

# Disclosure Brochure

March 14, 2024



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This brochure provides information about the qualifications and business practices of Dragus Capital, LLC (hereinafter "Dragus"). If you have any questions about the contents of this brochure, please contact Adriana Gutierrez at (786) 477 5776 or (305) 790-4866. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Dragus is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Dragus is an SEC registered investment adviser (CRD no. 158122). Registration does not imply any level of skill or training.



## Item 2. Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's brochure, the adviser is required to notify clients and provide a description of the material changes. Generally, we will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

In this Item, Dragus is required to discuss any material changes which have been made to the Form ADV Part 2A or the brochure since the firm's last annual update dated March 30, 2023. There are no material changes to report since the last annual update. However, we have increased our fees from 1.2% to 1.5% for the Investment Management Services.

Additionally, we have made other changes, some of which may clarify or enhance existing disclosures, but we do not consider these other changes to be material.

This revised brochure will be available, since our last delivery or posting of this brochure on the SEC's public disclosure website (IAPD) to view at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) or you may contact us at the telephone number shown on the cover page of this brochure to obtain a copy.

When an update is made to this brochure, we will ensure that you receive a summary of any material changes to this and subsequent brochures that includes an offer to send you a copy [either by electronic means (email) or in hard copy form] within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes, as necessary.

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## Item 4. Advisory Business

Dragus is an independent Registered Investment Advisory firm focused on providing investment management services to high-net-worth individuals, families, companies and institutions. By consolidating resources Dragus strives to provide a discreet and stable service based on strategies designed to protect and grow the liquid assets of our clients.

Dragus' sole mission is the management of its clients' liquid assets. The firm's objective is the preservation of capital and the long-term growth of the assets under its management. Dragus seeks to achieve this through intelligent solutions focused on the specific needs of our individual clients.

Dragus considers its clients' goals and risk tolerance before reaching a mutual decision with the client on how best to seek to build and preserve their wealth. Dragus follows a disciplined approach to leverage high-quality investment products and providers in order to create a diversified portfolio aimed at meeting its clients' objectives.

Prior to engaging Dragus to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Dragus setting forth the terms and conditions under which Dragus renders its services (collectively the "Agreement").

Dragus is a Florida Limited Liability Company organized on March 13, 2011 and has been an SEC registered investment adviser since June 24, 2011. The owners of Dragus are Antonio J. Polegre, Sr., Jorge Sanchez, Javier Madariaga, and Alhambra Limited which is owned by The Alhambra Trust. As of December 31, 2023, Dragus had approximately \$209,584,781 in assets under management, of which \$159,771,953 was managed on a discretionary basis and \$49,812,828 was managed on a non-discretionary basis.

This Disclosure Brochure describes the business of Dragus. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Dragus' officers, partners, directors, or employees or any other person who provides investment advice on Dragus' behalf and are subject to Dragus' supervision or control.

### Investment Management Services

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Clients engage Dragus to manage all or a portion of their assets either on a discretionary or non-discretionary basis.

Dragus primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), and individual equity and debt securities (i.e., stocks and bonds) in accordance with the clients' investment objectives. Dragus' investment policy does not permit recommendations of private placements of securities, which may include debt, equity, and/or pooled investment vehicles, even to clients who are "accredited investors" as defined under Rule 501 of the Securities Act of 1933, as amended. Notwithstanding the types of investments that Dragus recommends to its clients, Dragus will provide advice about any type of investment held in its clients' portfolios.

Dragus tailors its advisory services to the individual needs of its clients. To do so, Dragus consults with clients initially and on an ongoing basis to determine their risk tolerance, time horizon and other factors that may impact the clients' investment needs. On an ongoing basis, Dragus ensures that clients' investments are suitable for their investment needs, goals, objectives, and risk tolerance.

Clients are advised to promptly notify Dragus if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Dragus' management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Dragus' sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## **Wealth Planning Services**

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Dragus provides Wealth Planning Services primarily to clients who are non-U.S. persons. These services include establishing an ownership structure that assists clients with wealth preservation when assets are passed to next generations, planning how their assets will be distributed to their descendants when they pass away, protecting the beneficiaries of the assets during their lifetime, and to optimizing U.S. estate taxes for assets in the U.S.

To accomplish these goals, Dragus normally recommends two types of ownership structures: Trusts and/or Offshore Companies. Providers recommended by Dragus for this type of service include:

- Forbes Hare Trust Company
- Zedra Trust Company
- Morning Star Holdings Services
- Integritas Trust
- Alemán, Cordero, Galindo & Lee (Alcogal)

## **Consulting Services**

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Occasionally, Dragus may offer consulting services to clients on an hourly basis that do not involve investment management. These services include, but are not limited to, assisting with the purchase of real estate; assisting with the purchase of businesses or making business decisions; assisting; dealing with accountants and other professionals; and assisting with trust structures changes.

## Item 5. Fees and Compensation

Dragus provides investment management services (discretionary and non-discretionary) for an annual fee. Dragus' annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. Dragus does not, however, receive any portion of these commissions, fees and costs. The annual fee is charged quarterly, in arrears, and is based upon the market value of the assets being managed by Dragus. The market value is the value of the assets on the last day of the previous quarter as valued by the Custodian. The annual fee ranges up to 1.5% of the market value of the assets under management. (In limited situations involving a margin account, the assets under management include those that were purchased on margin and are held within the client's portfolio).

Dragus, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationships, account retention, pro bono activities, etc. Therefore, clients with similar assets under management and investment objectives may pay significantly higher or lower fees than other clients.

### Wealth Planning Services Fees

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As described in Item 4 above, Dragus provides Wealth Planning Services to certain clients. The fees charged for these services are negotiable, based upon the complexity of the services provided.

For establishing an entity structure (e.g., a Trust and/or offshore company), Dragus charges its clients a fixed fee up to \$5,000. After establishment of the entity structure, Dragus charges a fixed fee up to \$3,000 for annual maintenance of the entity. With respect to the Trusts, the wealth planning services fees are in addition to the fees charged by the Trustee for administration services. When the Trustee invoices the client for administration of the Trust, the invoice includes Dragus' wealth planning services fee. The Trustee forwards this fee to Dragus upon receipt of payment from the client. With respect to offshore companies, Dragus invoices its wealth planning services fees directly to the clients. Expenses incurred by the registered agent of the company for maintenance of the entity structure are reimbursed by Dragus upon receipt of payment from the client.

Any additional services that are not associated with establishing or maintaining the entity structure will be billed at the hourly rate of \$250 per hour.

### Consulting Services Fees

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The fees charged by Dragus for consulting services are charged at a rate of \$250 per hour. Incidental expenses associated with providing these services (e.g., travel, transportation, hotels, and meals) are in addition to the hourly fee.

## **Fees Charged by Financial Institutions and Trust Providers**

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As further discussed in response to Item 12 below, Dragus recommends the services of several financial institutions with which it has negotiated discounted transaction fees for investment accounts. Dragus also recommends the services of various trust providers, as discussed in Items 4 and 5 above.

Clients may incur certain charges imposed by the Financial Institutions and other third parties. The charges may include custodial fees, charges imposed directly by a mutual fund or ETF, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are charged directly to the client by the broker-dealer and/or custodian and are exclusive of and in addition to Dragus' fee.

For Wealth Planning Service clients, there are certain fees that are not part of the annual structure maintenance fee that are billed to Dragus separately by the provider. Dragus passes these charges along to the client in their quarterly invoice as a separate charge.

## **Fee Debit**

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The Investment Management Agreement entered into between clients and Dragus authorizes Dragus to invoice the Financial Institutions directly for the clients' management fees and to receive payment of the fees directly from the Financial Institutions. Clients enter into a separate agreement with the Financial Institutions authorizing the Financial Institutions to accept the Dragus' fee calculations and to remit payment directly to Dragus. All Financial Institutions recommended by Dragus have agreed to send statements to the clients, or provide online access to the account statements, at least quarterly, indicating all amounts disbursed from the account, including the amount of management fees paid directly to Dragus.

## **Fees for Management During Partial Quarters of Service**

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For the initial management period, management fees are calculated on a pro rata basis. Dragus charges its initial management fee only for the number of full months in the quarter that assets are designated to Dragus for management.

The Investment Management Agreement between Dragus and the client will continue in effect until terminated by either party pursuant to the terms of the Agreement. Dragus' fees are prorated through the date of termination and any remaining balance is charged to the client.



Clients may make additions to and withdrawals from their accounts at any time, subject to Dragus' right to terminate an account. Additions may be in cash or securities provided that Dragus reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Dragus, subject to the usual and customary securities settlement procedures. However, Dragus designs its portfolios as long-term investments, and the withdrawal of assets may impair the achievement of a client's investment objectives. Dragus may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications. Dragus is not empowered to withdraw or transfer assets from a client's account. All transfers and withdrawals must be ordered directly by the client to the custodian.





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

Dragus does not charge performance-based fees (i.e., advisory fees based on a share of the capital gains on or capital appreciation of the assets of a client) or engage in side-by-side management. Our compensation structure is disclosed in detail in Item 5.

## **Item 7. Types of Clients**

Dragus provides its services to individuals including high net worth individuals, families, companies, and institutions. Because of the background of its Principals and their knowledge of the region, Dragus specializes in servicing the needs of clients from Latin America, Europe, and North America.

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

### Methods of Analysis

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Dragus primarily employs fundamental method of investment analysis.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Dragus will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security. Dragus also reviews market conditions at a macro (entire market/economy) level.

### Investment Strategies

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Dragus seeks to provide clients with investment advisory services as a comprehensive wealth counselor. The firm will assist clients in identifying personal and business goals and objectives as well as time-horizon limits, constraints and risk preferences. These factors serve as the basis for establishing financial plan recommendations, investment return targets, and risk tolerances for the investment portfolio. Clients seeking integrated planning and investment management services are expected to provide Dragus with an overview of their total financial situation, including detailed and ongoing disclosures of any financial strategies or assets that are self-managed or under the direction of other professional service providers.

Dragus manages investment portfolios based upon the unique risk return profile of each client which is based on the client's time-horizon, return target, and risk tolerance. Dragus constructs portfolios designed with the objective of achieving the client's total return target while seeking to reduce risk below that of an unmanaged equity index with similar historical return characteristics.

### Risks of Loss

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#### *General Risk of Loss*

Investing in securities, including equities, bonds, and other asset classes, involves the risk of loss of principal. Clients should be prepared to bear such loss.

#### *Mutual Funds and Exchange Traded Funds (ETFs)*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings.

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. 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.

#### *Market Risks*

The profitability of a significant portion of Dragus' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Dragus will be able to predict those price movements accurately.

#### *Legal and Regulatory Matters Risks*

Legal developments which may adversely impact investing and investment-related activities can occur at any time. "Legal Developments" means changes and other developments concerning foreign, as well as US federal, state and local laws and regulations, including adoption of new laws and regulations, amendment or repeal of existing laws and regulations, and changes in enforcement or interpretation of existing laws and regulations by governmental regulatory authorities and self-regulatory organizations (such as the SEC, the US Commodity Futures Trading Commission, the Internal Revenue Service, the US Federal Reserve and the Financial Industry Regulatory Authority). Our management of accounts may be adversely affected by the legal and/or regulatory consequences of transactions effected for the accounts. Accounts may also be adversely affected by changes in the enforcement or interpretation of existing statutes and rules by governmental regulatory authorities or self-regulatory organizations.

#### *System Failures and Reliance on Technology Risks*

Our investment strategies, operations, research, communications, risk management, and back-office systems rely on technology, including hardware, software, telecommunications, internet-based platforms, and other electronic systems. Additionally, parts of the technology used are provided by third parties and are, therefore, beyond our direct control. We seek to ensure adequate backups of hardware, software, telecommunications, internet-based platforms, and other electronic systems, when possible, but there is no guarantee that our efforts will be successful. In addition, natural disasters, power interruptions and other events may cause system failures, which will require the use of backup systems (both on- and off-site). Backup systems may not operate as well as the systems that they back-up and may fail to properly

operate, especially when used for an extended period. To reduce the impact a system failure may have, we continually evaluate our backup and disaster recovery systems and perform periodic checks on the backup systems' conditions and operations. Despite our monitoring, hardware, telecommunications, or other electronic systems malfunctions may be unavoidable, and result in consequences such as the inability to trade for or monitor client accounts and portfolios. If such circumstances arise, the Investment Committee will consider appropriate measures for clients.

#### *Cybersecurity Risk*

A portfolio is susceptible to operational and information security risks due to the increased use of the internet. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyberattacks include, but are not limited to, infection by computer viruses or other malicious software code, gaining unauthorized access to systems, networks, or devices through "hacking" or other means for the purpose of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cybersecurity failures or breaches by third-party service providers may cause disruptions and impact the service providers' and our business operations, potentially resulting in financial losses, the inability to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement, or other compensation costs, and/or additional compliance costs. While we have established business continuity plans and risk management systems designed prevent or reduce the impact of such cyberattacks, there are inherent limitations in such plans and systems due in part to the everchanging nature of technology and cyberattack tactics.

#### *Pandemic Risks*

The outbreak of the novel coronavirus rapidly became a pandemic and has resulted in disruptions to the economies of many nations, individual companies, and the markets in general, the impact of which cannot necessarily be foreseen at the time. This created closed borders, quarantines, supply chain disruptions and general anxiety, negatively impacting global markets in an unforeseeable manner. The impact of the novel coronavirus and other such future infectious diseases in certain regions or countries may be greater or less due to the nature or level of their public health response or due to other factors. Health crises caused by the coronavirus outbreak and future infectious diseases may exacerbate other pre-existing political, social, and economic risks in certain countries. The impact of such health crises may be quick, severe and of unknowable duration. These pandemic and other epidemics and pandemics that may arise in the future, could result in continued volatility in the financial markets and could have a negative impact on investment performance.

#### *Use of Margin*

Dragus limits the use of margin in client accounts to situations in which clients with sufficient equity independently request and receive loans from their financial institutions. While the use of margin can provide additional capital for investment, such use may also increase the client's risk exposure as well as the amount of return on their investments that would be necessary to cover the interest costs. Borrowing will usually be from securities brokers/dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, a broker/dealer may demand an increase in



the collateral that secures the client's obligations. If the client were unable to provide additional collateral, the broker/dealer could liquidate assets held in the account to satisfy the client's obligations to the broker/dealer. Liquidation in that manner could have an extremely adverse impact on the performance of the account. Therefore, clients should consider their additional risk exposure prior to the use of margin.



## **Item 9. Disciplinary Information**

Dragus is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Dragus has no information to report for this Item.



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

Dragus is required to disclose any relationship or arrangement that is material to its advisory business or to its clients, with certain related persons. Neither the firm nor its management employees are engaged in any other financial industry activities or organizations.



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

### **Code of Ethics**

Dragus has adopted a written Code of Ethics in compliance with SEC Rule 204A-1 under the Investment Advisers Act of 1940 (as amended—the Advisers Act). All our employees are deemed by the Advisers Act to be supervised persons subject to our Code of Ethics. In carrying on our daily affairs, all our supervised persons shall act in a fair, lawful, and ethical manner, in accordance with the rules and regulations imposed by our governing regulatory authority. The Code of Ethics sets forth standards of conduct and requires compliance with federal securities laws. Our Code of Ethics also addresses personal trading and requires our personnel to report their personal securities holdings and transactions to our Chief Compliance Officer.

We have created a Code of Ethics which establishes standards and procedures for the detection and prevention of certain conflicts of interest, including activities by which persons having knowledge of the investments and investment intentions of Dragus might take advantage of that knowledge for their own benefit. We have in place Ethics Rules (the “Rules”), which are comprised of the Code of Ethics and Insider Trading policies and procedures. The Rules are designed to ensure that our personnel (i) observe applicable legal (including compliance with applicable state and federal securities laws) and ethical standards in the performance of their duties; (ii) at all times place your interests first; (iii) disclose all actual or potential conflicts; (iv) adhere to the highest standards of loyalty, candor and care in all matters relating to our clients; (v) conduct all personal trading consistent with the Rules and in such a manner as to avoid any actual or potential conflict of interest or any abuse of their position of trust and responsibility; and (vi) not use any material non-public information in securities trading. The Rules also establish policies regarding other matters such as outside employment, the giving or receiving of gifts, and safeguarding portfolio holdings information.

Under the general prohibitions of the Rules, our personnel may not: 1) effect securities transactions while in the possession of material, non-public information; 2) disclose such information to others; 3) participate in fraudulent conduct involving securities held or to be acquired by any client; and 4) engage in frequent trading activities that create or may create a conflict of interest, limit their ability to perform their job duties, or violate any provision of the Rules.

Our personnel are required to conduct their personal investment activities in a manner that we believe is not detrimental to our advisory clients. Our personnel are not permitted to engage in personal securities transactions except under circumstances specified in the Code of Ethics. The policy requires all supervised persons to report all personal transactions in securities not otherwise exempt under the policy. All reportable transactions are reviewed for compliance with the Code of Ethics. Clients and prospective clients may contact Dragus to request a copy of its Code of Ethics.

Reports of personal transactions in securities by our IARs are reviewed quarterly by our Chief Compliance Officer or her designee.

## **Participation or Interest in Client Transactions and Personal Trading**

Our associated persons may buy or sell for their own account securities that we recommend to clients. Our Code of Ethics governs personal trading by all associated persons of the firm and is intended to ensure that securities transactions effected by our associated persons are conducted in a manner that avoids any actual or potential conflict of interest between such persons and our clients. Our Code of Ethics imposes restrictions on the ability of our associated persons to trade in securities which are, or are being considered for purchase or sale by, or on our behalf of and requires us to collect and maintain records of securities holdings and securities transactions effected on behalf of our associated persons. These records are reviewed to identify and resolve conflicts of interest.

Neither we nor our related persons recommend to you, or buy or sell for your accounts, securities in which we (or a related person) have a material financial interest.

Neither we nor our related persons, recommend securities to you, or buy or sell securities for your accounts, at or about the same time that we (or a related person) buy or sell the same securities for our own (or the related person's own) account.

Furthermore, we do not execute transactions on a principal or agency cross basis.

## Item 12. Brokerage Practices

As discussed in Item 5, Dragus recommends the brokerage, clearing and custodial services of Financial Institutions.

### Selection of Financial Institutions

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Factors which Dragus considers in recommending a particular Financial Institution to clients include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by a Financial Institution recommended by Dragus may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Dragus' clients comply with its duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Dragus determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Dragus seeks competitive rates by negotiating with the brokerage/custodian institutional fees that are smaller than those the client would pay if he would be dealing individually with the broker-custodian but may not necessarily obtain the lowest possible commission rates for client transactions.

Dragus periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### Directed Brokerage

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The client may direct Dragus in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and Dragus will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by Dragus (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Dragus may decline a client's request to direct brokerage if, in Dragus' sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### Trading Policy

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Transactions for each client generally will be effected independently, unless Dragus decides to aggregate orders for the purchase or sale of the same securities for several clients at approximately the same time. Dragus may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate

more favorable commission rates, or to allocate equitably among Dragus' 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 Dragus' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Dragus determines to aggregate client orders for the purchase or sale of securities, including securities in which Dragus' Supervised Persons may invest, Dragus generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Dragus does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Dragus 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: (i) 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; (ii) 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; (iii) 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); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, Dragus may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) 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.

## **Item 13. Review of Accounts**

### **Account Reviews**

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Dragus reviews each client's portfolio on an ongoing basis as part of its system of internal controls and performs a formal review at least annually. Such reviews are conducted by Dragus' Investment Services Department, the client's CRM and by its Compliance Officer. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Dragus and to keep Dragus informed of any changes thereto. Dragus contacts ongoing investment advisory clients at least twice every year to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements**

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Dragus provides compensation for client referrals. In the event a client is introduced to Dragus by a solicitor, Dragus pays that promoter a referral fee and any corresponding state securities law requirement, applicable laws, rules, and regulations. All referral fees are paid solely from Dragus' management fee and do not result in any additional charges to the firm's clients. In these situations, clients are advised of the solicitation relationship with Dragus and are provided with the appropriate brochure prior to or at the time the *Agreement* is executed. All third-party solicitors who are not affiliated with Dragus also provide clients with a copy of the promoter's disclosure statement containing the terms and conditions (including compensation) of the solicitation arrangement.

### Other Economic Benefit

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Dragus does not receive an economic benefit from a third-party (non-client) for providing investment advice to our advisory clients.

## **Item 15. Custody**

The Investment Management Agreement entered into between clients and Dragus authorizes Dragus to invoice the Financial Institutions directly for the clients' management fees and to receive payment of the fees directly from the Financial Institutions. Given that authority, we are deemed to have custody. We will comply with applicable custody safekeeping requirements. Clients enter into a separate agreement with the Financial Institutions authorizing the Financial Institutions to remit payment directly to Dragus. The Financial Institutions have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Dragus. Clients should carefully review the statements that they receive from the Financial Institutions.

## Item 16. Investment Discretion

Dragus offers discretionary investment services to clients. Dragus is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Dragus is given this authority through a power-of-attorney included in the Investment Management Agreement between Dragus and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). When Dragus is given discretionary authority, Dragus takes discretion over the following activities:

- The securities to be purchased or sold,
- The amount of securities to be purchased or sold, and
- When transactions are made.



## Item 17. Voting Client Securities

For certain clients, Dragus may vote client securities on their behalf. In accordance with Dragus' proxy voting policies and procedures, when the firm accepts such responsibility, Dragus monitors relevant corporate actions, casts votes in the best interests of clients, and seeks to ensure that proxies are submitted in a timely and accurate manner. In the event there is a situation where there may be a conflict of interest in the voting of proxies due to a business or personal relationship that Dragus maintains with persons having an interest in the outcome of certain votes, the firm will exclude itself from the voting process and will vote according to the client's wishes. Clients may contact Dragus to request information about how the firm voted proxies for that client's securities or to get a copy of Dragus' proxy voting policies and procedures.



## Item 18. Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance,
- take custody of client funds or securities, or
- currently have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Additionally, we have not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:

