



## Client Relationship Summary – January 2024

First Trust Direct Indexing L.P. (formerly Veriti Management LLC) is an investment adviser registered with the U.S. Securities and Exchange Commission. First Trust Direct Indexing L.P. ("FTDI") is not a broker dealer and does not receive compensation from any broker dealer. Investment advisory and broker dealer services and fees differ; therefore, it is important for you to understand the differences. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about investment advisers, broker-dealers, and investing.

### *What investment services and advice can you provide me?*

We manage long-only stock (equity) portfolios through separately managed accounts (SMAs). With SMAs, clients hold stocks directly in their custodial account as opposed to owning a mutual fund or exchange traded fund (ETF). These accounts can include domestic, international, or global equity portfolios for high-net worth individuals and institutions, primarily through intermediaries such as wealth managers, consultants, and family offices. We create portfolios with active tax management (tax-loss harvesting), investment factor tilts, and values alignment. This involves customizing each portfolio to the client's personal needs and specifications. Once a client has selected an investment strategy and benchmark index, FTDI provides monitoring, supervision, and management of the assets as part of our standard services on an ongoing basis, or when market conditions or other triggers would warrant a review. Triggers include a change of investment objectives or a change in recommended asset allocation weightings. Clients are responsible for informing FTDI of any changes to their investment objectives, needs, or specifications.

FTDI is able, if you wish, to customize your portfolio so that it aligns with your personal values and preferences. These may include ESG (environmental, social, and governance scores), SRI (socially responsible investing), and other positive and negative screens. You can focus on the issues most important to you. There are dozens of choices such as low-carbon, child labor, gender and racial discrimination, private prisons, gambling, and pornography. FTDI also provides values screening as a research service to other investment advisors and institutions to help them manage their clients' portfolios.

We offer our asset management services on a discretionary basis. Discretionary asset management allows us the limited authority to buy and sell investments in your account without asking you each time a transaction is placed.

Our minimum annual advisory fee per account is generally \$1,500, and this is negotiated directly with your advisor or consultant and not directly with you.

**For additional information, please see our Form ADV Part 2A (with special emphasis on Items 4, 7, and 16), which can be found on the SEC's website at [www.adviserinfo.gov](https://www.adviserinfo.gov).**

#### ***Conversation Starters – Ask Your Financial Professional:***

Given my financial situation, should I choose investment advisory services? Why or why not?

How will you choose investments to recommend to me?

What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?

### *What fees will I pay?*

**Principal Fees:** We are compensated for our portfolio management services by charging an ongoing asset-based fee that may be charged monthly or quarterly in advance based on a percentage of the account value at the end of the prior billing period; monthly or quarterly in arrears based on a percentage of the account value at the end of the billing period; or monthly or quarterly in arrears based on the average daily balance of the account. The percentage charge ranges between 0.20% and 0.50% annually depending on the type and complexity of the investment strategy employed, the use of sub-advisors, and the size of the account or overall client relationship. The minimum annual advisory fee per account is \$1,500. Clients subject to the minimum fee will be charged in advance of each month or quarter. In general, FTDI negotiates fees with your advisor or consultant and not directly with you as an individual. The more assets in your advisory account, the more you will pay in fees, and therefore we may be incented to encourage



you to increase the assets in your account. If specialized investment screening, data or index selections, or proxy voting are needed, additional fees may be charged.

**Other Fees and Costs:** FTDI's fees are exclusive of brokerage commissions, transaction fees, or other related costs which shall be incurred by the client such as custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

**Additional Information:** You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce the amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. **More detailed information about our fees and costs are included in our Form ADV Part 2A (Item 5).**

**Conversation Starter – Ask Your Financial Professional:**

Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?

***What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?***

**When we act as your investment adviser,** we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are some examples to help you understand what this means.

FTDI and its Investment Advisor Representatives (IARs) are allowed to invest for their own accounts in the same securities that we recommend or acquire for your account, and may engage in transactions that are the same or different than transactions recommended or made for you. This creates a conflict of interest that we mitigate by maintaining a Code of Ethics and compliance program that sets forth a standard of conduct that must be adhered to by all FTDI personnel. **These arrangements and additional information about other conflicts of interest are discussed in more detail in our Form ADV Part 2A.**

**Conversation Starter – Ask Your Financial Professional:**

How might your conflicts of interest affect me, and how will you address them?

***How do your financial professionals make money?***

Our IARs and other employees are compensated through competitive salaries, bonuses and other benefits, and their compensation does not vary based on the types of investments that are recommended. Employee bonuses may be affected by the financial performance of FTDI, and the asset-based nature of FTDI's revenues may create a conflict of interest. FTDI, our IARs, and other staff are not compensated for the sale of any product.

***Do you or your financial professionals have legal or disciplinary history?***

No. We invite you to visit [Investor.gov/CRS](https://www.investor.gov/crs) for a free and simple search tool to research our Firm and financial professionals.

**Conversation Starter – Ask Your Financial Professional:**

As a financial professional, do you have any disciplinary history? For what type of conduct?

**We encourage you to seek out additional information about our investment advisory services in our Form ADV Brochure on [Investor.gov](https://www.investor.gov) or [adviserinfo.sec.gov](https://adviserinfo.sec.gov) (CRD #297760). Alternatively, you can call FTDI at (617) 752-6010 to speak with us directly to request up-to-date information and request a copy of the relationship summary.**

**Conversation Starters – Ask Your Financial Professional:**

Who is my primary contact person?

Is he or she a representative of an investment adviser or a broker-dealer?

Who can I talk to if I have concerns about how this person is treating me?