

Item 1 – Cover Sheet

# Compound Advisers, Inc.

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**REGISTERED INVESTMENT ADVISER  
FORM ADV PART 2A  
BROCHURE**

*This disclosure brochure provides clients with information about the qualifications and business practices of Compound Advisers, Inc. (“Compound Advisers” or the “Company”) an investment advisory firm registered with the U.S. Securities and Exchange Commission (“SEC”). It describes the services Compound Advisers provides as well as background information on those individuals who provide investment advisory services on behalf of the Company. Please contact Compound Advisers by email at [compliance@withcompound.com](mailto:compliance@withcompound.com) or by telephone at (415) 417-1180 if you have any questions about the contents of this disclosure brochure.*

*The information in this disclosure brochure has not been approved or verified by the SEC or any state securities authority. Registration does not imply that Compound Advisers or any individual providing investment advisory services on behalf of Compound Advisers possess a certain level of skill or training. Information on the disciplinary history and the registration of Compound Advisers and its associated persons is available on the Internet at [www.adviserinfo.sec.gov/IAPD/](http://www.adviserinfo.sec.gov/IAPD/). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Compound Advisers is 306341.*

## **Item 2 – Material Changes**

This item discusses specific material changes to the Compound Advisers' disclosure brochure.

Since its other-than-annual amendment filed on September 12, 2022, Compound Advisers has made the following material changes:

- Updated the fee structure to include a graduated, AUM based billing plan.

Although the above addresses material changes to this Brochure, clients are encouraged to review this document in its entirety.

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## Item 4 - Advisory Business

### A. The Company

Compound Advisers is a Delaware corporation that was formed in 2019. The Company began providing advisory services in February 2020. Compound Advisers was originally registered as an investment adviser in the State of California in February 2020.

Compound Advisers is a wholly-owned subsidiary of Compound Financial, Inc., a Delaware corporation ("Compound Financial"). The principal owners of Compound Financial, Inc. are Jordan Gonen and Jacob Schein, who serve as Compound Advisers' Chief Executive Officer and Chief Technology Officer, respectively.

### B. Advisory Services

Compound Advisers offers ongoing financial advisory services based on the individual goals, objectives, time horizon, and risk tolerance of each client ("Advisory Services"). Advisory Services consist of two areas: "Financial Advice & Planning" and "Investment Management."

- 1) Financial Advice & Planning – Financial Advice & Planning consists of developing a client's financial plan regarding asset location, liquidity management, asset allocation, and investment strategy. The allocation is targeted to meet the investment objectives, time horizon, financial situation, and tolerance for risk for each client.

Financial Advice & Planning services are offered in several areas of a client's financial situation, depending on their goals, objectives and financial situation.

Financial Advice & Planning services can be provided in one or both of the following manners:

#### *Planning*

This type of financial planning will involve preparing a financial plan for clients based on the client's financial goals and objectives. This planning may encompass one or more areas of need, including, but not limited to, investment planning, personal savings, equity, personal savings, executive compensation, cashflow planning, education savings, retirement planning and other areas of a client's financial situation.

A financial plan developed for the client will usually include general recommendations for a course of activity or specific actions to be taken by the client. For example, recommendations may be made that the client start or revise their cash flow plan, investment or equity compensation programs, education savings and/or charitable giving programs, or their retirement savings programs. Compound Advisers may also refer clients to an accountant, tax advisor, attorney or other specialist or financial services provider, as appropriate for their unique situation. For certain planning engagements, Compound Advisers will provide a written summary of a client's financial situation, observations, and recommendations.

#### *Advice*

Clients can also receive financial advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as equity and other executive compensation, cash flow planning, estate planning, retirement planning, reviewing a client's existing portfolio, or any other specific topic. Compound Advisers also provides specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, Compound Advisers provides guidance on non-securities matters. Generally, this includes coordinating with third-party advisers in the areas of tax, estate planning, insurance and/or annuity advice upon clients' request.

For these more limited engagements, Compound Advisers may not provide a written summary. Recommendations are not limited to any specific product or service offered by a broker-dealer, insurance company or other professional service.

#### *Financial Advice & Planning Disclosures*

Should a client choose to implement the Financial Advice & Planning recommendations made by Compound Advisers, Compound Advisers may recommend its own services or that of other professionals (*i.e.*, attorney, accountant, tax advisor, insurance agent, and/or stockbroker). Accordingly, clients are advised that a conflict of interest exists if Compound Advisers recommends its own services or those of its employees or affiliates. Clients are under no obligation to act upon any of the recommendations made by Compound Advisers or its associated persons under a Financial Advice & Planning engagement and/or engage the services of any such recommended professional, including Compound Advisers or any of its related persons such as Compound Tax LLC ("Compound Tax"). The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Compound Advisers' or its associated persons' recommendations. Compound Advisers shall cooperate with any attorney, accountant, broker or other adviser chosen by the client regarding implementation of any such recommendations.

- 2) Investment Management – Investment Management consists of implementing a portion of the clients' liquid assets. The Client may, but is not obliged to, avail of this service in conjunction with the Financial Advice & Planning services. Investment Management services can be categorized as: portfolio construction as well as ongoing management and supervision.
  - Portfolio Construction – Compound Advisers will develop a customized portfolio for the client based on the client's risk profile and investment guidelines and that is intended to address the asset allocation objectives of the client.
  - Ongoing Investment Management and Supervision – Compound Advisers will provide Investment Management and ongoing oversight of the client's portfolio and overall account.

Investment Management services will be provided on a discretionary or non-discretionary basis. For discretionary Investment Management services, clients will be required to give Compound Advisers authority to manage the client's assets in accordance with what Compound Advisers deems to be in the client's best interest based on the client's investment objectives and guidelines. Clients will retain individual ownership of all securities in their account.

#### Publication of Periodicals or Newsletters

Compound Advisers may publish written content in an online manual, periodic newsletters or other channels of communication providing general information on various financial topics. No specific investment recommendations are provided in these communications and the information presented does not purport to meet the specific objectives or needs of any individual.

#### Educational Seminars and Workshops

Compound Advisers may sponsor seminars and/or workshops of an educational and generic nature. A broad range of topics may be addressed in each seminar or workshop, including private company equity, asset allocation, alternative asset investing, retirement planning, estate planning and other investment-related topics. Compound Advisers' seminars and workshops are educational in nature and do not involve the sale of investment or insurance products. Information presented will not be based on any one person's needs nor does Compound Advisers make specific recommendations or provide individualized investment advice to attendees.

#### Third Party Professionals

Compound Advisers connects clients to other third-party professionals to provide advice and services ("Additional Services") relevant to their life goals and plans, including, without limitation, tax, accounting, asset management and attorneys (each, a "Provider"). Providers are selected based on Compound's assessment of their relevant expertise and experience. Other than for Compound Tax, which provides tax services, there is no ownership or other affiliation between Compound and third-party Provider, nor any financial or other incentive that would influence Compound's selection of these unaffiliated Providers. Generally, each unaffiliated Provider bills clients directly for their services, unless agreed otherwise.

With clients' consent, affiliated and unaffiliated Providers may receive information about clients from Compound Advisers, which may include, as relevant: (1) financial circumstances and goals, (2) investment objectives, guidelines, restrictions and investment activity; and (3) life goals, needs and plans. Depending on the Provider, with clients' consent, Compound Advisers may receive additional information from that Provider with respect to the specific advice provided to clients. Clients are free to select their own professional advisers, however, there may be limitations on such sharing of information.

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

Compound Advisers' Investment Management services are tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Compound Advisers will work with each client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

For those clients who elect to receive Investment Management services, Compound Advisers will review with clients their financial circumstances, investment objectives and risk profile at least annually. For Compound Advisers to provide effective Investment Management services, it is critical that clients provide accurate and complete information to Compound Advisers and inform Compound Advisers anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party investment managers. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Compound Advisers' investment philosophy, runs counter to the client's stated investment objectives, or would prevent Compound Advisers from properly servicing client accounts. Whether clients will be able to place reasonable restrictions on the types of investments which will be made on the client's behalf is at the sole discretion of Compound Advisers.

#### **D. Wrap Fee Programs**

Compound Advisers does not currently provide portfolio management services to a wrap fee program(s). Under a wrap fee program, advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and transaction services (*e.g.*, execution of trades) are provided for one fee. This is different from traditional investment management programs whereby services are provided for a fee, but transaction services are billed separately on a per-transaction basis.

#### **E. Assets Under Management**

As of January XX, 2023, Compound Advisers manages \$### on a discretionary basis and \$### on a non-discretionary basis.

### **Item 5 - Fees and Compensation**

#### **A. Advisory, Planning and Investment Management Fees**

The following sections detail the fee structure and compensation methodology for Advisory Services. Each client shall sign Compound Advisers' Services Agreement (the "Services Agreement") that details the responsibilities of Compound Advisers and the client.

##### One-Time or Project-Based Services

For one-time or project-based services not described below, clients shall pay Compound Advisers a one-time or project based fee on a per service or project basis. Financial planning projects tend to be event or problem-driven, such as when a client has a major financial decision to make or has recently received a significant amount of liquidity that needs to be invested. These fees may be calculated either on an hourly basis or provided for a pre-agreed flat fee. Compound Advisers has the discretion to adjust its fees and billing model for a given client, service or project depending on the nature and complexity of each client's one-time service or project. Fees for these one-time or project based services vary by complexity and can range from \$400 to \$50,000 depending on the nature and scope of the service or project.

##### Recurring Financial Advice & Planning and Investment Management Services

For Financial Advisory services included as part of recurring financial advice and planning and investment management services ("Wealth Management"), clients pay Compound Advisers two types of fees, which are either a single, pre-determined charge per period (a "Flat Fee"), or a percentage of average Assets Under Management per period ("AUM"), which may be offered individually or in combination within a single fee plan for a Client (the "Advisory Fee"). Custodian, ETF and sub-adviser fees will still apply and be in-addition to

Compound Advisers' Advisory Fee. The particular fee plan applicable to a Client will depend on (a) the available fee plan the Client selected either at the time Client started Advisory Services or subsequent to then, (b) the Advisory Services selected within the plan, and (c) level of AUM that a Client invests with Compound. Clients must agree to the Advisory Fees before becoming a Client and starting an Advisory Service. Compound Advisers retains the discretion to adjust the amount or timing of its Wealth Management fees for a given client depending on the nature and complexity of each client's circumstances.

#### Single Flat Fees

Some Clients pay a single Flat Fee for Wealth Management services. The single Flat Fee is based on tiers of service that range from \$2,000 to \$50,000 per year, paid quarterly in arrears. Fees are negotiable within their tier. We establish the tier for a Client's Wealth Management Advisory Fees based on a client's preferences and by using a variety of factors related to the complexity of your needs and services provided, including your overall net worth and AUM invested with us.

#### AUM Only Fees

Some Clients pay only asset-based AUM fees for Wealth Management services for which Compound charges 10 to 65 basis points of AUM in addition to subadvisers' AUM fees if any. Your AUM fee is only based on your AUM managed by us. For AUM only fee plans, we establish a Client's asset-based Wealth Management Advisory Fees according to the following schedule applied at a marginal rate with a minimum annual fee of \$6,500. "Marginal rate" means that the next dollar that falls within the next higher value AUM bracket is charged at that new rate in the next higher value bracket, but that the dollars falling within the lower value brackets will still be charged at the respective rates for those lower value brackets:

\$0 — \$1,999,999:	0.65%
\$2,000,000 — \$2,999,999:	0.55%
\$3,000,000 — \$4,999,999:	0.50%
\$5,000,000 — \$9,999,999:	0.45%
\$10,000,000+:	.35%

#### Layered Flat and AUM Fees

As of the end of 2022, we offered services under a layered Flat Fee and AUM fee program, which is no longer being offered to Clients. In this program, Clients pay both Flat Fees and AUM Advisory Fees for Wealth Management services. In this layered pricing model, we charge Flat Fees from \$3,000 to \$50,000 per year, and AUM fees from 10 to 30 basis points of AUM for AUM more than \$1,000,000. For example, if a client had \$1,500,000 in AUM managed by us, they might pay both a \$5,000 Flat Fee and a 30 basis point AUM fee on \$1,500,000 of managed assets. We established the Flat Fee for a Client's Wealth Management Advisory Fees based on a client's preferences and by using a variety of factors related to the complexity of your needs and services provided, including your overall net worth. Your AUM fee is only based on your AUM managed by us.

Fees are set forth in each client's Services Agreement or appendix to it, and shall continue in effect until the termination of the Services Agreement by either party.

#### Publication of Periodicals or Newsletters



Compound Advisers does not charge a fee for a subscription to its newsletter or access to its other published content.

#### Educational Seminars and Workshops

Compound Advisers may charge a fee of up to \$10,000 to attend the firm's educational seminars and workshops. Any fee will be noted on the seminar or workshop invitation and is typically paid in advance.

*Lower fees for comparable services may be available from other sources.*

### **B. Payment Method**

#### One-Time or Project-Based Services

Fees for one-time or project-based services will be invoiced to clients upon conclusion of the service or quarter in arrears as applicable for longer projects. The invoice will indicate the services undertaken, the time used if billable on an hourly basis, and the amount due. At that time, Compound Advisers automatically charges these fees to the Client's brokerage account designated by the Client for one-time or project based charges. A Client may also request to pay with our payment processor Stripe Payments Company ("Stripe") from a Client's third-party financial institution of choice. If a client elects to have fees automatically charged with Stripe, Compound Advisers shall charge the electronic payment method that client provided to Stripe.

#### Recurring Fees & Payment Method

Depending on your fee plan, Compound also may charge recurring AUM and/or Flat Fees based on the relevant portfolio and AUM in the portfolio. Compound's fee does not include the fees of the custodian, or the underlying ETFs and sub-advisers (as applicable). Clients should refer to their agreements to determine the additional fees paid to custodian, ETFs and sub-advisers. AUM based Advisory Fees due shall be calculated by multiplying the applicable AUM percentage fee disclosed below by each of the daily net market values of the managed investment accounts as of the end of each trading day for the preceding calendar quarter up to the close of trading on the New York Stock Exchange ("NYSE") at the end of the calendar quarter to be billed, and then dividing by the number of daily net market values in the billing period.

Compound Advisers will invoice its AUM or Flat Fees each quarter in arrears. Compound Advisers automatically charges these fees by either of two different methods: (a) with a deduction from the clients' custodial account that incurred the fee maintained at Charles Schwab & Co., Inc. (the "Custodian"), or (b) with a payment method on file with our payment processor Stripe from clients' third-party financial institution of choice. For either method of charging fees, those fees will only be charged quarterly in arrears as set forth in the client's Services Agreement. If a client's fees are to be automatically charged with Stripe, Compound Advisers shall charge the electronic payment method that client provided to Stripe.

If fees are automatically deducted from the client's Custodian account, Compound Advisers shall send an invoice to the client's Custodian indicating the amount of the Advisory Fees to be deducted from the client's account at the respective quarter end date. Clients also will be provided with a statement, at least quarterly, from the Custodian reflecting deduction of the

applicable Advisory Fees charged to the Client's brokerage account. It is the responsibility of the client to verify the accuracy of these Advisory Fees as listed on the Custodian's brokerage statement as the Custodian does not assume this responsibility. If fees are automatically charged via Stripe, Compound Advisers will provide the client an invoice with the Advisory Fees, including the period covered by the Advisory Fees.

### **C. Additional Information**

#### Fees Negotiable

Compound Advisers retains the right to modify fees in its sole and absolute discretion, on a client-by-client basis. Factors considered include the complexity and nature of the advisory services provided on an ongoing basis or by project, anticipated amount of assets to be placed under management, anticipated future additional assets, types of assets, related accounts, portfolio style, account composition, family composition and number of persons being advised within the household, residency and citizenship, marital status, and whether assets are held individually or through entities. Compound Advisers may combine related household accounts for fee calculation purposes.

#### Third-Party Fees from Mutual Funds, Exchange Traded Funds, Private Funds and Sub-Advisers

All fees paid to Compound Advisers for Financial Advice & Planning and Investment Management services are separate and distinct from the expenses charged by mutual funds, exchange-traded funds ("ETFs") to their shareholders, if applicable, private funds and subadvisers that clients may elect to use in addition to Compound Advisers' services. These third-party fees and expenses are described in each subadviser's, fund's or ETF's prospectus. These third-party fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A client could invest in these products directly, without the services of Compound Advisers, but would not receive the Advisory Services provided by Compound Advisers which are designed, among other things, to (i) assist the client in determining which products or services are most appropriate to each client's financial situation and objectives and (ii) determining when such buying or selling is appropriate. Accordingly, the client should review both the third-party fees charged by the fund[s], subadvisors, and/or ETFs and the fees charged by Compound Advisers to fully understand the total amount of fees to be paid by the client.

#### Miscellaneous Expenses

Compound Advisers' fees do not include certain other charges and expenses, including (a) brokerage charges, which are paid on a transactional basis, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers and (c) taxes. Please see Item 12 of this brochure for detailed information about Compound Advisers' brokerage practices.

#### Professional Fees

Fees do not include the services of any co-fiduciaries, accountants, tax advisors, broker dealers or attorneys. Accordingly, the fees of any additional professionals engaged by a client

(including the Provider arrangements described in Item 4.B) will generally be billed directly by those service providers.

## **D. Termination and Refunds**

### Investment Management Services

Compound Advisers is compensated for its Investment Management Services in arrears for the quarter in which the services are rendered. Clients may request to terminate their Services Agreement with Compound Advisers immediately, in whole or in part, by providing written notice to Compound Advisers. The client will be responsible for Compound Advisers' management fees up to and including the effective date of termination. Upon termination, Compound Advisers will notify any applicable sub-advisers of the termination and provide options to clients for transitioning their accounts with them. Compound Advisers will refund any of its unearned, prepaid management fees on a pro-rata basis from the effective date of termination. Any assets that are invested in a sub-adviser or private fund will be subject to the charges and withdrawal restrictions of the relevant sub-adviser and private fund and will be liquidated in accordance with the terms of the governing documents of the relevant sub-adviser and private fund. Because Compound Advisers' fees are paid in arrears, there is no refund policy necessary.

### Financial Advice & Planning Services

As stated above, either party may terminate the Services Agreement at any time by providing written notice to the other party. For recurring Financial Advice & Planning fees, the client will be responsible for those fees up to and including the effective date of termination. Recurring Financial Advice & Planning fees payable to Compound Advisers will be pro-rated to the date of termination within the quarter for which fees are due. One-time and project based fees, shall be due immediately for the portion of the service or project completed as of the date of termination.

## **E. Additional Compensation**

Compound Advisers does not buy or sell securities for itself and does not receive any compensation for securities transactions in any client account, other than the investment advisory fees noted above.

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

Compound Advisers does not charge performance-based fees (e.g., fees based on a share of capital gains on, or capital appreciated of, the assets in a client's account). That said, certain mutual funds, ETFs, sub-advisers and other funds that Compound Advisers recommend may charge their own performance-based fees. Clients are encouraged to review the prospectuses and fund documents for those funds for more information on performance-based fees they may charge.

## **Item 7 - Types of Clients**

### **A. Clients**

Compound Advisers offers investment advisory services to individuals, high net worth individuals, corporations and other business entities, trusts, and estates.

## **B. Engaging the Services of Compound Advisers**

All clients wishing to engage Compound Advisers for Advisory Services must enter into the Services Agreement with Compound Advisers as well as any other documented Advisory Services commitment provided by Compound Advisers. The Services Agreement describes the scope of services that Compound Advisers provides to the client and Compound Advisers' responsibilities for them. It including its related appendices also outline Compound Advisers' advisory fees in detail. In addition, if clients elect to receive third party sub-adviser services, or wish to use Compound Advisers' Custodian, clients must complete certain sub-adviser and broker-dealer/custodial documentation. Upon completion of these documents, as needed, Compound Advisers will be considered engaged by the client.

Each client engagement will entail a review of the client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate financial strategy. Some of this review may be done through an online interface. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a client's account. Compound Advisers shall rely on the financial and other information provided by the client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the client to inform Compound Advisers of any changes in financial condition, goals or other factors that may affect this analysis.

## **C. Conditions for Managing Accounts**

For Investment Management services, the minimum balance that a Client must invest across all Accounts is \$6,500. Compound Advisers may, in its sole discretion, reduce or waive the Minimum Account Balance.

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

### A. Methods of Analysis and Investment Strategies

#### Methods of Analysis

Compound Advisers may use all or some of the following methods of analysis when making investments in clients' accounts or investment recommendations to clients:

##### *Fundamental Analysis*

Fundamental analysis is a method of evaluating securities by attempting to measure the intrinsic value of a stock or other assets. Fundamental analysts study the overall economy and industry conditions, the financial condition of a company representing an asset, details regarding the company's product line, and the experience and expertise of the company's management. The resulting data is used to measure the true value of the company's stock compared to the current market value.

##### *Cyclical Analysis*

Cyclical analysis is similar to technical analysis in that it involves the assessment of market conditions at a macro (e.g., the entire market/economy) or micro (e.g., company specific) level, rather than the overall fundamental analysis of a particular company or other asset. Cyclical analysis involves the historical patterns and trends of securities, markets or economies as a whole in an effort to determine future behaviors, the estimation of price movement and an evaluation of a transaction before entry into the market in terms of risk and profit potential.

##### *Qualitative Analysis*

Qualitative analysis involves the subjective evaluation of non-quantifiable factors of an investment such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement and predicting changes to share price based on that data.

##### *Technical Trading Models*

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points.

#### Investment Strategies

Compound Advisers will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

##### *Long-Term Purchases*

Securities or other assets are purchased with the expectation that the value of those securities or other assets will grow over a relatively long period of time, generally greater than one year.

### *Short-Term Purchases*

Securities or other assets are purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' or other assets' short-term price fluctuations.

### Sources of Information

Research and analysis from Compound Advisers are derived from numerous sources, including financial media companies, third-party research materials, internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others.

### Types of Investments

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically include domestic and foreign equity securities, exchange traded funds, warrants, corporate debt securities, mutual funds, alternative investments (i.e., hedge funds), real estate investment trusts (REITs) and various types of private investments.

### Investing Involves Risk

Investing in securities or other assets involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk.* The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk.* Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk.* An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default, therefore causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk.* The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.

- *Foreign (Non-U.S.) Risk.* A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk.* Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.
- *Currency Risk.* Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk.* Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds, or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk.* Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk.* Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk.* The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Reinvestment Risk.* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- *Concentrated Portfolios Risk.* Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.

- *Legal or Legislative Risk.* Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.
- *Infrastructure Risks.* Infrastructure-related investments are subject to a number of unique risks. These investments may be concentrated into a small number of projects, resulting in a high degree of risk with respect to each project. Further, these investments are often subject to foreign and emerging market risks.
- *Socially Responsible Investing.* Investments may focus on "low carbon" or other areas of socially responsible investing. This investment category represents a relatively new area of investment with a relatively limited performance track record. Due to the consideration of non-monetary factors in investment decisions, these investments may experience a lower rate of return. There may be a relatively limited number of investments to consider in this investment category, and available investments may be subject to increased competition.
- *Large Investment Risks.* Clients may collectively account for a large portion of the assets in certain investments. A decision by many clients to buy or sell some or all a particular investment where clients hold a significant portion of that investment may negatively impact the value of that the investment.
- *Limitations of Disclosure.* The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in investing in investments. As investment strategies develop and change over time, clients may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.
- *Limited Liquidity of Investments.* Certain investment funds, including real estate, fixed income, venture capital and closed-end funds, that Compound recommends for clients are generally illiquid, with very limited or non-existent transfer and withdrawal rights; investors may not be able to liquidate or transfer such investments even in an emergency. Fund managers may invest in securities that trade at a low volume and that are relatively illiquid. These may include, among others, private securities, secured debt securities, real estate, and certain publicly traded equity securities, particularly those with small capitalizations. Managers may not be able to liquidate these investments promptly if needed. In addition, sales of those securities in an illiquid market could depress their market value. Illiquid securities may include privately placed or "restricted" securities that are subject to substantial holding periods or may not be traded in public markets. Restricted securities generally are difficult or impossible to sell at prices comparable to the market prices of similar securities that are publicly traded. No assurance can be given that any restricted securities will become registered so as to be eligible to be traded on a public market.

## **B. Risks Associated with Investment Strategies and Methods of Analysis**

### *Risks Associated with Investment Strategies*

#### Long-Term Purchases

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).



### Short-Term Purchases

Using a short-term purchase strategy generally assumes that the performance of the financial markets can be accurately predicted over the short-term. The risk associated with a short-term purchase strategy is that there are many factors that may affect market performance in the short-term including interest rate fluctuations, cyclical earnings, etc. Such factors may have a smaller impact over the longer-term. In addition, short-term trading may incur a disproportionately higher amount of transaction costs compared to long-term trading.

### *Risk Associated with Methods of Analysis*

Compound Advisers' securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While Compound Advisers is alert to indications that data may be incorrect, there is always the risk that Compound Advisers' analysis may be compromised by inaccurate or misleading information.

### Fundamental Analysis

Fundamental analysis, when used in isolation, has a number of risks:

- Information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value.
- If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- The data used may be out of date.
- It ignores the influence of random events such as oil spills, product defects being exposed, and forces of nature and so on.
- It assumes that there is no monopolistic power over markets.
- The market may fail to reach expectations of perceived value.

### Cyclical Analysis

The primary risk in using cyclical analysis is that economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore, there is an attendant difficulty in predicting economic trends. Consequently, the changing value of securities that would be affected by these changing trends.

### Qualitative Analysis

The primary risk in using qualitative analysis is that Compound Advisers' subjective judgment may prove incorrect.

### Technical Trading Models

The primary risk in using technical trading models is that historical trends and past performance cannot predict future trends. In addition, there is no assurance that the mathematical algorithms employed are designed properly, are updated with new data or updated in a timely manner, or can accurately predict future market, industry and sector performance.

## **C. Risks Associated with Specific Securities Utilized**

### Common Stocks

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

### Preferred Stocks

Preferred stock dividends are generally fixed in advance. Unlike requirements to pay interest on certain types of debt securities, the company that issues preferred stock may not be required to pay a dividend and may stop paying the dividend at any time. Preferred stock may also be subject to mandatory redemption provisions and an issuer may repurchase these securities at prices that are below the price at which they were purchased by the client. Under these circumstances, a client account holding such preferred securities could lose money.

### Fixed-Income Securities

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk.* The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk.* The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (e.g., corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also the risk of not being able to purchase a particular issue at the desired price.
- *Credit Risk.* The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk.* With declining interest rates, clients may have to reinvest income or principal at a lower rate.

- *Duration Risk.* Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

### Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that a client's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries.

In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore clients may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

### Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under "Fixed-Income Securities" listed above.

### Mutual Funds - Index Funds

Index Funds have the potential to be affected by “tracking error risk” which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a “sample index” that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher “qualified dividend income” (QDI) percentages, there are asset classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund’s portfolio, may be considered “non-qualified” under certain tax code provisions.

### Alternative Investments

The performance of alternative investments (e.g., commodities, futures, hedge funds; funds of hedge funds, private equity or other types of limited partnerships) can be volatile. Alternative investments generally involve various risk factors and liquidity constraints, a complete discussion of which is set forth in the offering documents of each specific alternative investment. Due to the speculative nature of alternative investments a client must satisfy certain income or net worth standards prior to investing.

### Real Estate Related Securities

Investing in real estate related securities includes, among others, the following risks: possible declines in the value of real estate; risks related to general and local economic conditions, including increases in the rate of inflation, possible lack of availability of mortgage funds, overbuilding, extending vacancies of properties, increases in competition, property taxes and operating expenses, changes in zoning laws, costs resulting from clean-up of, and liability to third-parties for damages resulting from, environmental problems, casualty and condemnation losses, uninsured damages from floods, earthquakes or other natural disasters, limitations on and variations in rents and changes in interest rates.

Investing in Real Estate Investment Trusts (“REITs”) involves certain unique risks in addition to those risks associated with investing in real estate in general. REITs are dependent upon the skills of management, are not diversified and are subject to cash flow dependency, default by borrowers and self-liquidation.

### Options

There are numerous risks associated with transactions in options on securities or securities indexes. A decision as to whether, when and how to use options involves the exercise of skill and judgment, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior or unexpected events. As the writer of covered call options, the client forgoes, during the option’s life, the opportunity to profit from increases in the market value of the underlying security or the index above the sum of the option premium received and the exercise price of the call, but has retained the risk of loss, minus the option premium received, should the price of the underlying security decline. In the case of index options, the client incurs basis risk between the performance of the underlying portfolio and the performance of the underlying index. For example, the underlying portfolio may decline in value while the underlying index may increase in value, resulting in a loss on the call option while the underlying portfolio declines as well.

### Digital Assets

Digital assets include the “bonding”, “baking” or “staking” of tokens and other digital assets. Decentralized digital assets utilize cryptography, commonly referred to as “cryptocurrencies” (such as Bitcoin, Ethereum, etc.), as well as related protocols, projects, options, derivative instruments and companies (collectively, the “Digital Assets”).

Digital Assets, and the use of Digital Assets to buy and sell goods and services, are relatively new and rapidly evolving concepts. Digital Assets, which include digital currencies and digital tokens, are based on computer-generated mathematical and/or cryptographic protocol. Digital Assets are transferred over decentralized networks, where each transaction is recorded in a “blockchain.” A blockchain is a digital ledger that records transactions on multiple computers, which collectively constitute Digital Asset’s network. This method of recordkeeping alleviates the need for a single, trusted third party intermediary because participants of that particular Digital Asset’s network can each individually act as a steward or record-keeper for the entire blockchain. Once a transaction is recorded in the blockchain, that transaction is theoretically immutable and cannot be reversed due to the cryptographic nature of the recordkeeping and the decentralized nature of the network.

The growth of Digital Assets in general is subject to a high degree of uncertainty. The factors affecting their further development, include (i) their continued worldwide growth, adoption and use; (ii) government and quasi-government regulation of the use, creation and offering of Digital Assets, as well as restrictions on and regulation related to the operation of and access to a Digital Asset’s network; (iii) changes in consumer demographics and public tastes and preferences; (iv) the maintenance and development of the open-source software protocol of a Digital Asset’s network; (v) the availability and popularity of other forms or methods of buying and selling goods and services, including new means of using Digital Assets; and (vi) general economic conditions and the regulatory environment relating to Digital Assets.

### Other General Risks

#### Epidemics, Pandemics, Outbreaks of Disease and Public Health Issues

A serious pandemic or a natural disaster could severely disrupt global, national and/or regional economies. As of February 2020, there is an outbreak of a novel and highly contagious form of coronavirus. Coronavirus, renewed outbreaks of other epidemics or the outbreak of new epidemics could result in a general economic decline due to the negative impact on economic fundamentals and consumer confidence all of which could have an adverse effect on investment and portfolio performance. No assurance can be given as to the effect of these events on the value and performance of Compound Advisers’ strategies.

#### Cybersecurity Risk

Compound Advisers and any of its respective service providers increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect Compound Advisers and its clients despite efforts of Compound Advisers and its service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks, e-mail and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the firm and the clients (including non-public personal information of clients and their beneficial owners or affiliates or personnel).

While Compound Advisers believes its service providers have established disaster recovery, cyber security and business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Cyber security issues are a major regulatory focus area for the SEC and other regulators. Similar types of operational and technology risks are also present with respect to investments, which could have material adverse consequences for such investments, and may cause such investments to lose value.

**Past performance is not a guarantee of future returns. Investing in securities and other investments involve a risk of loss that each client should understand and be willing to bear. Clients are encouraged to discuss these risks with Compound Advisers' investment adviser representative.**

### **Item 9 - Disciplinary History**

Neither Compound Advisers nor its management personnel have any reportable disciplinary history that would be material to a client's or prospective client's evaluation of Compound Advisers advisory business or the integrity of its management.

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

#### **A. Broker-Dealer Registration and Registered Representatives**

Compound Advisers is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

#### **B. Futures and Commodity Registration**

Compound Advisers is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

#### **C. Financial Industry Affiliations**

Other than its affiliation with Compound Tax as discussed in Section E below, Compound Advisers does not have arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading advisor or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

## **D. Selection of Other Advisers**

Compound Advisers may select other advisers or third-party managers for clients based upon their investment objectives, guidelines and/or restrictions. These arrangements may include, without limitation:

- Investment advice or management provided through a sub-advisory agreement;
- Recommendations or referrals to other advisers or managers; and/or
- Review or selection of private investment funds.

Typically, fees of other advisers or managers will be in addition to Compound Advisers' fees and any expenses relating to a client's account with Compound Advisers. See Item 5.C, above for information regarding third-party expenses.

## **E. Affiliates of Compound Advisers**

Compound Advisers' parent company, Compound Financial also owns Compound Tax, which provides tax services, including to clients of Compound Advisers. Compound Financial expects to form other subsidiaries in the future that will provide professional services that may be recommended to Compound Advisers' clients (collectively "Compound Affiliates"). Due to the common ownership among the Compound Affiliates, Compound Advisers has an incentive to recommend the services of Compound Affiliates over similar services provided by independent third parties. Specific steps to address this conflict of interest include:

- Disclosure to clients of the existence of conflicts of interest (including the potential for Compound Advisers and employees to earn direct and indirect compensation in addition to the Company's advisory fees);
- Collection of information relevant in completing a client's financial plan by which the client's portfolio is managed;
- Conducting regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances; and
- Implementing a code of ethics that governs the Company's and employees' ethical obligations.

Clients are under no obligation to act upon any of the recommendations made by Compound Advisers or its associated persons under a financial planning engagement and/or engage the services of any such recommended professional, including Compound Affiliates. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Compound Advisers' or its associated persons' recommendations. Compound Advisers shall cooperate with any attorney, accountant, broker or other adviser chosen by the client regarding implementation of any such recommendations.

## **Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

Compound Advisers has adopted a Code of Ethics to prevent violations of the federal and state securities laws. The Code of Ethics is predicated on the principle that Compound Advisers owes a fiduciary duty to its clients. Accordingly, Compound Advisers expects all personnel to act with honesty, integrity and professionalism and to adhere to federal securities laws. All personnel are required to adhere to the Code of Ethics. At all times, Compound Advisers and

its personnel must (i) place client interests ahead of Compound Advisers'; (ii) engage in personal investing that is in full compliance with the Compound Advisers' Code of Ethics; and (iii) avoid taking advantage of their position. Compound Advisers conducts compliance training with its employees to ensure that they understand the Company's policies and procedures. Among other things, Compound Advisers' Code of Ethics includes policies on the following:

- *Material Non-Public Information.* Compound Advisers' policies forbid employees from trading, either personally or on behalf of others based on material non-public information and from communicating material non-public information to others in violation of the law.
- *Gifts.* Compound Advisers' policy contains prohibitions and limitations as well as reporting requirements regarding the giving and receiving of business-related gifts and entertainment. This is intended to minimize conflicts of interest, or appearance of conflicts, such as favoritism among clients and selecting service providers. Compound Advisers' policy also covers gifts and entertainment to foreign officials, to prevent violations of the Foreign Corrupt Practices Act.
- *Outside Business Activities.* Compound Advisers requires disclosure, approval and monitoring of employees' outside business activities. Among other things, this ensures that employees devote their time and attention to Compound's business and clients.
- *Political Contributions.* Compound Advisers does not currently have and will not take on public pension plans or other Government Entities as clients. Accordingly, Access Persons and their Related Parties may make Political Contributions to Officials without pre-approval or limitation.
- *Whistleblower Policy.* Compound Advisers has established a whistleblower policy that, among other things, protects good faith complaints and prohibits the Company or any employee from retaliating against an employee who raises a complaint.

Clients and prospective clients may request a copy of the Compound Advisers' Code of Ethics by contacting Compound Advisers by telephone: (415) 417-1180 or email: [compliance@withcompound.com](mailto:compliance@withcompound.com).

Compound Advisers' policies also establish procedures for identifying, mitigating and, if necessary, disclosing conflicts of interest to clients. The Company's Conflicts of Interest Policy requires employees to notify the Company's Chief Compliance Officer if they become aware of a conflict of interest, whether actual, potential or perceived. Specific policy areas include, among others:

- Fees and expenses.
- Allocation of investment opportunities.
- Reviews of client accounts.
- Client complaints.
- Proxy voting.
- Service provider assessment and engagement.

## **B. Material Financial Interests**

Compound Advisers does not recommend to clients securities in which it or any related person has a material financial interest.

## **C. Investing in the Same Securities as Clients**



From time to time, representatives of Compound Advisers may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Compound Advisers to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments that are likely to be transacted would not have a practical impact on prices in those securities. Compound Advisers will always document any transactions that could be construed as conflicts of interest.

#### **D. Engaging in Transactions at Same Time as Clients**

Compound Advisers and/or individuals associated with the Company may, at or about the same time, buy, sell, or hold in their personal accounts the same securities that it recommends to its clients. To minimize conflicts of interest, and to maintain its fiduciary responsibility Compound Advisers has established the following policy: all trades of securities by persons associated with Compound Advisers require the prior approval of the Chief Compliance officer. An officer, manager, director, member or employee of Compound Advisers shall not buy or sell securities for a personal portfolio when the decision to purchase is derived by reason of their association with Compound Advisers, unless the information is also available to the investing public as a whole. No person associated with Compound Advisers shall prefer his or her own interest to that of any client. Further, no person associated with Compound Advisers may directly or indirectly acquire or dispose of a security sooner than two (2) trading days and not later than three (3) trading days following the day that the trade was approved by the Chief Compliance Officer.

### **Item 12 - Brokerage Practices**

#### **A. Brokerage Selection**

Compound Advisers will generally require that clients utilize the brokerage and clearing services of Charles Schwab & Co., Inc., a FINRA-registered broker-dealer ("Schwab") as Compound Advisers' Custodian, for investment management accounts.

#### **Best Execution**

Best execution has been defined as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Compound Advisers will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

If the client requests Compound Advisers to arrange for the execution of securities brokerage transactions for the client's account, the Company shall direct such transactions through

broker-dealers that it reasonably believes will provide best execution. Compound Advisers shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its clients considering its duty to obtain best execution.

### Broker Analysis

Compound Advisers evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information regarding the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Compound Advisers.

Also, in consideration is such broker-dealers' provision or payment of the costs of research and other investment management-related services (the provisional payment of such costs by brokers are referred to as payment made by "soft dollars", as further discussed in the "Research/Soft Dollars Benefits" section immediately below). Accordingly, if Compound Advisers determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the brokerage and research or investment management-related services provided by such broker, the client may pay trading costs to such broker in an amount greater than the amount another broker might charge.

Compound Advisers is responsible for monitoring and evaluating the performance and execution capabilities of brokers that transact orders for client accounts to ensure consistent quality executions. In addition, Compound Advisers periodically reviews its transaction costs considering current market circumstances and other relevant information.

### **Research/Soft Dollar Benefits**

Compound Advisers uses Schwab Advisor Services ("Schwab Advisor Services") service. There is no direct link between Compound Advisers' use of Schwab Advisor Services and the investment advice it gives to its clients, although Compound Advisers receives benefits through its participation in the program that are typically not available to Schwab retail clients.

As a user of Schwab Advisor Services, Schwab makes available to Compound Advisers other products and services that benefit the Company but may not benefit its clients' accounts. Some of these other products and services assist Compound Advisers in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving Schwab Advisor Services participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Access, for a fee, to an electronic communication network for client order entry and account information;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional clients.

Schwab Advisor Services also makes available to Compound Advisers other services intended to help the Company manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab Institutional may make available, arrange and/or pay for these types of services rendered to Compound Advisers by independent third parties.

Additional benefits received because of Compound Advisers' use of Schwab Advisor Services may depend upon the amount of transactions directed to, or amount of assets custodied by, Charles Schwab & Co., Inc. Compound Advisers is required to maintain a minimum level of client assets with Schwab Advisor Services to avoid a quarterly service fee. While as a fiduciary Compound Advisers endeavors to act in its clients' best interests, Compound Advisers' recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Compound Advisers of the availability of some of the foregoing products and services and not solely on the nature cost or quality of custody and brokerage provided by Schwab which may create a conflict of interest.

### Directed Brokerage

#### *Company Directed Brokerage*

At Compound Advisers' sole discretion, Compound Advisers may permit directed brokerage. However, in such cases Compound Advisers will not have the ability to negotiate the terms and conditions of the broker's services (including, but not limited to, commission rates and therefore does not have responsibility for obtaining the best prices or particular commission rates with or through any such broker). Consequently, Clients in directed brokerage arrangements may not obtain rates as low as it might be available by following Compound Advisers' recommendations.

### **B. Trade Aggregation and Allocation**

Compound Advisers generally purchases or sells the same securities for several clients at approximately the same time. Compound Advisers may (but is not obligated to) combine or "batch" such orders to:

- Obtain best execution;
- Negotiate more favorable commission rates; or
- Allocate equitably among Compound Advisers' clients, differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Under this procedure, transactions will generally be averaged as to price and allocated among Compound Advisers' clients pro rata. When aggregating client trade orders, Compound Advisers will not receive any additional compensation or remuneration as a result of the aggregation. Generally, Compound Advisers batches orders in the following sequence:

- All new allocations or liquidation requests are made first (in order to assure the highest priority given to the accounts that are not invested yet or that need to be divested).
- All rebalances are made next (for accounts that need a combination of buys or sells to get back towards target allocations - generally a less material change than new allocations or de-allocations).
- Any opportunities to Tax-Loss Harvest are made last.

If Compound Advisers determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include:

- The accounts of related persons (i.e., Compound Advisers personnel, family members and proprietary accounts), shall only receive shares after the orders of all unrelated accounts have been filed;
- When only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates;
- Allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts;
- If an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed);
- With respect to sale allocations, allocations may be given to accounts low in cash;
- In cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Compound Advisers may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or
- In cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **C. Trade Errors**

Trade errors are promptly reported to the custodian and will be rectified by the custodian with no adverse financial effect on the client. Although there is no standard definition of trade errors, they may include a number of situations, such as:

- Trade executions in the wrong direction (i.e., buy vs. sell);
- Purchasing securities not legally permitted for the firm, or not within a client's guidelines or restrictions;
- Purchasing or selling the wrong securities or the wrong amount of securities for a client or account;
- Purchasing or selling securities for the wrong client or account; or
- Allocating securities to the wrong client or account.

## **Item 13 - Review of Accounts**

### **A. Periodic Reviews**

#### Investment Management Services

While the underlying securities within Investment Management Services accounts are continuously monitored, these accounts are reviewed no less frequently than annually. Accounts are reviewed in the context of each client's stated investment objectives and guidelines, ensuring that the structure of the portfolio is coordinated with these objectives. In addition, investment returns will be measured against the appropriate benchmarks in each asset class.

#### Financial Planning Services

While reviews may occur at different stages of the financial planning process depending on the nature and terms of the specific engagement, typically, no formal reviews will be conducted for Financial Planning Services clients unless otherwise contracted for at the inception of the advisory relationship.

The portfolio manager assigned to the particular client conducts these reviews.

#### **B. Other Reviews**

Reviews may be triggered by material market, economic or political events, cash inflow or outflow to/from the portfolio or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Regular Reports**

##### Investment Management Services

Clients will receive statements from their custodian at least quarterly. Additionally, monthly statements will be generated as a result of investment activity by the client's custodian. Confirmation statements will be issued for all trading activity. Monthly and/or quarterly statements will include portfolio holdings, dates and amounts of transactions, cost basis and current and prior statement values.

In addition to reports issued by the client's custodian, Compound Advisers' provides annual client written reports summarizing account performance, balances and holdings managed by the Company.

##### Financial Planning Services

Financial Planning Services clients will receive an initial financial plan within the scope of what financial planning the client has requested, as well as ongoing planning and support as elected. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship or subsequently agreed upon by the client and Compound Advisers.

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

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

Compound Advisers does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

## **B. Client Referrals**

Neither Compound Advisers nor any related person directly or indirectly compensates any person for client referrals.

### **Item 15 - Custody**

For investment management clients, Compound Advisers will generally require that clients custody their assets at Schwab, unless a client elects to keep his or her assets at a separate custodian. Compound Advisers will not have physical custody of any assets in the client's account except as permitted for direct deduction of advisory fees as previously agreed. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Compound Advisers to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. The account statement will also indicate the amount of advisory fees deducted from your account(s) for each billing period.

Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information.

### **Item 16 - Investment Discretion**

For those client accounts over which Compound Advisers has discretion, Compound Advisers requests that it be provided with written authority (e.g., limited power of attorney contained in the Services Agreement) to determine the types and amounts of securities that are bought or sold. Compound Advisers' authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between Compound Advisers and the client. Any limitations on Compound Advisers' discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments are required to be submitted in writing.

### **Item 17 - Voting Client Securities**

#### **Proxy Voting**

Compound Advisers does not vote proxies on behalf of its clients. Therefore, although Compound Advisers may provide discretionary investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. Compound Advisers and/or the client shall correspondingly instruct each custodian of the

assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Clients can contact Compound Advisers about a particular solicitation by calling (415) 417-1180.

### **Legal Proceedings**

Although Compound Advisers may have discretion over client accounts, Compound Advisers will not be responsible for handling client claims in class action lawsuits, bankruptcies or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

## **Item 18 - Financial Information**

### **A. Prepayment of Fees**

Because Compound Advisers does not require or accept prepayment of more than \$1,200 in fees six months or more in advance, Compound Advisers is not required to include a balance sheet with this disclosure brochure.

### **B. Financial Condition**

Compound Advisers does not have any adverse financial conditions to disclose.

### **C. Bankruptcy**

Compound Advisers has never been the subject of a bankruptcy petition.

## **Item 19 – Requirements for State-Registered Advisers**

Not applicable.

## **Item 20 – Additional Information**

### **A. Privacy Notice**

Compound Advisers views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Compound Advisers does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Compound Advisers may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Compound Advisers restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Compound Advisers. As

emphasized above, it has always been and will always be Compound Advisers' policy never to sell information about current or former clients or their accounts to anyone. It is also Compound Advisers' policy not to share information unless required to process a transaction, at the request of a client, or as required by law. The full text of the Compound Advisers' Privacy Policy may be found at this link here: <https://www.withcompound.com/privacy-policy>.

## **B. Business Continuity Plan**

Compound Advisers has a written Business Continuity Plan ("BCP"). The BCP attempts to prepare for business disruptions of varying severity and scope. Although it is impossible to anticipate every scenario, the plan strives to enable Compound Advisers to resume doing business even after the occurrence of events that are most likely to affect business operations.

Compound Advisers' policy is to respond to a significant business disruption by safeguarding employee lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, and protecting all the firm's books and records.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. Compound Advisers' intention is to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

## **C. Cybersecurity**

Compound Advisers has a written Cybersecurity Policy that assesses cybersecurity threats, the risks specific to its business, identifies the components of its information technology environment and designs monitoring of the environment to ensure the security of its systems and information. In particular, Compound Advisers seeks to protect both its proprietary information and the information of its clients. The Cybersecurity Policy also establishes procedures for an orderly response in the event of a breach or possible breach.