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## **DISCLOSURE BROCHURE**

### **Form ADV Part 2A**

**March 26, 2024**

This disclosure brochure ("Brochure") provides information about the qualifications and business practices of The Clarius Group, LLC (hereinafter "Clarius" or "we"). If you have any questions about the contents of this Brochure, please contact us at 206-462-7400 or 999 Third Avenue, Suite 3050, Seattle, WA 98104. The information herein has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Clarius is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Clarius is an investment advisor registered with the SEC under the Investment Advisers Act of 1940, as amended. This registration does not imply any particular level of skill or training.



## ITEM 2: MATERIAL CHANGES

This Brochure updates and replaces our last Brochure dated August 31, 2023. The material changes made are outlined below:

There are no material changes since the last brochure update.

*Pursuant to SEC regulations, Clarius will ensure that clients receive either a summary of any material changes to this Brochure, along with an offer to provide a copy of the Brochure, or a copy of the full Brochure no later than April 30<sup>th</sup>, which is 120 days after our fiscal year-end. Additionally, upon any material change to the Brochure made during the year, we will provide clients with a summary of the changes, along with an offer to provide the complete document.*



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## ITEM 4: ADVISORY BUSINESS

Clarius' registration as an investment advisor was effective in January 2015, and we began providing advisory services to clients in April 2015. Keith Vernon and Matthew Talbot are the Firm's two owners and partners.

Clarius provides family office and integrated wealth management services, along with financial planning and investment advisory services to high-net-worth individuals and their family entities, and to charitable trusts and foundations.

### *Types of Advisory Services*

Clarius tailors its services to match the needs of each individual client. Each client's planning needs are different, and we address those needs on an individual basis. Therefore, our services vary and include (among others) the following:

- Investment management and reporting
- Bill pay services
- Cash flow management
- Banking and credit support
- Insurance and risk management coordination
- Tax and estate planning coordination
- Philanthropic strategy and administration
- Entity oversight and management

With respect to the planning and consulting provided as part of our wealth management services, clients should understand the following:

- Clients are free to accept or reject any recommendation made by Clarius.
- Recommendations in various areas (e.g., estate planning, retirement planning, taxes, and insurance) are only implemented at the client's sole discretion, and executed with the corresponding professional advisor(s) (e.g., accountant, attorney, insurance agent) of the client's choosing.
- With respect to estate planning and tax planning matters, Clarius' role will be that of a facilitator between the client and their corresponding professional advisor(s).
- No portion of Clarius' services should be construed as legal or accounting advice, rather the client should consult with their attorney or accountant.
- The client will maintain sole responsibility to notify Clarius if there is a change in their financial situation or investment objectives for the purpose of reviewing, evaluating, and revising any previous recommendations or services or to address new planning or consulting matters.

For our investment advisory services, Clarius manages the client's delegated assets on either a discretionary or nondiscretionary basis. At the beginning of the advisory relationship, Clarius will gather germane information from the client, which includes their financial goals, financial situation, investment time horizon, unique needs and circumstances, tax situation, investment constraints and restrictions, return expectations, and risk tolerance. After careful consideration of the client's goals, objectives, constraints, and preferences, Clarius will draft an Investment Policy Statement (IPS) for the client's review and approval. Clarius will make investment decisions for the client's portfolio(s) according to the investment objectives and financial circumstances described in the client's IPS. Clarius offers to meet with each client as often as necessary to review the portfolio and investment process and seeks to meet with clients at least annually.

Each client enters into a written advisory services agreement with Clarius, which – in the case of discretionary assets -- gives Clarius the authority to transact on the client's behalf without specific prior consultation. Such transactions involve (among others) the following types of securities: mutual funds, stocks, bonds, and exchange-traded funds (ETFs).



In addition, depending on a client's investment objectives, Clarius will recommend the use of one or more third-party advisers ("TPA") to manage certain portions of a client's portfolio. In these cases, the client enters into an agreement with the TPA which gives the TPA discretionary authority over the client's assets allocated to them. The TPA will invest those assets in accordance with the TPA's investment strategy and the client's overall investment objectives and risk tolerance for those assets. Please refer to Items 5 and 12 for further information on the use of TPAs.

In certain cases, Clarius will recommend that a portion of the client's assets be invested in certain private investment funds. Such funds are described as hedge funds, real estate funds, private equity funds, venture capital funds, and other types of private pooled investment vehicles (collectively "Private Funds"). Depending on the type of fund, the Private Funds will invest in various types of securities.

When determining which clients should receive a recommendation to invest in a Private Fund, Clarius considers many factors, including, but not limited to, the client's investment sophistication, risk tolerances and qualifications, investment objectives, and the amount of available assets in the client's account(s). Clarius' goal is to allocate in a balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Funds to clients is mainly subjective, and not all qualifying clients will be provided a particular private investment opportunity.

For those clients that receive a recommendation to invest in Private Funds, it is important to read each offering document (e.g., private placement memorandum) prior to investing to fully understand the risks and potential conflicts of interest pertaining to the Private Fund investment. (Please refer to Item 12 for further information on the allocation of Private Fund investments).

Notably, some of the Private Funds, mutual funds and ETFs selected by Clarius will employ alternative or riskier strategies (e.g., the use of leverage or derivatives). Leverage is the use of debt to finance an activity. A private fund facilitating the purchase of a company using a line of credit or a hedge fund using proceeds from short sales to make more investments are examples of leverage. Derivatives can, in certain instances, be riskier than other types of investments because they can be more sensitive to changes in economic or market conditions than other types of investments. In certain situations, derivatives can result in losses that exceed the original investment. The use of derivatives, leverage, or other alternative strategies may not be successful, resulting in investment losses, that in addition to the cost of such strategies, will reduce investment returns. Hedging, on the other hand, occurs when an investment is made in order to reduce the risk of adverse price movements in a security. For example, an investor could hedge a long position by shorting the same or similar security. Please review these, and other, considerations carefully prior to investing. Please also refer to Item 8 for detailed information regarding the Firm's methods of analysis and the risks surrounding such investments.

There may be times when a client decides to use margin in their account. Use of margin in an investment advisory account can increase a client's asset-based advisory fee. If margin is used to purchase additional securities, for instance, the total value of eligible account assets (to which the Clarius advisory fee is applied) will also increase. Notably, the opportunity to increase assets via margin debt presents a potential conflict of interest for Clarius. Margin debt is not suitable for all investors. It is Clarius' practice to recommend that clients utilize such financing in a prudent manner (if at all). Buying securities on margin also subjects clients to additional costs and risks that should be carefully considered before utilizing margin on an account. For further information, please refer to Item 8.

In recommending that any client roll over retirement plan assets to our management, Clarius has a conflict of interest. Before making any such recommendation, Clarius will review the client's existing investment options, fees, and expenses in the context of their overall investment objectives. Recommendations are made once Clarius has determined that doing so is in the client's best interest.

As an investment advisor Clarius is a fiduciary to all clients. Clarius explicitly acknowledges the role of a "fiduciary" under ERISA or the Internal Revenue Code, or both, with respect to the investment advisory recommendations and discretionary



asset management provided to Retirement Investors under this Agreement. A “Retirement Investor” is defined as retirement plan participants and beneficiaries, IRA owners, and retirement plan and IRA fiduciaries.

Clarius will utilize an internally managed Direct Indexing investment strategy as a means for clients to replicate broad equity market exposures in a diversified, tax-controlled manner with less fee drag. Clarius’ Direct Indexing investment strategy involves purchasing individual securities to track a target index. ETF and index funds generally use “full replication” -- investing in the same number of stocks at the same weights as the underlying index. Clarius’ approach, however, utilizes optimization software to identify an optimal basket of stocks that matches the primary risk factors of the index and minimizes tracking risk. Compared to an ETF or mutual fund, the direct indexing strategy allows for a greater breadth of tax loss harvesting opportunities and portfolio customization.

Clarius’ Direct Indexing investment strategy, offers two index selections:

US Large Capitalization Stocks	Similar risk/return characteristics as the S&P 500 Index
International Developed Markets Large Capitalization Stocks	Similar risk/return characteristics as the MSCI World ex-USA index (via ADRs and foreign companies that trade directly on US exchanges)

The Direct Indexing investment strategies require an adequate account size to replicate an index effectively. Please refer to Items 7 and 8 for further details, including risks involved when investing in this strategy.

Clarius also provides investment recommendations for a separate pooled investment vehicle, Clarius Global Equity Fund, LLC (“The Fund”). The assets invested with The Fund are managed on a discretionary basis. The Fund will be capitalized through the offering of Member Interests as set forth in a confidential Subscription Agreement. The Fund is what is commonly referred to as a 3(c)(7) fund, a term which refers to a section of the Investment Company Act of 1940. The Fund is currently open to investors who meet the “qualified purchaser” standard of the Investment Advisers Act of 1940, as amended. Clarius will offer advice as to whether The Fund fits a particular client’s investment needs. Any and all trades are made in the best interest of the client as part of Clarius’ fiduciary duty. However, risk is inherent to any investment strategy and model. Therefore, Clarius does not guarantee any results or returns.

Clarius does not participate in wrap fee programs.

As of 12/31/2023, Clarius managed assets totaling \$2,413,866,296 on a discretionary basis and \$1,572,831,922 on a non-discretionary basis.

## ITEM 5: FEES AND COMPENSATION

Clarius enters into a written advisory services agreement (“Agreement”) with each of its clients. The Agreement contains the Advisory Fee arrangement which typically includes a Wealth Management Fee and a Family Office Retainer Fee. Wealth Management Fees are based on a percent of assets under management and Family Office Retainer Fees are based on the scope and complexity of other investment advisory, family office, and personal accounting services. Either party may cancel the Agreement without penalty upon thirty days’ written notice.

Wealth Management Fees for liquid securities are calculated from the average daily balance of the portfolio during the prior quarter, based on values provided by the account custodian which includes cash, cash equivalents and accrued interest unless otherwise stated in the Advisory Fee arrangement. Wealth Management Fees that apply to illiquid holdings, such as private limited partnerships, are also calculated based on the average daily balance during the prior quarter. The valuation of these investments is based on the most recent value provided by the partnership, which includes the value of contributions to the partnership less distributions made as of the valuation date. The valuations from private partnerships



are typically delayed by at least one quarter. Additional information on Clarius' valuation practices is provided in the Agreement.

At the inception of an advisory relationship, Clarius will charge a Wealth Management Fee calculated from the initial portfolio value and prorated through the remainder of the then-current quarter. Family Office Retainer Fees will be similarly prorated.

Clarius' annual Wealth Management Fee schedule is as follows:

- 0.90% on the first \$5,000,000
- 0.60% on the next \$10,000,000
- 0.50% on the next \$10,000,000
- 0.40% on the next \$25,000,000
- 0.30% on the next \$50,000,000
- 0.20% on balances exceeding \$100,000,000

Fees identified in this schedule are based on the total value of accounts in the client's portfolio as managed and/or reported on by Clarius.

When determining a given client's asset base for fee billing purposes, Clarius will consider all accounts managed by the Firm that belong to certain familial relations of the client, which is typically referred to as "householding". Specifically, Clarius has discretion to aggregate the value of a client's account(s) with the total values of all managed accounts within the client's lineal family; this may include accounts belonging to the client's spouse or partner, custodial accounts for minor children, the client's extended family members such as parents and adult children, any trust assets where the trustees, trustors and current beneficiaries are family members, and any wholly owned entities such as limited partnerships (collectively, a "household").

Family Office Retainer Fees range from \$10,000 per year to more than \$200,000 per year.

Clients can negotiate a flat, rather than graduated, rate on the value of the portfolio or a flat annual fee for a comprehensive engagement. Clarius has clients with fees that are different (both higher and lower) than those shown above, and reserves the right to negotiate fees for accounts depending on the size and type of account, the investments in the account, and the services required. Clarius also reserves the right to waive fees for family members and friends of the Firm.

If a client has a margin account, Clarius fees will be based on the full value of the assets under management without regard to the amount of margin debt on the account. Clients need to be aware that buying investments using margin increases the amount of fees paid to Clarius.

Clarius charges clients advisory fees quarterly in advance. Clients generally authorize Clarius to deduct fees directly from their account as they become due. Clarius has discretionary authority to sell (at the then-current price) a sufficient amount of securities in order to pay these fees. Should the advisory contract be cancelled during the billing period, Clarius will refund any pre-paid unearned fees on a prorated basis. The custodian of the client's investment assets will reflect the deduction of the investment fee on an account statement but does not calculate or verify the accuracy of the fees.

#### ***Private Fund Management***

All investors in Clarius Global Equity Fund, LLC ("The Fund") receive a confidential Subscription Agreement before being given the opportunity to invest in The Fund. The Subscription Agreement discusses in detail the investment objectives, investment strategy and risk factors relating to an investment in The Fund. The investment objective of The Fund is to generate long-term capital appreciation through its investments in global public equities. The Fund maintains a flexible and



opportunistic mandate, and as such, there is no limitation on portfolio companies' market capitalizations, industries or sectors, or countries of organization or domicile. Further information on the fees is contained in Item 6 below.

#### ***Other Fees and Expenses***

Clients that have assets managed by a Third-Party Adviser ("TPA") will incur management fees that are in addition to fees charged by Clarius. TPA management fees and billing arrangements are outlined in the agreement entered into between the client and the TPA. They are also referenced in the TPA's Form ADV Part 2A disclosure brochure, which is provided to clients upon engagement of the TPA, by the TPA.

Clients incur other fees and expenses associated with their investment portfolios. These can include but are not limited to: custodial fees and transaction costs, margin interest, mutual fund and ETF fees and expenses, TPA management fees (as noted above), Private Fund fees, and retirement plan fees.

From time to time, Clarius invests clients' capital in open-end mutual funds and exchange-traded funds (ETFs). Each mutual fund charges fees to their shareholders, which are described in the mutual fund's respective prospectus. Such fees usually include management, administrative and operations fees, and for open-end mutual funds, certain distribution fees (e.g., 12b-1 fees). These fees are generally referred to as a fund's "expense ratio" and are deducted at the mutual fund level when calculating the fund's net asset value ("NAV"). The deduction of fees has a direct bearing on the fund's performance. Certain open-end mutual funds also charge an up-front or back-end sales charge and/or redemption fees. In addition, some open-end mutual funds offer different share classes of the same fund. A given share class of a fund can have an expense ratio and sales/redemption fees that are higher than another share class. The most economical share class will depend on certain factors, including but not limited to, the amount of time the shares are held by a client and the amount a client will be investing. Mutual fund expense ratios and sales/redemption fees vary by mutual fund, so it is important to read the mutual fund prospectus to fully understand all the fees charged. Clarius strives to purchase, when available, the lowest cost mutual fund share class for clients. However, there can be times when Clarius does not have access to lower cost share classes and will therefore select the next most economical share class.

Clients incur fees charged by the qualified custodian related to account activity such as trading, margin, and money transfers. As described in Item 12, Clarius recommends Charles Schwab & Co, Inc. ("Schwab") as the qualified custodian for client accounts. Schwab may offer reduced or waived fees for Clarius clients that may not be available when a client chooses to direct their brokerage activity to another custodian.

Clients invested in Private Funds are subject to certain fees, such as a management, performance or incentive fees and other fees and expenses, which are outlined in the Private Fund's offering documents. It is important for clients to review the offering documents to fully understand all the fees associated with the Private Fund.

All the above fees are in addition to the fees charged by Clarius. It is important for clients to know all the fees associated with their accounts; therefore, clients should review the fees charged by: (i) certain investments, such as private funds and mutual funds, and (ii) third parties, such as custodians, brokers, and advisers, along with the fees charged by Clarius to fully understand the total amount of fees affecting the account.

Neither Clarius nor any of its supervised persons receives compensation for the purchase/sale/holding of securities or other investment products.





## ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

### Performance-Based Fees

Clarius does not charge performance-based fees for the management of accounts. However, Clarius, from time to time, will recommend certain Private Funds that charge performance-based fees. The performance-based fee arrangement involves the payment of fees based upon the capital gains or capital appreciation of the Private Fund. The method of calculating the fee is described in each Private Fund's offering documents and is in addition to the fees charged by Clarius. Clarius does not receive directly or indirectly any fees charged by Private Funds.

## ITEM 7: TYPES OF CLIENTS

Clients of Clarius include individuals, families, and their related entities (e.g., trusts, charitable organizations). Clarius does not directly advise pension or profit-sharing plans, though investment advice is provided to individual clients with respect to the self-directed portion of their retirement plans. To service clients, Clarius has two general service models – Core and Enhanced:

- Clients electing core services are generally families with \$5 to \$20 million in net worth whose services typically include investment advisory services and wealth planning services (e.g., financial modeling, liquidity management, tax estimate reporting, charitable planning, education planning and introductions to financial specialists as needed). Clarius generally requires a \$10 million minimum investment portfolio balance but retains discretion to waive this requirement.
- Clients electing enhanced services are generally families with \$20 million or more in net worth who have similar general service needs as core service clients, but also may require additional time and/or services based on the increased complexity of their financial issues. Additional services can include cash flow analysis, tax reporting and coordination, philanthropic planning and coordination, insurance planning and coordination, estate planning and gifting coordination, asset purchase and sale coordination, and entity and trust management.

Personal accounting services is considered an enhanced service that is made available to both core and enhanced service clients. Electing personal accounting services authorizes Clarius the ability to execute transactions through the client's banking account(s).

Clarius' Direct Indexing investment strategy generally requires a minimum investment of \$5 million, but Clarius retains the discretion to accept smaller amounts.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

### Methods of Analysis & Investment Strategies

Clarius' investment approach is specifically tailored to each client. Clarius will focus particularly on the tradeoff of return as compensation for accepting investment risk and the effects of investment costs, inflation, and taxes on investment returns. The highest investment priority is developing the mix of assets (commonly referred to as the "asset allocation") appropriate to each client's goals, objectives, constraints, risk tolerance and unique circumstances as set forth in the client's Investment Policy Statement (IPS).

Clarius employs both passive and active investment strategies. Passive strategies attempt to achieve benchmark-like returns. Active strategies seek to outperform a relevant benchmark through the application of manager skill or knowledge. Clarius is keenly aware that clients' goals can only be met through after-tax and net-of-fee performance. With that in mind, fee- and tax-efficiency is paramount, and the hurdle active managers must meet to overcome their additional fees is high.



There is no guarantee that portfolios structured in this manner will perform as anticipated. Investing in securities always entails potential risk of investment loss. Key portfolio-level risks to consider include (but are not limited to) the following:

- Future investment returns in any investment and in any asset class, are uncertain. Clarius cannot guarantee any particular level of product, investment, portfolio or account performance, or that a product, investment, portfolio or account will be profitable over time.
- Future correlations between asset classes are uncertain and may prove particularly so during periods of extreme market “stress”.
- Plans based on long-term estimates should not be used for consideration of short-term strategies, goals, or objectives.

Clarius has no affiliation with any of the recommended investments or third-party advisors (TPAs), other than what is outlined in Items 10 and 11 below. Clarius does not receive any commissions, rebates, or other compensation from and/or due to these investments and TPAs. Clarius believes this degree of independence strongly aligns the interests of Clarius with the best interests of Clarius’ clients.

If a client chooses to terminate the Agreement, Clarius does not liquidate the investments in the client’s managed account unless instructed to do so. Some TPAs can require termination of their management arrangement with the client in the absence of a relationship with Clarius.

The methods of analysis and sources of information used by Clarius vary substantially by security or product type, asset class, investment risk, liquidity, and other factors. Clarius’ research, sourcing, and due diligence efforts are supported by various items, such as the following: reviewing applicable regulatory filings and documents, conducting manager site visits, phone calls, correspondence, or other means of direct and indirect communication with managers, seeking third-party opinions, performing reference checks, and conducting background checks.

Other sources of information relied upon by Clarius when researching and analyzing securities include traditional research materials such as financial newspapers and magazines, informational databases (e.g., Morningstar Direct), annual reports, prospectuses, filings with the SEC, research materials prepared by others, and company press releases.

Clarius provides advice to clients concerning a wide variety of securities, including but not limited to the following:

- Cash and cash equivalent investments (e.g., bank deposits, certificates of deposits, money market funds and similar instruments)
- Fixed income investments (e.g., corporate, municipal, U.S. government and foreign issuer debt)
- Public equity investments (e.g., exchange-listed, over the counter and foreign issuer)
- Hedge fund investments
- Real asset investments (e.g., commercial real estate, natural resources)
- Private equity and debt investments

Clarius utilizes a variety of securities and security types, the precise choice of which are influenced by liquidity needs, the size of the investment and manager minimums, implementation and ongoing management costs, tax attributes or consequences, administrative and recordkeeping requirements, and other factors. Clarius will commonly utilize money market funds, separately managed accounts, mutual funds, exchange-traded funds, commingled trusts, and private placement limited partnerships and limited liability companies (in a variety of domiciles). Where appropriate, Clarius will also recommend the use of warrants, structured products, or other derivatives for accomplishing objectives and managing risk.



Clarius also recommends unaffiliated TPAs from time to time, which are monitored to ensure the TPA adheres to the philosophy and investment style for which they were selected. TPAs are chosen based on Clarius' assessment of their expertise in particular investment strategies. Clarius seeks to select TPAs that are believed to have the ability to achieve attractive risk-adjusted, net-of-fee investment returns. In selecting TPAs, several factors are considered, including but not limited to the following:

- Well-articulated and understandable investment strategies
- Reasonable expenses
- Tax efficiency
- Transparency
- Manageable downside risk
- Compelling and appropriate historical returns (net of fees and taxes)
- A strong, cohesive team that is aligned with investor interests

Clarius generally compares the historical investment results of comparable managers, evaluates written information supplied by the TPAs and others, and conducts interviews with individuals who would actually manage money for clients.

Clarius' recommendation or selection of private investments is generally limited to private funds, and in all cases, the client will receive offering materials and complete subscription forms to execute the investment. Clarius is able to give advice on other private offerings if requested by clients. Clients should carefully review the offering documents provided in order to fully understand the risks involved in a particular private fund. Private funds are considered illiquid investments, as they usually impose a lock-up period or restriction on redemptions.

Clarius can also advise on hedging strategies involving currency and/or concentrated equity positions, consistent with the client's goals, objectives, and suitability. Third-party advisor experts may be engaged by the client and/or Clarius to provide supplemental information, perspective, analysis, pricing, or other support for these transactions.

The objective of the Direct Indexing investment strategy is to provide diversified exposure to core equity markets for long-term growth. Two primary portfolio management considerations are: 1) tracking risk introduced by differences in key risk factors, such as market capitalization, style, and industry, compared to the target index; and 2) rebalancing costs – primarily taxes but secondarily transaction costs. The Direct Indexing investment strategy consists of two primary large capitalization, public equity strategies – U.S. and non-U.S. (via American depository receipts when available). The key constraints of the strategy include:

- A long-term (10+ years) investment time horizon.
- Only liquid securities will be eligible for purchase; however, these accounts should not be assumed to support short-term liquidity needs.
- Taxable accounts will be managed in a tax-efficient manner to limit gains to a pre-established level and opportunistically harvest losses.
- Accounts that become "calcified" (i.e., characterized by widespread, meaningful capital gains within the portfolio) over time will be managed on a bespoke basis with a potentially higher tracking risk tolerance.
- Exclusion of foreign ordinary shares and of stocks with less than \$2 billion market capitalization.
- Less-liquid securities will be avoided.
- Client-specific restrictions may be put in place on the purchase or sales of certain securities.



### ***Risk of Loss***

Investment risk has multiple facets, and it defies easy quantification – even with hindsight. However, risk management is critical to Clarius' investment approach, and Clarius helps clients consider the primary risk of not accomplishing their objectives in conjunction with market risk and other types of risk. In an effort to manage risk, Clarius recommends investing broadly across the capital markets, in major asset classes both domestically and internationally. A range of asset classes are utilized that historically have performed differently in varying capital market environments. While a specific investment involves certain risks when viewed in isolation, the investment must also be viewed in the broader portfolio context, including diversification benefits potentially provided by the investment.

As previously noted, some Clarius clients may elect to open margin accounts. Clients should be aware that there are a number of additional risks that all investors need to consider in deciding to trade securities on margin. The risks associated with margin include but are not limited to the following:

- Clients can lose more assets than they deposit in the margin account. A decline in the value of securities that are purchased on margin may require the addition of funds to the brokerage/custodian firm that has made the loan to avoid the forced sale of those securities or other securities in a client's account.
- The lending firm is able to force the sale of securities in a client's account. If the equity in a client's account falls below the maintenance margin requirements under the law -- or the lending brokerage firm's higher "house" requirements -- the brokerage firm can sell the securities in a client's account to cover the margin deficiency. The client will also be responsible for any shortfall in their account after such a sale.

It is important that clients take time to learn about the risks involved in trading securities on margin. Clients should consult Clarius regarding any concerns they have with their margin accounts.

There are risks associated with investing in third-party advisors (TPAs). Principally, a TPA may not persist in delivering acceptable investment performance. Past performance of investments is no guarantee of future results. Since Clarius cannot control the investments made by the TPA, the TPA might unexpectedly deviate from a stated investment mandate. In addition, the types of investments made, and strategies utilized carry risks, which are usually summarized in their Form ADV and should be read carefully. Also, since Clarius does not control or have direct visibility to a TPA's daily operations, it is possible that internal controls designed to prevent business, regulatory or reputational deficiencies are insufficient or not properly followed.

A complete analysis of all facets of risk associated with every investment strategy and product type is beyond the scope of this Brochure. The most material risk with each and every investment is the risk of loss, which includes complete loss of principal. Clarius' approach is designed to achieve broad diversification across markets and time, but multiple markets can move in tandem against a client's portfolio, and the client can suffer substantial losses. Investments recommended by Clarius are subject to varying degrees of market, currency, economic, political, business, and other risks. Some examples of broad-based risks clients must consider include but are not limited to the following:

- **Business and Financial Risk:** Every company carries the risk that it will produce insufficient cash flow required to maintain operations resulting in the company going bankrupt or performing below expectations. Business risk can come from a variety of sources, some systematic and some unsystematic (the former being economy-wide and the latter being company-specific). Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value.
- **Cybersecurity Risk:** The growing dependence on technology for everyday business operations has heightened the exposure to operational and information security risks. Cyber incidents, whether through targeted attacks or unintentional events, pose significant threats. These incidents can affect Clarius, clients, and third-party service providers (including but not limited to managers, custodians, banks, other financial intermediaries, law firms, and



accountants (alike). Such incidents could disrupt business operations, hinder trading activities, and constrain Clarius' ability to conduct transactions, potentially leading to financial losses. Clarius has implemented a comprehensive cybersecurity policy. It's important to acknowledge that this policy, while robust, has its limitations, including the potential for previously unknown or unidentified risks. Furthermore, Clarius does not have jurisdiction over the cybersecurity measures adopted by third-party service providers, whose vulnerabilities could indirectly affect clients. Despite best efforts, clients remain at risk of experiencing adverse impacts from cybersecurity incidents beyond Clarius' control.

- Economic, Political and Social Risks: General economic conditions can affect the level and volatility of interest rates and the extent and timing of investor participation in the markets for equities, interest rate-sensitive securities, commodities, and other investments. Emerging events or threats targeting governmental and regulatory bodies, financial markets or social factors that impact the economy create unexpected volatility or illiquidity in the markets that can result in losses.
- Fixed Income Risks: Investing in fixed income investments (i.e., bonds, certificates of deposits) includes the risk that the issuer will default on the bond and be unable to make payments. These investments carry the risk of reinvestment, meaning the proceeds received at maturity may have to be reinvested at a potentially lower interest rate. Individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power.
- Foreign Investments Risks: Foreign investments, and particularly those in emerging markets, involve special risks that are not present in US investments. Foreign investments are subject to fluctuations in the value of the US dollar against the currency of the investment's originating country, known as currency or exchange rate risk. Companies face a complex set of laws and circumstances in each country in which they operate. The political and legal environment can change rapidly and without warning, with significant impact, especially for companies operating outside of the United States or those companies who conduct a substantial amount of their business outside of the United States. Additional foreign investments risks include foreign failure of foreign markets to function properly, political or economic instability, and differences in regulatory, financial disclosure, accounting and auditing standards.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation. Inflation risk is the risk of inflation exceeding the performance return of an investment.
- Leverage: Some strategies and products involve the use of leverage (borrowing), and this can exacerbate losses or magnify gains. Money that is borrowed will incur interest, costs, and additional fees, the recovery of which through earnings on the purchased securities is not guaranteed. If the appreciation and any income generated from assets bought with borrowed funds do not surpass the borrowing costs, the use of leverage will lead to a decrease in investment performance relative to what could have been achieved without using leverage.
- Liquidity Risk: Investments may not have an available market, or will have a limited market, when needing to be sold, restricting the client's ability to readily convert the investment into cash. Certain investments carry a higher degree of liquidity risk due to limitations on withdrawal rights that are disclosed at the time of or before the investment is purchased.
- Manager Risk: Manager risk reflects the impact the manager's decision-making regarding investment selection, order timing, and strategy oversight has on achieving the desired investment objectives and performing to expectations. Poor judgement, intentional or inadvertent deviation from a predefined investment strategy, or manager fraud will have an impact on the investment that can result in losses.



- Market Risk: Market risk reflects the fact that there are certain general market conditions in which any given investment strategy is unlikely to be profitable. Neither Clarius nor the recommended managers and third-party advisors can control or predict such market conditions, including such important market conditions as the level of economic activity and interest rates.
- Market Disruption Risk: Geopolitical and other events, including global pandemics, war, terrorism, trade disputes, extreme weather and climate-related events, and public health crises can lead to increased market volatility disrupting US and world economies and markets. Government intervention in the case of market disruption can suddenly and substantially impact market participants' ability to implement certain strategies or manage the risk of portfolio positions. These interventions can be unclear in scope and application, resulting in confusion and uncertainty that can detrimentally impact investment strategies.

Below is a summary of risks associated with investments generally utilized and/or recommended for investment by Clarius:

- American Depositary Receipts (ADR): ADRs are certificates of ownership issued by a U.S. bank that represent indirect ownership of a certain number of shares of a specific foreign company. Shares are held on deposit in a bank in the company's home country. ADRs carry political risk regarding the stability of the local governments of the underlying company, currency/exchange rate risk which can cause a depreciation in the price of the underlying shares, and hence a diminishing of the ADR value, and inflation risk which is related to exchange rate risk.
- Exchange-Traded Funds (ETF) and Mutual Funds: ETFs and mutual funds are professionally managed pooled investment vehicles investing in individual equities, bonds, short-term money market instruments, other securities, or any combination thereof. The manager of the fund trades the underlying investments in accordance with the fund's stated investment objective. Owning an ETF or mutual fund generally reflects the risks of owning the underlying securities investments. While ETFs and mutual funds are generally considered to be diversified investments, risks can be increased if the fund's objective has a concentration in a specific sector of the market, geographic area, small cap or speculative companies, particular security type (i.e., equities), or utilizes leverage.

ETFs differ from mutual funds as they can be bought and sold throughout the day like stocks with fluctuating prices. Mutual funds with an open-end structure allow for new investors indefinitely, whereas closed-end mutual funds have a fixed number of shares to sell limiting their availability to new investors. ETFs with an objective to replicate an underlying index have tracking error risk as the manager may not be able to match the performance of the underlying index due to the temporary unavailability of certain securities in the secondary market, or discrepancies with respect to weighting of securities or number of securities held.

- Individual Equities: Individual equities carry risk in a variety of forms that are present based on the issuing company. Ownership of an individual equity represents ownership of the issuer and subjects the investor to business risk and financial risk. Equity securities can vary based on a company's performance and movements in the broader markets. Economic factors, market sentiment, political and other factors can also influence the value of equities.
- Private Funds: These investments (e.g., private equity, hedge funds) may be exempt from registration under federal securities laws, may have limited or no transparency as to the underlying investments, and are generally available only to "accredited" or "qualified" investors. Such investors are assumed to be sophisticated purchasers who have little or no need for liquidity from such investments and are able to withstand the loss of some or all their investment. Limitations on withdrawal rights and non-tradability of interests create higher liquidity risk, and such securities should be viewed as long-term investments. Clients using these products and strategies must be able to tolerate this illiquidity by reserving sufficient resources to meet all obligations. Partnership and fee expenses may be a higher percentage of net assets than traditional investment strategies and may include



performance fees. The duration of private funds with longer-term securities are more sensitive to interest rates and include the possibility of more volatility than other investments. In addition, the underlying investments of each private fund carry risks that should be considered. This is not an exhaustive list of potential or actual risks in any particular private fund, and additional important information is found in the specific security's offering materials. Clients generally must execute separate subscription documents to invest in private funds.

#### ***Other Considerations Regarding Analysis, Strategies and Risk of Loss***

Clarius exercises best judgment and good faith efforts in making suitable investment recommendations to clients. It is the responsibility of the client to provide complete and accurate information and to notify Clarius of any changes in their financial circumstances, goals, or risk tolerance.

Clarius may not conduct due diligence, or only limited due diligence, on securities included in client portfolios that Clarius has not recommended. Such non-recommended securities can pose an investment risk to the client. Non-recommended investments can include, for example, concentrated stock holdings the client does not wish to liquidate, client-directed investments, investments made under the recommendation of a prior advisor and prior illiquid investments (e.g., partnerships, LLCs) that have not fully liquidated.

Clarius typically invests for the long-term and does not engage in high-frequency trading. TPAs selected by Clarius can, however, employ such strategies, directly or through sub-managers, and such frequent trading can result in increased brokerage and other transaction costs for that portion of the account.

Clarius generally relies on the valuations provided by custodians and managers in calculating the performance of client accounts. There is no assurance that such valuations will be correct or that such information will be received in a timely manner. When a valuation is not provided by the custodian or manager, Clarius' Chief Investment Officer will assess the security's fair value as of the expected valuation date after consideration of all available facts and information.

## **ITEM 9: DISCIPLINARY INFORMATION**

Neither Clarius nor any of its management personnel has any disciplinary or legal events to disclose.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Clarius will recommend investments in Private Funds where the general partners, managing partners and/or employees of the Private Fund are current clients of Clarius. Clarius' practice of recommending Private Funds is described in Item 12 below. In no instance will the recommendation or placement into Private Funds result in any compensation, directly or indirectly, from the Private Fund to Clarius or its employees.

Clarius is affiliated with TCGIS, LLC ("TCGIS") through common control. TCGIS acts as the Manager of Clarius Global Equity Fund, LLC ("The Fund"). Clarius will recommend clients invest in The Fund when appropriate and suitable for each client. When recommending The Fund and other advisors at unaffiliated firms, as described in Item 4, above, Clarius does not receive any compensation, directly or indirectly from them.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

#### ***Code of Ethics***

Clarius has established, maintains, and enforces a Code of Ethics (the "Code"), which requires each employee to:





- Offer and provide professional services with integrity, objectivity, competence, fairness, confidentiality, professionalism, and diligence.
- Comply with all applicable laws, rules and regulations, including but not limited to, Federal Securities Laws.
- Regularly report personal securities holdings and transactions for review.
- Protect confidential or material, nonpublic information about clients from improper disclosure.
- Promptly report violations of the Code of Ethics to Clarius' Chief Compliance Officer.
- Provide a written acknowledgement that he/she (1) has read the Code, (2) understands the policies and procedures outlined therein and (3) agrees to be bound by its terms.

Employees are reminded annually of their obligations under the Code.

Employees must obtain prior written approval from the Chief Compliance Officer before acquiring any securities in an initial public offering or private placement and before serving on the boards of directors of public or private companies. These actions are only approved if it's determined that the acquisition or board service would be consistent with the interests of Clarius' clients and consistent with applicable securities laws or regulations. Employees serving as directors must remove themselves from investment decisions which might be inconsistent with the interests of Clarius' clients. Furthermore, Clarius does not advise with respect to any security of an entity in which a Clarius employee is an insider.

Clarius maintains the Code of Ethics and policies and procedures in writing and will provide the Code of Ethics to clients and prospective clients upon request.

#### ***Client Transactions in Securities where Advisor has a Material Financial Interest***

Clarius does not recommend products or strategies in which they have a material financial interest.

#### ***Investing in Securities Recommended to Clients***

To achieve the desired level of diversification, client portfolios can include ETFs, mutual funds and accounts managed by third-party advisers. Clarius' owners and employees ("related persons") frequently invest alongside and in line with client portfolios. Related persons (i.e., Clarius employees) are required to obtain pre-approval on certain investments and disclose their securities trading and holdings for both personal and related accounts to the Chief Compliance Officer, who reviews to determine that there are no undisclosed potential conflicts of interests with our clients.

## **ITEM 12: BROKERAGE PRACTICES**

#### ***Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions***

Clarius is not affiliated with any broker-dealer, but along with the discretion to specify the types and amounts of securities to be bought or sold in client accounts, Clarius will recommend the broker-dealers through which securities are traded. Clarius seeks opportunities to negotiate the commission rates at which client transactions are affected. Under the provisions of the Agreement, Clarius' policy is to secure for their clients the best overall execution of buy or sell orders at the most favorable net prices in securities transactions, consistent with a determination as to the business qualifications of the various broker-dealer firms with which Clarius does business. Among the factors considered in selecting a broker-dealer are price, efficiency in affecting the transactions, reliability and financial stability, custody, quotation, and quality of services.

Clarius does not maintain custody of client assets that they manage, although Clarius is deemed to have custody of client assets if Clarius is given the authority to withdraw assets from client accounts as described in Item 15. Client assets must be maintained in an account at a "qualified custodian", generally a broker-dealer or bank. Clarius typically recommends Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian.





Clarius is independently owned and operated and is not affiliated with Schwab. Schwab will hold client assets in a brokerage account and buy and sell securities when instructed by Clarius. While Schwab is Clarius' recommended custodian, clients will decide whether to do so or not, and will open their account with Schwab by directly entering into an account agreement with Schwab. Clarius does not open accounts for clients, although Clarius may assist the client in doing so.

Schwab provides Clarius and clients with access to institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Clarius manage or administer clients' accounts while others help manage and grow Clarius' business. Schwab's support services described below are generally available on an unsolicited basis (i.e., they are not requested) and at no charge to Clarius. Here is a more detailed description of Schwab's support services:

#### **Services that Benefit Clients Directly**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Clarius and clients might not otherwise have access or that would require a significantly higher minimum initial investment by clients. Schwab's services described in this paragraph generally benefit each client.

#### **Services that May Not Directly Benefit Clients**

Schwab also makes other products and services available that benefit Clarius but may not directly benefit a specific client. These products and services assist in managing and administering client accounts, including investment research for both Schwab's own products and that of third parties. Clarius uses this research to service all or a substantial number of clients. In addition to investment research, Schwab also makes available software and other technology that offers the following:

- Provides access to client account data (such as trade confirmations and account statements),
- Facilitates trade execution and allocation of aggregated trade orders for multiple client accounts,
- Provides pricing and other market data,
- Facilitates payment of Clarius advisory fees from client account,
- Assists with back-office functions, recordkeeping, and client reporting.

#### **Services that Generally Benefit Only Clarius**

Schwab also offers other services intended to help Clarius manage and further develop Clarius' business enterprise. These services include (among others) the following:

- Educational conferences and events,
- Technology, compliance, legal, and business consulting,
- Publications and conferences on practice management and business succession,
- Access to employee benefits providers, human capital consultants, and insurance providers.

Schwab will provide some of these services itself or will arrange for third-party vendors to provide the services. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third-party's fees. Schwab may also provide Clarius with other benefits, such as occasional business entertainment for Clarius personnel.

Clarius does not generally use consulting services provided by Schwab, but, on occasion, will take part in educational conferences and events, and use publications provided on practice management. Clarius reviews the availability of the offered benefit providers and other services needed to operate.

The availability of the services described above from Schwab benefits Clarius as Schwab does not require Clarius to produce or purchase them. The services are not contingent upon Clarius committing any specific amount of business to Schwab in trading commissions or assets in custody. The fact that Clarius receives these benefits from



Schwab is an incentive to recommend the use of Schwab rather than making such a decision based exclusively on client's interest in receiving the best value in custody services and the most favorable execution of transactions. This is a conflict of interest. Clarius believes, however, that taken in the aggregate the recommendation of Schwab as a custodian and broker is in the best interest of clients. Clarius' selection is primarily supported by the scope, quality and price of Schwab's services, and not Schwab's services that only benefit Clarius.

Occasionally, Clarius may also recommend National Financial Services LLC ("Fidelity Investments") as the qualified custodian. Clarius is independently owned and operated and is not affiliated with Fidelity Investments. Fidelity Investments will hold client assets in a brokerage account and buy and sell securities when instructed. While Clarius may recommend Fidelity Investments as a custodian, clients will decide whether to do so or not and will open their account with Fidelity Investments by directly entering into an account agreement. Clarius does not open accounts for clients, although Clarius may assist the client in doing so.

Clarius participates in the institutional advisor program (the "Program") offered by Fidelity Brokerage Services LLC and National Financial Services LLC (collectively "Fidelity"). Fidelity offers Clarius services which include custody of securities, trade execution, clearance, and settlement of transactions. Clarius receives some benefits from Fidelity through its participation in the Program. As part of the Program, Clarius may recommend Fidelity to clients for custody and brokerage services. There is no direct link between Clarius' participation in the Program and the investment advice it gives to its clients, although Clarius receives economic benefits through its participation in the Program that are typically not available to Fidelity retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Clarius participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have Clarius' fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Clarius by third party vendors. Fidelity may also pay for business consulting and professional services received by Clarius related persons. Some of the products and services made available by Fidelity through the Program may benefit Clarius but may not benefit client accounts. These products or services may assist Clarius in managing and administering client accounts, including accounts not maintained at Fidelity. Other services made available by Fidelity are intended to help Clarius manage and further develop its business enterprise. The benefits received by Clarius or its personnel through participation in the Program do not depend on the amount of brokerage transactions directed to Fidelity. As part of its fiduciary duties to clients, Clarius endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Clarius or its related persons in and of itself creates a conflict of interest and may indirectly influence Clarius' choice of Fidelity for custody and brokerage services.

#### ***Directed Brokerage***

Because Clarius recommends a specific custodian and then executes client investment transactions through that custodian on a discretionary basis, Clarius is effectively requiring that clients "direct" their brokerage activity to Schwab, absent other specific instructions as discussed below. Because Clarius does not choose brokers on a trade-by-trade basis, Clarius may not be able to achieve the most favorable executions for clients, and this can ultimately cost clients more money.

Clients can direct Clarius to use brokers other than Schwab. In such situations, Clarius will likely have little or no ability to negotiate commissions, and clients will not benefit from any trade aggregation that would otherwise be implemented, which can result in greater client costs.

Clarius does not select or recommend broker-dealers based on whether client referrals from such broker-dealer are received.



### ***Order Aggregation***

While each client is advised independently, and transactions are executed in accordance with such advice, Clarius will aggregate orders to reduce execution costs. Clarius does not always aggregate orders when the opportunity is present which can result in higher execution costs than if orders were consistently aggregated.

If orders are aggregated, Clarius allocates the securities among client accounts so as not to systematically favor any client account over another. Clarius determines which accounts will participate in an aggregated order on a case-by-case basis in the best interests of the client. When aggregating orders, Clarius considers such factors as account size, suitability, taxes, investment objective and/or cash availability. Participating accounts share the benefit, if any, of aggregation pro rata. If aggregated orders are not completely filled on the day on which they are placed, Clarius will complete the allocation on the next business day when the order is filled at the average price for trades on both days. Each participating client will receive the average share price on the transaction day and costs will be allocated pro rata.

### ***Private Fund Allocation***

In most cases, Private Funds are available only to a limited number of sophisticated investors who meet the definitions of an “accredited investor” under Regulation D of the Securities Act of 1933, as amended (the “Securities Act”) and “qualified client” under the Investment Advisers Act of 1940, or “qualified purchaser” under the Investment Company Act of 1940.

Private Funds are considered “limited offerings” since they only accept a limited amount of funds for investment. When determining which clients should receive a recommendation to invest in a Private Fund, Clarius considers a number of factors, including but not limited to a client’s sophistication, risk tolerances and qualifications, investment objectives, and the amount of available investable assets. Clarius’ goal is to allocate in a fair and balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Funds to clients is mainly subjective, and not all qualifying clients will be provided an investment opportunity. Additionally, there are times when one or more Clarius employees invest in certain Private Funds that are recommended to clients. When this occurs, a potential conflict exists and to address the potential conflict employees are required to receive prior written approval by the Chief Compliance Officer. It is important that qualifying clients receiving a recommendation to invest in a Private Fund read the offering or private placement memorandum prior to investing to fully understand the risks and potential conflicts pertaining to the Private Fund investment. See Item 11 for further information.

### ***Assets Managed by Third-Party Advisors***

For the assets managed by the unaffiliated third-party advisors (TPAs), trading activity is performed by the TPA. The trading practices for each TPA are outlined in their respective Form ADV Part 2A, which is provided to applicable clients and should be read carefully.

## **ITEM 13: REVIEW OF ACCOUNTS**

Clarius’ client management teams are responsible for the management of each client relationship and generally consist of an Advisor, Associate Advisor (“AA”), a Client Manager (“CM”), and an Investment Associate (“IA”). Sometimes a Client Associate (“CA”) is also assigned to a particular client. Each Advisor supervises and works closely with other members of the team to manage each client relationship.

Advisors and their teams will generally meet quarterly but no less frequently than annually, to review each client relationship. Many factors will trigger a portfolio review, such as changes in the client’s circumstances or objectives, a need to rebalance the portfolio to reflect the asset allocation, or changes in the investment or tax environment that would impact the portfolio performance.

The Advisor is primarily responsible for financial planning and works closely with the client management team to review input and recommendations.



Clarius makes quarterly investment reports available to clients which reflect current holdings and investment performance net of fees. These reports are a supplement to, not a replacement for, the statements provided by the account custodian(s). Clients are urged to carefully compare reports provided by Clarius with those provided by the custodian and to notify Clarius promptly of any discrepancies.

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Clarius receives an economic benefit from Schwab in the form of the support products and services it makes available to Clarius and other independent investment advisors whose clients maintain their accounts at Schwab. Clients do not pay more for assets maintained at Schwab as a result of these arrangements. However, Clarius benefits from the arrangement because the cost of these services would otherwise be borne directly by Clarius. Clients should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit Clarius, and the related conflicts of interest are described above in Item 12.

Clarius does not directly or indirectly compensate any individual or entity for client referrals.

## ITEM 15: CUSTODY

Pursuant to Rule 206(4)-2 of the Advisers Act, Clarius is deemed to have “constructive custody” of client funds when Clarius has the authority and ability to debit its fees directly from certain client accounts.

Additionally, certain clients have, and can in the future, sign a standing letter of authorization (SLOA) that gives Clarius the authority to transfer funds to a third party as directed by the client in the SLOA. This is also deemed to give Clarius custody. Custody is defined as any legal or actual authority or ability by Clarius to withdraw client funds or securities. Firms with deemed custody must take the following steps:

- Ensure the clients’ managed assets are maintained by a qualified custodian.
- Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly.
- Confirm that account statements from the custodian contain all transactions that took place in the client’s account during the period covered and reflect the deduction of advisory fees.
- Obtain a surprise audit by an independent accountant on the clients’ accounts for which Clarius is deemed to have custody.

However, the rules governing the direct debit of client fees and SLOAs exempt Clarius from the surprise audit rules if certain conditions (in addition to steps 1 through 3 above) are met. Those conditions are as follows:

- When debiting fees from client accounts, Clarius must receive written authorization from each client permitting advisory fees to be deducted from the client’s account.
- In the case of SLOAs, Clarius must: (i) confirm that the name and address of the third party is included in the SLOA, (ii) document that the third party receiving the transfer is not related to Clarius, and (ii) ensure that certain requirements are being performed by the qualified custodian.

In addition, Clarius is deemed to have custody due to other activities, such as having bill pay authority and serving as a trustee to certain client accounts. For these accounts, Clarius obtains annual surprise exams by an independent accounting firm.

Further, TGCIS, LLC acts as the Manager of Clarius Global Equity Fund, LLC (“The Fund”). TGCIS, LLC and Clarius are under common control and therefore Clarius is deemed by the SEC to have custody of those assets. Clarius undergoes an annual



examination for that vehicle conducted by an independent auditor. The auditor's procedures for the examination may include confirmation of The Fund's assets as well as confirmation of contributions and withdrawals.

## ITEM 16: INVESTMENT DISCRETION

Clients enter into a written advisory services agreement that sets forth the scope of Clarius' discretionary authority. Unless otherwise directed by the client, and except with respect to private placements which must be authorized by the client, Clarius has the authority to invest client assets, including the investment and reinvestment of interest, dividends and capital gains, and to exercise authority granted under a limited power of attorney included in their custodial account agreement. Clarius requires written authorization (e.g., a subscription agreement) in order to invest a client's funds in any private placement.

Clarius has the power under this limited power of attorney to direct the transfer of funds for investment purposes or to the client personally and in this regard, may send checks, wire funds, and otherwise transfer funds held in the client's accounts (1) to other accounts of identical registration, (2) to the client at his/her address of record, or (3) as otherwise directed by the client in writing. Clarius may also have the power to open new accounts for a client in the same registration of an existing account. Clients are still required to authorize, in writing, the opening of the initial account.

## ITEM 17: VOTING CLIENT SECURITIES

Clarius' policy is to vote proxies that are solicited for securities held in clients' accounts unless the client has retained the right. Clarius' policy is to vote proxies solely in the best interests of clients, to retain records of how the proxies were voted and why, and to provide information to the clients who wish to know how Clarius voted. The Clarius Proxy Voting Policies and Procedures are available upon request.

Clarius utilizes the services of Institutional Shareholder Services Governance ("ISS") as the corporate governance proxy voting provider. In general, Clarius utilizes the recommendations of ISS for voting proxies. The Proxy Voting Guidelines relied upon by ISS are available upon request and are applicable to the voting of domestic and global proxies.

While Clarius does not believe conflicts of interest will arise with respect to proxies, if a material conflict of interest does present itself, Clarius will notify the affected clients or refrain from voting the shares affected by the conflict of interest.

Clients voting their own proxies will receive proxy information through the account custodian. Clarius routinely consults with clients who want to discuss particular solicitations. Clients are free to call or email to seek additional information.

Further, Clarius has engaged Institutional Shareholder Services Securities Class Action Services ("SCAS") to track, review, and process class action lawsuits on behalf of clients. SCAS will retain 16% of the settlement proceeds for their services and will distribute the remaining balance to the qualified custodian any settlement payments resulting from claims filed on the clients' behalf. A record of how the class action lawsuit was settled is available to clients, as applicable, upon request.

## ITEM 18: FINANCIAL INFORMATION

Clarius is unaware of any financial condition that is reasonably likely to impair their ability to meet the contractual commitment to Clarius clients.