

Item 1: Cover Page

Form ADV Part 2A Appendix 1 – Wrap Fee Program Brochure

**Caerus Wrap Program
Sponsored By:**



Caerus Investment Advisors, LLC

March 2024

**311 Laurel Valley Road,
West Lake Hills, TX 78746**

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**Firm Contact:
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Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Caerus Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us by telephone at (650) 906-7666 or jessica.clark@caerusadvisor.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 Authority. Additional information about Caerus Investment Advisors, LLC also is available on the SEC's website at www.adviserinfo.sec.gov by searching CRD #171716.

Please note that the use of the term "registered investment adviser" and description of Caerus Investment Advisors, LLC and/or our associates as "registered" does not imply a certain level of skill or training. You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

Item 2: Material Changes

Caerus Investment Advisors, LLC is required to advise you of any material changes to our Wrap Fee Brochure ("Brochure") from our last annual update, identify those changes on the cover page of our Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Brochure.

Since the last amendment filed on **02/17/2023**, we have the following material changes to disclose:

- Our firm has closed out Caerus X NorCal SPV I, LLC, Caerus X NorCal SPV II, LLC, Caerus NC III, LLC, Caerus NC IV, LLC, and Caerus NC IV-A, LLC. However, our firm still maintains custody of client assets due to our involvement with multiple other private funds including a new fund opened entitled CRSWIN, LLC. Please refer to Item 9 for more information.
- Our firm has amended Item 4 and 6 of this brochure to disclose that our firm no longer utilizes the services of independent money managers. Please see Item 4 and 6 for more information.

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Item 4: Services, Fees & Compensation

Our firm manages assets for many different types of clients to help meet their financial goals while remaining sensitive to risk tolerance and time horizons. As a fiduciary, it is our duty to always act in the client's best interest. This is accomplished in part by knowing the client. Our firm has established a service-oriented advisory practice with open lines of communication. Working with clients to understand their investment objectives while educating them about our process, facilitates the kind of working relationship we value.

Our firm sponsors and offers a wrap fee program, which allows clients to pay a single fee for investment advisory services and associated custodial transaction costs. Transaction fees will be paid by our firm via individual transaction charges. Because our firm absorbs client transaction fees, an incentive exists to limit trading activities in client accounts.

Additionally, our recommended custodians, Trade-PMR, Inc. does not charge transaction fees for U.S. listed equities and exchange traded funds. Since we pay the transaction fees charged by the custodian to clients participating in our wrap fee program, this presents a conflict of interest because we are incentivized to recommend equities and exchange traded funds over other types of securities in order to reduce our costs.

Our Wrap Advisory Services.

Comprehensive Portfolio Management Wrap Fee Program:

Our comprehensive portfolio management service encompasses asset management as well as providing financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

We offer our service to clients for an annual maximum advisory fee of 1.50%. The ultimate fee we charge you will be based on the scope and complexity of our engagement and will be listed in the advisory agreement we present you. Our firm's annualized fees are billed on a pro-rata basis

monthly in arrears based on the value of your account on the last day of the previous month. Fees are negotiable and will be deducted from your managed account. As part of this process, the client is made aware of the following:

- The client's independent custodian sends statements at least quarterly showing the market values for each security included in the Assets and all account disbursements, including the amount of the advisory fees paid to our firm;
- Clients will provide authorization permitting our firm to be directly paid by these terms. Our firm will send an invoice directly to the custodian; and
- If our firm sends a copy of our invoice to the client, legend urging the comparison of information provided in our statement with those from the qualified custodian will be included.

Other Types of Fees & Expenses.

You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

We do not recommend or offer the wrap program services of other providers. Our investment advisory representatives receive a portion of the advisory fee that you pay us, either directly as a percentage of your overall fee or as their salary from our firm. In cases where our investment advisory representatives are paid a percentage of your overall advisory fee, this may create an incentive to recommend that you participate in a wrap fee program rather than a non-wrap fee program (where you would pay for trade execution costs) or brokerage account where commissions are charged. This is because, in some cases, we may stand to earn more compensation from advisory fees paid to us through a wrap fee program arrangement if your account is not actively traded.

Item 5: Account Requirements & Types of Clients

We require a minimum household balance of \$1,000,000 for our Comprehensive Portfolio Management Wrap Fee service. This minimum household balance is negotiable depending on the extenuating circumstances of the client.

Types of clients we typically manage wrap fee accounts on behalf of, include:

- Individuals and High Net-Worth Individuals;
- Trusts, Estates or Charitable Organizations;
- Corporations, Limited Liability Companies and/or Other Business Types.

Item 6: Portfolio Manager Selection & Evaluation

Our firm and its related persons act as portfolio manager(s) for this wrap fee program. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services. To justify the fee charged and subsequent holdings that will be recommended to clients, our advisors take the following into account: client's risk tolerance and objectives, value of the account and amount of trading activity, among other factors. Our related person portfolio managers are not subject to the same selection and review as independent money managers that participate in the wrap fee program.

Our firm does not utilize outside portfolio managers. All accounts are managed by our in-house licensed investment adviser representatives ("IARs") of our firm. Prior to becoming licensed with our firm, each IARs industry experience, licensure, outside business activities, client complaints (if any), disciplinary or regulatory history (if any) and financial well-being will be reviewed. Each IAR will then have a Form U4 and ADV Part 2B on file with our firm.

Advisory Business.

See Item 4 for information about our wrap fee advisory program. We offer individualized investment advice to clients utilizing our Comprehensive Portfolio Management Wrap Fee Program service.

Each client has the opportunity to place reasonable restrictions on the types of investments to be held in the portfolio. Restrictions on investments in certain securities or types of securities may not be possible due to the level of difficulty this would entail in managing the account. Restrictions would be limited to our Comprehensive Portfolio Management Wrap Fee Program service.

Participation in Wrap Fee Programs.

Our firm only offers wrap fee accounts to our clients, which are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

Performance-Based Fees & Side-By-Side Management.

Our firm does not charge performance-based fees.

Methods of Analysis, Investment Strategies & Risk of Loss.

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

- **Modern Portfolio Theory:** This is an investment theory based on the idea that risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. The theory suggests that it is possible to construct an "efficient frontier" of optimal portfolios, offering the maximum possible expected return for a given level of risk. It suggests that it is not enough to look at the expected risk and return of one particular stock. By investing in more than one stock, an investor can reap the benefits of diversification, particularly a reduction in the riskiness of the portfolio.

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

- **Private Funds:** A private fund is an investment vehicle that pools capital from a number of investors and invests in securities and other instruments. In almost all cases, a private fund is a private investment vehicle that is typically not registered under federal or state securities laws. So that private funds do not have to register under these laws, issuers make the funds available only to certain sophisticated or accredited investors and cannot be offered or sold to the general public. Private funds are generally smaller than mutual funds because they are often limited to a small number of investors and have a more limited number of eligible investors. Many but not all private funds use leverage as part of their investment strategies. Private funds management fees typically include a base management fee along with a performance component. In many cases, the fund's managers may become "partners" with their clients by making personal investments of their own assets in the fund. Most private funds offer their securities by providing an offering memorandum or private placement memorandum, known as "PPM" for short.

The PPM covers important information for investors and investors should review this document carefully and should consider conducting additional due diligence before investing in the private fund. The primary risks of private funds include the following: (a) Private funds do not sell publicly and are therefore illiquid. An investor may not be able to exit a private fund or sell its interests in the fund before the fund closes.; and (b) Private funds are subject to various other risks, including risks associated with the types of securities that the private fund invests in or the type of business issuing the private placement.

- **Long Term Purchases (Securities Held At Least a Year):** When utilizing this strategy, we may purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. Typically, we employ this sub-strategy when we believe the securities to be well valued; and/or we want exposure to a particular asset class over time, regardless of the current projection for this class.

- **Short Term Purchases** (Securities Sold Within a Year): When utilizing this strategy, we may also purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.
- **Trading** (Securities Sold Within 30 Days): We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.
- **Short Sales:** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.
- **Margin Transactions:** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash and allows us to purchase stock without selling other holdings.
- **Option Writing, including Covered Options, Uncovered Options or Spreading Strategies:** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. The two types of options are calls and puts. A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying

security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Please Note: Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease, and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have.

Voting Client Securities.

We do not accept the proxy authority to vote client securities. Clients will receive proxies or other solicitations directly from their custodian or a transfer agent. In the event that proxies are sent to our firm, our firm will forward them to the appropriate client and ask the party who sent them to mail them directly to the client in the future. Clients may call, write or email us to discuss questions they may have about particular proxy votes or other solicitations.

Item 7: Client Information Provided to Portfolio Manager(s)

We are required to describe the information about you that we communicate to your portfolio manager(s), and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio manager(s) on a regular basis as needed (daily, weekly, monthly, etc.) to ensure your most current investment goals and objectives are understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

Item 8: Client Contact with Portfolio Manager(s)

Clients are always free to directly contact their portfolio manager(s) with any questions or concerns they have about their portfolios or other matters.

Item 9: Additional Information

Disciplinary Information.

We have determined that our firm and management have no disciplinary information to disclose.

Financial Industry Activities & Affiliations.

Our firm is deemed to be an issuer of a securities, acting as a managing member of Caerus FICC, LLC, CRSBB, LLC, CRSUB I, LLC, Caerus SX SP I, LLC, CRSCLM, LLC, CRSNXT, LLC, CRSPIN, LLC, CRSSTRP II, LLC, CRSSTRP III, LLC, CRSSTRP, LLC, CRSX III, LLC, CRSWIN, LLC, and CRSX IV ("the Funds"). Clients of our firm may be solicited to invest in the Fund. Clients, however, are under no obligation to do so. Mr. Cheung spends approximately 5 to 10 hours per month during trading hours with this outside business activity.

Code of Ethics, Participation or Interest in Client Transactions & Personal Trading.

An investment adviser is considered a fiduciary and our firm has a fiduciary duty to all clients. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. If a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided upon request.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts¹. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics.

Generally, neither our firm nor a related person recommends to clients, or buys or sells for client accounts, securities in which our firm or a related person has a material financial interest. However, in certain instances, the firm solicits clients to invest in affiliated pooled investment vehicles. As a result, CIA understands that there exists a potential conflict of interest with clients. Advisors have an obligation to act in the client's best interest and disclose all material facts about the funds to clients through detailed meetings with the clients where they supply them with pertinent and detailed information about the funds and associated risks. Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests

¹ For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.

and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities prior to buying or selling for our clients in the same day. If related persons' accounts are included in a block trade, our related persons accounts will be traded in the same manner every time.

Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics.

Review of Accounts.

We review accounts on at least a weekly basis for our clients subscribing to our Comprehensive Portfolio Management Wrap Fee Program service. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc. Only Michael Cheung will conduct reviews. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to this service.

Client Referrals & Other Compensation.

Trade-PMR, Inc.

Our firm receives economic benefits from Trade-PMR as services that are made available to our firm. How these services benefit our firm, and a description of what those services are, and the related conflicts of interest are described above (*see Item 12 – Brokerage Practices*). Trade-PMR's products and services made available to our firm is not based on our firm giving particular investment advice.

MTG, LLC dba Betterment Securities

Our firm receives non-economic benefit from Betterment for Advisors and Betterment Securities in the form of the support products and services it makes available to our firm and other independent investment advisors whose clients maintain their accounts at Betterment Securities. These products and services, how they benefit our, and the related conflicts of interest are described in our firm's Form ADV 2A Item 12. The availability of Betterment for Advisors' and Betterment Securities' products and services is not based on our firm giving particular investment advice, such as buying particular securities for our clients.

Referral Fees.

In accordance with Rule 206 (4)-1 of the Investment Advisers Act of 1940, our firm provides cash or non-cash compensation directly or indirectly to unaffiliated persons for testimonials or endorsements (which include referral fees to independent solicitors). Such compensation arrangements will not result in higher costs to the referred client. In this regard, our firm maintains a written agreement with each unaffiliated person that is compensated for testimonials or endorsements in an aggregate amount of \$1,000 or more (or the equivalent value in non-cash compensation) over a trailing 12-month period in compliance with Rule 206 (4)-1 of the Investment Advisers Act of 1940 and applicable state and federal laws. The following information will be disclosed clearly and prominently to referred prospective clients at the time of each testimonial or endorsement:

- Whether or not the unaffiliated person is a current client of our firm,
- A description of the cash or non-cash compensation provided directly or indirectly by our firm to the unaffiliated person in exchange for the referral, if applicable, and
- A brief statement of any material conflicts of interest on the part of the unaffiliated person giving the referral resulting from our firm's relationship with such unaffiliated person.

In cases where state law requires licensure of solicitors, our firm ensures that no solicitation fees are paid unless the solicitor is registered as an investment adviser representative of our firm. If our firm is paying solicitation fees to another registered investment adviser, the licensure of individuals is the other firm's responsibility.

Financial Information.

Our firm does not require prepayment of more than \$1,200 in fees and six or more months in advance and our firm has never been the subject of a bankruptcy proceeding.

Our firm has received financial assistance through the U.S. Small Business Administration's ("SBA") Economic Injury Disaster Loan ("EIDL") program. The EIDL program is intended to support small businesses in response to the COVID-19 pandemic by providing low-interest loans and granting up to a \$10,000 grant for business essential purposes. Although our firm has directly received funding from an outside entity, clients are not obligated to partner with any SBA lenders nor is our firm directly affiliated with the SBA outside of this unique situation. In addition, the funding is meant to provide relief to our firm's current operations and are not intended for soliciting business. These loans are eligible for forgiveness, but it is not guaranteed as it will be based on factors such as staff retention and being used for payroll or firm overhead.