

# Veridi Capital

## Item 1 – Cover Page

Veridi Capital, LP

## Form ADV Part 2A Disclosure Brochure

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June 4, 2019

Form ADV, Part 2, Veridi Capital’s “Disclosure Brochure” or “Brochure” is required by the Investment Advisers Act of 1940. This Brochure provides information about Veridi Capital’s qualifications and business practices.

For any questions about the contents of this Brochure, please contact Veridi Capital at [info@veridicapital.com](mailto:info@veridicapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Regulatory Authority.

Veridi Capital is a Registered Investment Adviser with the Securities and Exchange Commission and its registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications provided to Clients, including this Brochure, are information used to evaluate Veridi Capital, as well as other advisers.

Additional information about Veridi Capital and its employees is available for free, through the Securities and Exchange Commission “public disclosure” website. This site is called “Investment Adviser Public Disclosure” and is available at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To use Public Disclosure, click the link, then select “Investment Adviser Search” on the left navigation panel, select “Firm,” and type in Veridi Capital, LP. Both ADV Parts 1 & 2 are available for access.

## **Item 2 – Material Changes**

This Brochure was prepared for Veridi Capital's initial registration with the SEC.

In the future, this Item will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	1
Form ADV Part 2A Disclosure Brochure .....	1
Item 2 – Material Changes .....	2
Item 3 -Table of Contents .....	3
Item 4 – Advisory Business .....	4
Item 5 – Fees and Compensation .....	6
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients .....	9
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 – Disciplinary Information .....	14
Item 10 – Other Financial Industry Activities and Affiliations.....	14
<b>Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>14</b>
Item 12 – Brokerage Practices .....	16
Item 13 – Review of Accounts.....	21
Item 14 – Client Referrals and Other Compensation .....	22
Item 15 – Custody.....	23
Item 16 – Investment Discretion .....	23
Item 17 – Voting Client Securities .....	24
Item 18 – Financial Information .....	24

## **Item 4 – Advisory Business**

**Veridi Capital, LP**, a Delaware partnership also doing business as Veridi Capital, is an SEC-registered investment advisor founded in 2019. As of May 31, 2019, the total amount of assets managed by the firm was \$0. The principal owner of Veridi Capital is Simon Baker.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Veridi Capital and the words "you," "your," and "Client" refer to you as either a client or prospective client of our firm.

### **Portfolio Management Services**

Veridi Capital provides portfolio management services to our Clients. Veridi Capital generally provides services on both a discretionary and non-discretionary basis, and for certain Clients (and when requested, only) on a non-discretionary basis.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will also have discretion over the broker or dealer to be used for securities transactions in your account. Discretionary authority is typically granted by the Investment Management Agreement ("IMA") you sign with our firm, a power of attorney, or trading authorization forms.

Clients may limit Veridi Capital's discretionary authority (for example, limiting the types of securities, sectors or industries, or concentrations in any sector or industry, that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing. However, Veridi Capital reserves the right to reject or not engage a Client or terminate the IMA with a Client, if determined the investment restrictions the Client intends to impose prohibit Veridi Capital from delivering its services as defined in the IMA with the Client.

For non-discretionary Clients, Veridi Capital will require all necessary contact information to obtain consent / approval for any transaction Veridi Capital may recommend for purchase or sale. If Veridi Capital cannot reach a Client on a non-discretionary basis to obtain specific consent it will not place any transactions with such Client's custodian / broker or dealer. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Veridi Capital's advisory services are based upon each Client's unique facts and circumstances as they regard to general investing or, for certain investment products, their suitability will be matched to the particular product or strategy.

Services include the following and each is described in more detail in Item 8:

- Dynamic Core
- All Cap Growth
- Global Tactical
- Blue Chip Income
- Fixed Income
- Impact
- Global Income
- Concentrated Stock
- Alternative Investments
- Direct Investments

#### **Services Provided to Introduced Clients of Third-Party Firms**

In some cases, Clients may be introduced to Veridi Capital from third-party managers through a dual contract relationship. Dual contract Clients are Clients that have a contract with the third-party manager and a separate contract with Veridi Capital. The investment styles provided to these Clients are similar to those described above with some limitations to the types of strategies available depending on the relationship with the Client and the third-party manager. The accounts are managed on a discretionary basis by the third-party manager, however, most Clients participating in these dual contract programs communicate directly with Veridi Capital rather than directly with the third-party manager.

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#### **Clients Introduced to Third-Party Managers by Veridi Capital**

On occasion, Veridi Capital refers Clients to selected third-party managers as part of their asset allocation and investment strategy. Some of the factors considered when referring a third-party manager include: Veridi Capital's preference for a particular third-party manager, the Client's risk tolerance, goals, and objectives, as well as investment experience, and the amount of Client assets available for investment. The strategies used by these managers are outside of the scope of Veridi Capital's traditional product suite and Clients are not required to use the services of the recommended third-party managers.

## **Wealth and Financial Planning and Consulting Services (Stand-alone)**

In some cases Veridi Capital may offer stand-alone Wealth and Financial Planning Services to Clients who have not engaged Veridi Capital for Portfolio Management services, or meet the minimum assets requirement. Wealth and Financial Planning services may include:

- Family Continuity
- Estate Planning and Trustee Oversight
- Integrated Tax and Financial Planning
- Lifestyle Management
- Family Philanthropy
- Risk Management

To the extent requested by the Client, Veridi Capital may provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Veridi Capital's planning and consulting fees are negotiable, but generally range from \$2,000 to \$10,000 on a fixed fee basis, and from \$225 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Veridi Capital to provide planning or consulting services, Clients are generally required to enter into a Financial Planning and Consulting Agreement with Veridi Capital setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the Client prior to Veridi Capital commencing services. If requested by the Client, Veridi Capital may recommend the services of other firms or professionals for implementation purposes. The Client is under no obligation to engage the services of any such recommended firm or professional. The Client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Veridi Capital.

## **Types of Investments**

Veridi Capital offers advice on equity securities, corporate debt securities (other than commercial paper), municipal securities, United States government securities, options contracts on securities and ETFs.

Additionally, we may advise you on various types of investments based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

## **Item 5 – Fees and Compensation**

The fees and compensation payable to Veridi Capital are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

**Asset Based Fee Schedule for Portfolio Management Services (“Tiered”):**

Minimum Fee	\$9,500 per annum
\$1,000,000 up to \$2,500,000	0.95% (95 basis points per annum)
Next \$2,500,000 up to \$5,000,000	0.90% (90 basis points per annum)
Above \$5,000,000	0.80% (80 basis points per annum)

**Concentrated Stock**

For concentrated stock positions, depending on the strategy utilized and the Client’s goals and objectives, Veridi Capital will typically assess a fee of 0.75%. If the strategy includes a diversification plan, once the percentage of the concentrated position falls below 50% of the portfolio Veridi Capital will implement the Portfolio Management Services schedule above.

**Advisory Fees Charged to Clients Introduced by Third Party Firms**

As indicated above, Veridi Capital provides portfolio management services to Clients introduced to us by third-party firms. The advisory fees charged to Clients introduced to us by third-party firms are based upon Veridi Capital's standard fee schedule disclosed above.

**Advisory Fees Charged to Clients Introduced to Third Party Managers by Veridi Capital**

The advisory fees charged to Clients introduced to third-party managers are based upon the stated fee schedule above. The makeup and aggregation of the fee will vary depending on the manager and platform, however, the advisory fee paid to Veridi Capital and the manager does not exceed the standard fee schedule.

Advisory fees charged by third-party managers are separate and apart from Veridi Capital’s advisory fees. Assets managed by third-party managers will be included in calculating our advisory fee, which is based on the fee schedule set forth above. Clients may be required to sign an agreement directly with the recommended third-party manager(s). In such cases Clients may terminate their advisory relationship with the third-party manager according to the terms of their agreement with the third-party manager. Clients should review each third-party manager's Form ADV 2A for specific information on how they may terminate their advisory relationship with the third-party manager and how they may receive a refund, if applicable. Clients should contact the third-party manager directly for questions regarding their advisory agreement with the third-party manager.

**Wealth and Financial Planning and Consulting Services (Stand-alone)**

To the extent specifically requested by the Client, Veridi Capital may provide financial planning and/or consulting services (including investment and non-investment related matters, including

estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$2,000 to \$10,000 on a fixed fee basis, and from \$225 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

#### **General Information on Advisory Services and Fees**

In most cases fees are paid quarterly, in advance, using the value of the last day of the previous quarter, unless otherwise agreed upon in writing with Veridi Capital.

Veridi Capital will charge a pro-rated advisory fee on new accounts opened intra-quarter. The amount(s) due is calculated using the number of days within the calendar quarter the assets are under management. In addition, Veridi Capital will rebate for accounts terminated intra-quarter. The amount rebated is calculated using the number of days within the calendar quarter the assets were not under management.

Clients' fees will be deducted from their managed accounts unless another manner is specified and mutually agreed upon in writing between the Client and Veridi Capital.

**Termination and Refunds of Pre-Paid and Un-Earned Advisory Fees:** All contracts with Clients may be terminated at any time by either party (the Client or Veridi Capital) by delivering written notice to the other. All transactions placed at the Client's custodian up to Veridi Capital's receipt of the termination notice will be completed by the Client's broker custodian; no other transactions will be placed by Veridi Capital after receipt of the termination notice.

As noted above, all un-earned, pre-paid advisory fees will be promptly refunded to the Client by Veridi Capital upon termination. Termination of the advisory relationship is completed as soon as practically possible.

**Expenses:** Generally, Veridi Capital's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to Veridi Capital's advisory fee, and Veridi Capital shall not receive any portion of these commissions, fees, and costs.

**Tradeaway/Prime Broker Fees:** Relative to its discretionary investment management services, when beneficial to the Client, certain securities transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade-away" and/or prime broker fee charged by the account custodian.

The portfolio management services provided by Veridi Capital may include investments in Exchange Traded Funds ("ETFs") and securities of companies registered as investment companies under the Investment Company Act of 1940, as amended ("Mutual Funds"). In such case, in addition to transaction costs borne by the Client, these securities also charge additional fees and



expenses to their shareholders. These are in the form of advisory / management fees, distribution fees (in the case of Mutual Funds), administrative and operational expenses, among others. Therefore, in evaluating Veridi Capital's portfolio management services, potential Clients must take into consideration not only Veridi Capital's advisory fees, but also the fees and expenses of the ETF and Mutual Funds that Veridi Capital may purchase on the Clients' behalf. This information is available in the ETF's and Mutual Fund's prospectus or Clients may contact Veridi Capital to discuss the additional expenses or costs.

Services available from other sources: Clients should also be aware that similar advisory services may be available from other sources at fee levels higher or lower than those charged by Veridi Capital. In addition, Clients do not need to hire Veridi Capital to invest in securities (including ETFs or Mutual Funds); however, they would not receive the value of Veridi Capital's proprietary analysis if Veridi Capital is not hired to manage their assets.

Services to Family and Friends of Veridi Capital: Certain family members or friends of Veridi Capital principals may receive the same or similar advisory services as Clients for advisory fees that are zero or negotiated at a rate lower than what is available to its Clients. These lower advisory fees charged to family or friends are not available to Clients.

Non-Discretionary portfolio management services: Veridi Capital also provides certain Clients with non-discretionary portfolio management services.

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

### Performance Fee

Veridi Capital does not charge fees on the performance or appreciation of the funds or securities held in client portfolios (so-called "performance" or "incentive fees"). Our fees are calculated as described in the Fees and Compensation section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the assets in your advisory account.

## **Item 7 – Types of Clients**

Veridi Capital provides investment advisory services to individuals, high net worth individuals, corporate pension and profit-sharing plans, charitable institutions, foundations, trusts, and other U.S. institutions.

The minimum account size is \$1,000,000 and is generally negotiable.

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

### Dynamic Core

The Dynamic Core strategy seeks to provide broad market exposure across a number of different investment geographies, capitalizations and styles. The strategy's tactical allocation approach uses macroeconomic, fundamental and technical factors to actively manage its holdings and overall risk profile. In severe down markets, the strategy may raise its cash weighting to preserve capital. The strategy is broadly diversified and invests primarily in stocks and ETFs to achieve its investment objective of long-term capital appreciation and risk diversification.

#### All Cap Growth

The All Cap Growth strategy seeks to aggressively grow capital by investing in fundamentally and technically strong stocks and ETFs across all market capitalizations and protect principal by allocating to cash in high risk markets. The strategy utilizes a quantitative and fundamental approach supplemented by macroeconomic analysis in an attempt to control downside losses and protect capital.

#### Global Tactical

The Global Tactical strategy seeks long term capital appreciation with downside protection by investing in global asset classes and preserving capital in severe down markets by moving up to 100% cash. The strategy employs a quantitative approach to opportunistically rotate between investments in global asset classes and cash in an attempt to protect capital in high risk markets.

#### Blue Chip Income

The Blue Chip Income strategy seeks long-term capital appreciation with downside protection by investing in a diversified portfolio of high-quality Blue Chip stocks and ETFs in low-risk markets, and protecting principal in high risk markets by moving up to 100% cash. The strategy proactively monitors long-term market trends to evaluate the risk/reward of having market exposure versus protecting capital.

#### Global Income

The Global Income strategy seeks to deliver above-average market yields while maintaining below-average market volatility by investing in multiple asset classes of income-producing securities. The strategy employs a quantitative approach to opportunistically rotate between equity and fixed income securities in an attempt to protect capital

#### Impact

The Impact strategy seeks long-term capital appreciation with downside protection. By adding a socially responsible overlay to our investment approach, we seek to consider both financial return and social good. The strategy invests in a diversified portfolio of stocks and ETFs in low-risk markets, and protects principal in high-risk markets by moving to cash. The strategy proactively

monitors long-term market trends to evaluate the risk/reward of having market exposure versus protecting capital.

#### Fixed Income

The Tactical Fixed Income strategy seeks to provide current income, capital appreciation and preservation by investing in a broadly diversified portfolio of bonds. The strategy employs a quantitative approach to opportunistically rotate between multiple bond sectors to adjust the portfolio through shifting interest rate and credit cycles.

#### Concentrated Stock

Veridi Capital employs a multi-dimensional approach to managing concentrated stock positions. These strategies may include a combination of hedging risk, generating income, monetization, diversification, active tax-loss harvesting, and tax-efficient philanthropic gifting strategies of concentrated stock. Strategies are customized individually to the goals of the client and the financial characteristics of the concentrated stock position.

#### Third-Party Managers

Veridi Capital may allocate Client assets to selected third-party managers as part of the Client's asset allocation and investment strategy. Some of the factors when considering a third-party manager include: Veridi Capital's preference for a particular third-party manager, the Client's risk tolerance, goals, and objectives, as well as investment experience, and the amount of Client assets available for investment. The strategies used by these managers are outside of the scope of Veridi Capital's traditional product suite and Clients are not required to use the services of the recommended third-party managers.

#### Alternative Investments

Alternative investments are financial assets that do not fall into one of the conventional investment categories (e.g. stocks, bonds, cash) and may include venture capital, private equity, private credit, private real estate and hedge funds. Veridi Capital may allocate to Alternative Investments through third-party managers for Clients who meet suitability guidelines which include factors such as risk tolerance, goals, objectives and available investable assets. Some of the factors when considering alternative investments include: investment strategy, manager track record and fund fee structure.

#### Direct investments

Direct Investments are investments made directly into private companies. Veridi Capital may allocate to direct investments for Clients who meet suitability guidelines which include factors such as risk tolerance, goals, objectives and available investable assets. Some of the factors when considering a direct investment include: the private company's business thesis and opportunity set, management team and growth opportunity.

## Risks of Investments and Strategies Utilized

**Investing in securities involves risk of loss that Clients should be prepared to bear.** Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment objective of the Clients will be achieved. Market risks include price risk (will the price of a security in the portfolio rise or fall?), liquidity risk (how easily can a position be sold at a fair price?), event risk (will something unforeseen happen?), market volatility (is the market in general going through a period of upheaval?) and manager risk (how well did Veridi Capital's picks perform?) among others.

**General Investment and Trading Risks.** Clients may invest in securities and other financial instruments using strategies and investment techniques with significant risk characteristics. The investment program utilizes such investment techniques as option transactions, margin transactions, short sales, forwards, leverage and derivatives trading, the use of which can, in certain circumstances, maximize the adverse impact to which a Client may be subject.

**Common Stocks and Equity-Related Securities.** Prices of common stock react to the economic condition of the company that issued the security, industry and market conditions, and other factors and may fluctuate widely. Investments related to the value of stocks may rise and fall based on an issuer's actual and anticipated earnings, changes in management, the potential for takeovers and acquisitions, and other economic factors. Similarly the value of other equity-related securities, including preferred stock, warrants and options may also vary widely.

**Small- and Mid-Cap Risks.** Securities of small-cap issuers may present greater risks than those of large-cap issuers. For example, some small- and mid-cap issuers often have limited product lines, markets, or financial resources. They may be subject to high volatility in revenues, expenses and earnings. Their securities may be thinly traded, may be followed by fewer investment research analysts and may be subject to wider price swings and thus may create a greater chance of loss than investing in securities of larger-cap issuers. The market prices of securities of small- and mid-cap issuers generally are more sensitive to changes in earnings expectations, to corporate developments and to market rumors than are the market prices of large-cap issuers.

**Exchange Traded Funds.** Exchange-traded funds are a type of index fund bought and sold on a securities exchange. The risks of owning an ETF generally reflect the risks of owning the underlying securities they are designed to track, although lack of liquidity in an ETF could result in it being more volatile and ETFs have management fees that increase their costs. ETFs are also subject to other risks, including: (i) the risk that their prices may not correlate perfectly with changes in the underlying index; and (ii) the risk of possible trading halts due to market conditions or other reasons that, in the view of the exchange upon which an ETF trades, would make trading in the ETF inadvisable.

**Commodities and Derivative Investments.** The prices of commodities contracts and derivative instruments, including futures and options, are highly volatile. Price movements of commodities,

futures and options contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of futures and options also depends upon the price of the commodities underlying them. In addition, Client assets are subject to the risk of the failure of any of the exchanges on which its positions trade or of its clearinghouses or counterparties.

**Highly Volatile Markets.** The prices of financial instruments can be highly volatile. Price movements of forward and other derivative contracts are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Clients are also subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

**Use of Financing.** A Client may pledge its securities in order to borrow additional funds for investment purposes. Any event which adversely affects the value of an investment by the Client would be magnified to the extent the Client is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to the Client's investments could result in a substantial loss that would be greater than if the Client were not leveraged.

**Hedging Transactions.** While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Client than if it had not engaged in any such hedging transactions. For a variety of reasons, Veridi Capital may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent a Client from achieving the intended hedge or expose the Client to risk of loss.

**Technical Analysis.** Involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities. The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis.** Involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that 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.

Further details regarding the risks of investing with Veridi Capital are provided in the IMA.

**The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Clients. Investors should read the entire Brochure as well as consult with their own advisers prior to engaging Veridi Capital's services.**

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a potential Client's evaluation of Veridi Capital or the integrity of its management. Veridi Capital has no information applicable to this Item.

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

Veridi Capital is affiliated with Baker Avenue Asset Management, LP ("BakerAvenue"), an SEC-registered investment adviser based in San Francisco, CA, through common control and ownership. Veridi Capital may recommend that certain Clients use the services of BakerAvenue rather than Veridi Capital if such services are appropriate and suitable for such Client's investment objectives and needs. While Veridi Capital's advisory services are separate and distinct from the compensation paid by Clients to BakerAvenue for BakerAvenue's services, this relationship may create conflicts of interest for Veridi Capital. For example, a Client may be charged a higher fee if it engages BakerAvenue rather than Veridi Capital, and Veridi Capital may be incentivized to recommend that such Clients engage BakerAvenue rather than Veridi Capital. Another potential conflict of interest is created due to the fact that those principals and employees of Veridi Capital who are also affiliated with BakerAvenue must divide their time and attention between Clients of Veridi Capital and clients of BakerAvenue. Veridi Capital has discretion to resolve such conflicts as it determines to be appropriate and at all times in a manner consistent with its fiduciary duties to its Clients.

### **Recommendation of Other Advisers**

We may recommend that you use a third-party manager based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the third-party manager for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended third-party manager(s). Refer to the Advisory Business section above for additional disclosures on this topic.

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

Veridi Capital has adopted a “Code of Ethics” for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Veridi Capital must acknowledge the terms of the Code of Ethics annually, or as amended.

#### Personal and Proprietary Trading:

Veridi Capital recognizes its fiduciary duty to its Clients and is obligated to follow the regulations, rules, and interpretations under the Investment Advisers Act of 1940, amended. Veridi Capital’s fiduciary obligation to Clients requires placing its Clients’ interests first.

When Veridi Capital employees purchase or sell securities for their own personal accounts or for others (such as employee family and other employee-related accounts), there is a potential conflict of interest that is inherent in this activity. To meet both fiduciary and regulatory obligations to Clients, Veridi Capital has developed and implemented the following controls to address this potential conflict of interest. These controls include:

1. Code of Ethics
  - a. Restrictions and limitations on the personal trading of *all employees*;
  - b. Disclosure of brokerage accounts, security holdings;
  - c. Restrictions and limitations on the receipt of or providing gifts, entertainment and political contributions;
2. Prevention and restrictions on activity when in possession of material, non-public, inside information.

In summary, Veridi Capital’s Code of Ethics:

- Allows for employees to trade in the same securities recommended to Clients;
- Allows employees to own securities that may be subsequently purchased for the Clients;
- Allows employees to purchase securities that would otherwise not be suitable for, or purchased by, Veridi Capital Clients;
- Prohibits giving preference to orders for employees over the orders for Clients;
- Requires, when Client and personal trades are aggregated (blocked together), that the shares purchased over time will be “average-priced” so all participants receive the same price;
- If partial fills are completed, Client orders are completely filled before employee or related accounts.

Additional requirements include:

- Act with integrity, competence, diligence, respect in an ethical manner with the public, Clients and affiliates, employees, colleagues, vendors, suppliers and other investment professionals encountered in day-to-day activity;
- Place the integrity of the investment profession, the interests of the Clients ahead of Veridi Capital's own (or the employee's) interests;
- Prohibits the use of an employee's position at Veridi Capital to enrich the employee (or family) or Veridi Capital and;
- Identify potential conflicts of interest and engage Veridi Capital's Chief Compliance Officer;
- Conduct all personal securities trading in compliance with Veridi Capital's Code of Ethics and applicable policies and procedures;
- Use reasonable care and prudence, including sound judgment, when conducting investment analysis, making investment recommendations, or engaging in other professional activities;
- Promote the integrity of Veridi Capital and the profession while encouraging (by example) these standards.

Specific Requirements Related to Personal Securities Trading required by Veridi Capital:

- Pre-Clear certain personal securities transactions;
- Report personal securities accounts, holdings and members of the employees' household (and beneficial ownership accounts) initially (at time of employment) and annually thereafter;
- Certify all reportable securities transactions on a quarterly basis to the Chief Compliance Officer.

Clients may request a copy of the Veridi Capital Code of Ethics by contacting Hannah Kim, Chief Compliance Officer, at 415-570-4080 or via email at [hk@veridicapital.com](mailto:hk@veridicapital.com).

## **Item 12 – Brokerage Practices**

Veridi Capital seeks to use a broker-dealer and custodian who will safely hold Client assets and execute transactions on terms that are, overall, most advantageous when compared to other providers. Veridi Capital looks at many factors in deciding which brokers to recommend, including transaction costs, execution capability, financial strength, and quality of service, among others.

Brokerage Discretion: For many of its Clients, Veridi Capital has the discretionary authority to pick the broker-dealer to use. Typically, but not always, Veridi Capital uses one of the broker-dealers discussed below. However, Veridi Capital does have the authority for some (but not all) Clients to trade away from their broker or custodian. Often times, Veridi Capital will have to evaluate the additional costs or charges that are charged by the broker / custodian and evaluate whether the additional charges to trade away (either on a Prime Broker basis, or on a Trade-Away basis) is in each Client's best interest. Due to the types of securities Veridi Capital typically purchases or sells for Clients' accounts, Veridi Capital will often determine that the additional costs



involved in a Prime Broker or Trade-Away transaction are consistent with its fiduciary obligations of best execution.

Clients may request to place limits on Veridi Capital's discretionary authority. However, Veridi Capital reserves the right to reject or not engage a Client or terminate the relationship if determined the restrictions prohibit Veridi Capital from delivering its services as defined in the IMA with the Client.

Brokerage Activity: Clients' assets must be maintained in an account at a "qualified custodian," generally a broker-dealer. Veridi Capital recommends several different broker-dealer / custodians to Clients in need of brokerage and custodial services, including:

- Fidelity Investments
- Charles Schwab and Company
- TD Ameritrade

TD Ameritrade, Schwab and Fidelity Brokerage Services LLC ("Fidelity") offer platform services and technology that help Veridi Capital with back office management, trade execution, account management, and asset pricing. Veridi Capital believes these companies are financially solid and provide the range of services necessary at reasonable costs.

Veridi Capital primarily recommends Fidelity, a registered broker-dealer and investment adviser with FINRA and the SEC. Fidelity clears all securities transactions on a fully-disclosed basis through National Financial Services, LLC ("NFS"), a registered broker-dealer. Veridi Capital has negotiated Fidelity commissions, custodial, and other charges that are beneficial to its Clients and discounted from Fidelity's standard rates. In addition, Fidelity makes available to Veridi Capital certain institutional mutual funds that would otherwise not be available to Veridi Capital and its Clients due to higher purchase minimums imposed by mutual funds. Fidelity also provides prime brokerage services to any Veridi Capital Client portfolio in excess of \$100,000. Veridi Capital may, but is not obligated to, aggregate block trades and select executing brokers other than Fidelity to execute those transactions (with settlement at Fidelity); this may allow Veridi Capital to obtain a negotiated or better price.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all securities transactions for these Clients are executed solely at Fidelity at the pre-negotiated commission / transaction charges.

Veridi Capital also recommends Charles Schwab and Company, Inc. and Schwab's Institutional program (collectively, "Schwab") which is similar to the program offered by Fidelity in that to qualify for prime broker trading (away from Schwab) the portfolio minimum is also \$100,000.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all security transactions for these Clients are executed solely at Schwab at the pre-negotiated commission / transaction charges.

Veridi Capital also recommends TD Ameritrade which is also similar to the program offered by Fidelity and Schwab in that to qualify for prime broker trading (away from TD) the portfolio minimum is also \$100,000.

Clients whose portfolios are under \$100,000 are not qualified for prime brokerage and as a result, all security transactions for these Clients are executed solely at TD Ameritrade at the pre-negotiated commission / transaction charges.

It is Veridi Capital's policy to trade away from the custodian for block equity trades above a certain share amount and to trade at the custodian when trading for Clients individually. Clients using the custodial services can typically be charged a trade-away fee for transactions placed and executed by executing brokers other than the custodian. However, the benefits of trading away include having access to better inventory as well as the ability to negotiate more favorable prices for its Clients. Smaller accounts with a market value of under the custodian minimums are not eligible to take part in the prime brokerage program due to their size. The trades for these accounts must be traded at their custodian. Prices obtained for trades placed in the prime brokerage program will be different (sometimes higher, sometimes lower) than prices obtained for accounts that are required to trade at the custodian.

Dual contract Clients are Clients that have a contract with the third-party manager and a separate contract with Veridi Capital. The accounts are managed on a discretionary basis by the third-party manager, however, most Clients participating in these dual contract programs communicate directly with Veridi Capital rather than directly with the third-party manager.

Soft dollars: Veridi Capital only engages in soft dollar transactions that are in compliance with Section 28(e) of the Securities and Exchange Act of 1934 (the "Exchange Act") as amended, the so-called "safe harbor" for investment managers to receive research and execution services that provide lawful and appropriate assistance to Veridi Capital in the performance of its investment decision making responsibilities. In addition to research services, Veridi Capital may be offered other benefits by broker-dealers that it engages to execute securities transactions on behalf of its Clients. These benefits may take the form of special execution capabilities:

- Clearance and settlement;
- Online pricing;
- Block trading and block positioning capabilities;
- Willingness to execute related or unrelated difficult transactions in the future;
- Order of call;
- Performance measurement data;
- Consultations;
- Economic and market information;
- Periodical subscriptions (e.g., the Financial Times, Investor's Business Daily, etc.);
- Portfolio strategy advice;
- Industry and company comments, technical data, recommendations, general reports;

- Efficiency of execution and error resolution;
- The availability of stocks to borrow for short trades;
- Custody;
- Record keeping and similar services.

Veridi Capital has the option to use “soft dollars” generated by Client transactions to assist with its overall costs, in paying for the research or brokerage services described above. Within the last fiscal year, Veridi Capital used “soft-dollars” to receive the following products and services: (i) software and other products that aggregate market data, (ii) research reports, company financial data, economic data, and (iii) equipment in connection with investment analysis and decision making.

The use of brokerage commissions to obtain investment research, in addition to Veridi Capital’s ability to set the soft dollar credits, is a conflict of interest among Veridi Capital and its Clients. This is due to the use of Client assets (brokerage-paid) to pay for products or services that benefit Veridi Capital and not exclusively its Clients.

The foregoing benefits may be available for use by Veridi Capital without engaging in soft dollar transactions or in connection with transactions in which all Clients did not participate. The availability of these benefits may influence Veridi Capital to select one broker rather than another to perform services for its Clients. Nevertheless, Veridi Capital’s selection of which brokers to utilize will be driven by a concerted striving for “best execution.” Also, Veridi Capital will attempt to assure that the fees and costs for services provided to us by brokers offering these benefits are reasonable in relation to the fees and costs charged by other equally capable brokers not offering such services.

Not all Veridi Capital Client accounts are eligible for soft dollar transactions, yet those accounts may also receive (directly or indirectly) a benefit from the soft dollar products and services purchased by Veridi Capital.

**Best Execution:** Veridi Capital’s criteria for the selection or recommendation of a broker-dealer or custodian are consistent across all its decision-making when it comes to Clients’ transactions. As a fiduciary to its Clients, Veridi Capital is obligated to use broker-dealers believed to provide best execution to Veridi Capital and its Clients. Best execution, however, is not a defined term, it is a concept. In seeking best execution for Client transactions Veridi Capital evaluates brokers on the following factors and these may vary transaction-by-transaction. The ultimate goal is not necessarily the best price or lowest commission charge. The ultimate goal of best execution is to achieve, at that point in time, the best overall execution for the Clients for a particular transaction. Veridi Capital evaluates brokers on the following criteria:

- Actual execution
- Ability to promptly and reliably effect transactions
- Commission charges / spreads
- Market of the security
- Consistency of process (minimal trade errors)

- Willingness to work with us
- Clearing and settlement
- The broker's operational efficiency with which transactions are effected, taking into account the size of the order and the difficulty of the transactions
- The financial strength, integrity, and stability of the broker
- The confidential treatment of Veridi Capital's block trades that the broker is working for us
- Competitiveness of commission rates and charges
- Support services that may be provided (non-soft dollars)

Directed Brokerage: This applies to Clients who have dual contract relationships and/or accounts that do not meet their custodian's prime brokerage minimum. Certain Clients may decide to direct Veridi Capital to place all of their security transactions at a designated broker or dealer ("directed brokerage") as Veridi Capital manages their account.

Clients who direct us to use a particular broker or dealer need to understand that in these situations, Veridi Capital will not be in a position to negotiate commissions, block trades, achieve volume discounts, or achieve best execution. Clients may direct us to use a specific broker or dealer for all of their transactions or only when all other considerations are equal (which may never be achieved due to limitations inherent in directed brokerage instructions). Clients have, therefore, negotiated their own commissions or other transactions costs with the broker.

Exception: Directed brokerage Clients may inquire from Veridi Capital the commissions, custodial, execution, and other variables negotiated by or monitored by Veridi Capital for Clients who do not direct Veridi Capital to use a particular broker or dealer in an effort to evaluate their directed broker.

Rotational System: To treat all Clients in a fair and equitable manner, Veridi Capital has developed and uses the following system to determine which Client transactions are implemented first. This process only applies when Veridi Capital determines to purchase or sell a security across all of its investment strategies or across all Client accounts (as the case may be).

When the investment decision is made, Veridi Capital places orders by broker-dealer / custodian as follows:

- Places orders for all Client accounts held at Fidelity; then
- Rotate (on a random basis) Client accounts held at other custodians.

Trade Allocations / Block Trading: Veridi Capital may, but is not obligated to, aggregate trades for more than one Client with transactions in the same securities at the same time. The benefit to block trading is the ability for Veridi Capital to negotiate price and commission and achieve better (best) execution versus placing the transactions separately. This also allows Veridi Capital to allocate limited investment opportunities across a number of Clients in a fair and equitable manner. Veridi Capital:

- Will identify the aggregate amount of the security needed for a complete fill;
- Will ensure that each participating Client is identified prior to the trade being placed (pre-allocation);
- Will average the prices of multiple transactions executed on a given day to obtain the full amount of the security (the average price of all transactions which is provided to each participating Client);
- For partial fills Veridi Capital will utilize a proportional or random allocation across all participating Client accounts;
- If a pre-execution allocation was not completed, Veridi Capital will allocate as follows:
  - Random or proportional (pro-rated) allocation will be made based on a number of factors such as account suitability, cash available, size of the portfolio, etc.
- Veridi Capital permits the aggregate blocking of personal securities transactions with those of Clients if the block is filled on the same day (average price for all participants);
  - If the order is partially filled or takes multiple days to fill, shares for employee accounts are allocated on a prorated or random basis along with Clients (thus, employee accounts could be allocated shares and Client accounts could not or vice-versa) or else employee accounts are excluded; and from the allocation and Clients are allocated on a prorated or random basis
  - Under no circumstance will a partial fill be allocated solely to an employee account.
- Allocation Exceptions: if the executed amount is deemed by the Chief Investment Officer to be de minimis, shares may be allocated to the participating Client accounts that are the smallest (i.e., complete fills, for example share allocations of 150 or less) or allocated to an account that is out of line with the desired allocation or sector weighting.
  - For sale transactions, allocations may be given to accounts in need of cash.

### **Item 13 – Review of Accounts**

All accounts are reviewed by the lead advisor on the Client account. These reviews are conducted on at least an annual basis. The review looks at the conformity of the account holdings with Client investment objectives and guidelines. Veridi Capital does not assign a specific number of accounts to any specific lead advisor but allocates the resources to geographic regions across the United States.

In addition, the Portfolio Managers of Veridi Capital continually monitor markets, world and economic events, including securities held by its Clients. This work by the Portfolio Managers provides each Client account or portfolio with an indirect and continual portfolio review.

Veridi Capital does request that Clients contact their lead advisor should any changes occur in their personal financial situation which may impact the portfolio management services Veridi Capital provides to them.

#### Reports:

Veridi Capital provides each Client, within a household, a quarterly report showing holdings and performance of its portfolio(s).

This includes information related to realized gains or losses, interest and dividend income, and other specific details. Veridi Capital has engaged third-party service providers to facilitate the generation and delivery of Client reports and uses data provided by their custodians to generate these reports.

These reports are provided in addition to the monthly and/or quarterly reports each Client receives directly from their custodian. Veridi Capital is provided with this same information either by mail, electronically through data downloads, or through access to the custodian's website or other electronic systems.

**Notice for all Clients:** Under SEC rules that took effect March 12, 2010 related to custody of Client funds or securities, all SEC registered investment advisers (such as Veridi Capital) are required, if periodic reports are sent to their Clients, to disclose the following information (this statement will also be included in the Client's quarterly reports received from Veridi Capital):

*Veridi Capital encourages each Client to review their custodial reports received directly from their (qualified) custodian with the quarterly reports received from Veridi Capital. If there are any questions on the information provided by the custodian or Veridi Capital, the Client should contact their Veridi Capital adviser.*

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

Veridi Capital receives economic benefit from TD Ameritrade, Schwab, and Fidelity (at no cost to us) through its participation in their independent adviser service programs. Although the benefits received through Veridi Capital's participation in these programs provide economic benefit to us, they are not considered research services under Section 28(e) of the Exchange Act.

The economic benefits provided by TD Ameritrade, Schwab, and Fidelity (and Clients who custody with them) include, among others:

- Access to dedicated trading desks;
- Client confirmations and bundled statements for all Client accounts;
- Block trading and prime brokerage services;
- Electronic communication networks for Client information access / portfolios and trading;
- Software, tools and information relevant to independent investment advisers;
- Access to educational or due diligence programs;
- Marketing and other support; and
- Deduction of investment advisory fees due to Veridi Capital from Client accounts (based on a spreadsheet request to custodian from Veridi Capital).

## **Item 15 – Custody**

Under government regulations, Veridi Capital is deemed to have custody of a Client's assets if the Client has authorized Veridi Capital to instruct its custodian to deduct such Client's advisory fees directly from the Client's account. However, the qualified custodian maintains actual custody of the Client's assets.

Clients should receive at least quarterly statements from the broker dealer, bank, or other qualified custodian that holds and maintains the Client's investment assets. Veridi Capital urges Clients to carefully review such statements and compare them to the account statements provided by Veridi Capital. Veridi Capital's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Custody Due to Standing Letter of Authorization**

Veridi Capital may assist Clients with the transfer of their assets between two or more of their accounts maintained at the Clients' custodian or maintained with multiple custodians. This ability, to transfer a Client's assets between the Client's accounts maintained at one or more qualified custodians if the Client has authorized Veridi Capital in writing to make such transfers, causes our firm to exercise limited custody over your funds or securities. Pursuant to Rule 206(4)-2 (the "Custody Rule"), Veridi Capital has taken steps to have controls and oversight in place to support the no-action letter issued by the SEC on February 21, 2017 (the "SEC no-action letter"). With respect to third-party standing letters of authorization ("SLOA") where a client may grant Veridi Capital the authority to direct custodians to disburse funds to one or more third-party accounts, Veridi Capital is deemed to have limited custody. However, for these assets, we are not required to comply with the surprise examination requirement of the Custody Rule if we are otherwise in compliance with the seven representations noted in the February 21, 2017 no-action letter. Where Veridi Capital acts pursuant to a SLOA, we believe we are making a good faith effort to comply with the representations noted in the SEC's no-action letter. Additionally, since many of those representations involve the qualified custodian's operations, Veridi Capital will collaborate closely with its custodians to ensure that the representations would be able to be met.

## **Item 16 – Investment Discretion**

Veridi Capital generally provides investment discretionary portfolio management services to Clients. This means that Veridi Capital has the authority provided in the applicable IMA to purchase or sell securities for Clients' accounts and determine the amount of securities to purchase or sell without obtaining their consent to the transactions. Of course, Veridi Capital determines securities transactions based on the Client's needs, risk tolerances, and other factors that govern its portfolio management services. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client's account or portfolio.

In addition, Clients may impose certain limitations or restrictions on Veridi Capital's services, for example, excluding certain stocks or bonds of companies (sin stocks, anti-union stocks, weapons manufactures, etc.) or sectors or industries or concentrations in any sector or industry from being purchased in their portfolio. However, Veridi Capital reserves the right to reject or not engage a Client or terminate the IMA with a Client, if determined the investment restrictions the Client intends to impose prohibit Veridi Capital from delivering its services as defined in the IMA with the Client. All limitations or restrictions must be provided to Veridi Capital, in writing, and will not be accepted or implemented until signed (accepted) by Veridi Capital.

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

### Voting Proxies

Veridi Capital does not vote Client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type of events pertaining to the client's investment assets. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Veridi Capital to discuss any questions they may have with a particular solicitation.

### Class Action Lawsuits

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. Veridi Capital has retained the services of Financial Recovery Technologies (FRT) to provide a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. FRT files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of our clients. FRT's fee is contingent upon the successful completion and distribution of the settlement proceeds from a class action lawsuit. In recognition of FRT's services, it receives 20% of our clients' share of the settlement distribution. Clients may opt out of this service in writing.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide Clients with certain financial information or disclosures about their financial condition. Veridi Capital 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.