV, may have a rotation policy that segregates their investment model updates from their directly managed accounts. If TruEdge determines that such trade rotation policy does not provide equitable investment performance in accordance with Manager’s reported performance, TruEdge may restrict the availability of the Model or impose additional requirements as necessary.

## ***TruEdge Supported Trade Allocations***

### ***Separately Managed Accounts***

Certain trade orders are created by the Sub-Manager and sent directly to the appropriate custodian according to their own trade rotation policies. If the Sub-Manager directs TruEdge to allocate orders within each custodian, the partial fill will be pro-rata allocated among the individual Client accounts. Sub-Managers may aggregate Client trades with their own directed trades or trades for other Clients. Please refer to each SubManager's Form ADV for any policies they may have regarding aggregation of trades.

### ***Model-Based***

For a trade order placed by TruEdge for Third- Party Models, TruEdge uses a trade rotation program in which our technology will automatically send trades for each custodian in a different order as to not prefer one over the other. The order is a defined rotation that considers line of business, custodian, firm and account.

Once orders are filled, the TruEdge Platform generates block allocations for the respective block trades. TruEdge then submits the allocation files to the respective custodians before 8:00PM EST for allocation to the respective Clients.

## ***Block Trading***

Block trading is permitted if TruEdge has determined, on an individual basis that the following conditions have been met and the securities order is:

1. In the best interests of each Client participating in the order;
2. Consistent with TruEdge's duty to obtain best execution; and
3. Consistent with the terms of the investment advisory agreement of each participating Client.

In addition, the following conditions must apply:

1. Any investment by one Client shall not be dependent or contingent upon the willingness or ability of another Client to participate in such transaction;
2. The terms negotiated for the block transaction should apply equally to each participating Client;
3. The allocation of securities purchased or sold in a block trade must be made in accordance with TruEdge's allocation procedures; and
4. The books and records of TruEdge must reflect, for each bunched order, the securities held by, purchased and sold for each Client.

TruEdge may elect to manually execute orders that exceed 5,000 shares or \$500,000 if, in the opinion of the trader, such an order requires special handling due to considerations such as size, complexity, and potential market impact, in fulfillment of TruEdge's best execution responsibilities.

## ***Errors***

Although TruEdge takes reasonable steps to avoid errors, occasionally errors do occur. TruEdge seeks to identify errors and works with the Client's Advisor, Sub-Manager and/or qualified custodian to correct the error affecting any Client account as quickly as possible, in order to put the Client in the position they would

have been in had the error not occurred, without disadvantaging the client or benefiting TruEdge. Errors may be corrected by either the purchase or sale of a security as originally intended, or in the form of monetary reimbursement to the applicable client account.

If the error is the responsibility of TruEdge, any client transaction will be corrected and TruEdge will be responsible for any client loss resulting from an inaccurate or erroneous order. TruEdge's policy and practice is to monitor and reconcile trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval and maintain a trade error file. In the case of errors due to the inaction, or actions of others (Home Office, Advisors, Sub-Manager's, Custodians), TruEdge may help facilitate the error correction process; again in the best interests of our mutual clients.

### **Item 13 – Review of Accounts**

TruEdge performs nightly reconciliation of Client accounts on the Platform against data provided by the Client's custodian. Exceptions are researched and appropriate corrections are made when necessary. Completely reconciled accounts are made available at the beginning of the next business morning.

Clients receive statements from the custodian at least quarterly providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions from the clearing firm. In addition, depending on the Advisor, Clients may also receive a quarterly performance report prepared by TruEdge showing the allocation of the assets in the account as well as the performance of the account during the previous quarter.

Advisors are required to contact Clients on an annual basis to determine if there have been any changes to the Client's financial situation and stated investment objectives or if the Client wishes to impose any reasonable investment restrictions on the management of the assets in the account.

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

TruEdge, may inadvertently receive Rule 12b-1 fees from mutual funds in which Clients invest. Any fees inadvertently received shall be returned to the fund company or rebated to client account.

### **Item 15 – Custody**

If provided with the authority through its billing services for certain accounts, TruEdge directs the custodian to debit advisory, manager, platform and other fees from Client accounts; however, TruEdge does not have authority to possess or take actual custody of Clients' funds or securities. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains Client's investment assets. Depending on the Advisor, Clients may also receive a performance report prepared by TruEdge and TruEdge urges Client to carefully review such statements and compare such official custodial records to the account statements we provide to Client. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. TruEdge's Client performance reports should not be construed as custodial account statements, nor should they be used in place of the Client's custodial statements.

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

Clients that participate in the Programs are required to grant full discretionary investment authority to TruEdge once the Client is invested in the Program. TruEdge does not assume a fiduciary or advisory role in



assets that an advisor has under management outside of TruEdge or that have been identified with TruEdge as assets or securities to be sold in order to fund one of our Programs. For Client assets that are invested in the Program, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account. Advisors to Clients should notify TruEdge if such investment objectives have changed so that TruEdge may work with the Advisor to make appropriate changes within the Client portfolio. Advisors also have responsibility to retain the Client within the Program in accordance with the stated minimum investment in order to minimize risks associated with unacceptable variances and unintended performance dispersion, potential impact to a Client's overall fee percentages, and the potential of being invested outside of their risk and suitability framework. When selecting securities and determining amounts, TruEdge observes the investment policies established through the Program for the particular Client account, along with account investment limitations and restrictions of the Client. For registered investment companies, TruEdge's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and impose restrictions on certain types of investments (e.g., illiquid securities) and favor the holding of investments once made. Investment guidelines and restrictions must be provided to TruEdge in writing. A Client may establish a broader investment policy governing multiple Client accounts/assets with Advisor. In such instances, TruEdge can provide tools to assist Advisor in monitoring adherence to the investment policies established between Advisor and Client; however, TruEdge does not undertake responsibility for monitoring adherence to a Client's larger investment policy.

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

TruEdge generally delegates proxy voting to the Sub-Managers to whom it allocates Client assets. The Sub-Manager is responsible for voting or abstaining from voting with respect to any proxy solicitations for any securities purchased on behalf of each Client; provided, however, that the Client has not notified the Sub-Manager of its desire to exercise the Client's right to vote such proxies or to delegate the authority to vote such proxies to another party.

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

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about TruEdge's financial condition. TruEdge has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.