

# Disclosure Brochure

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This brochure provides information about the qualifications and business practices of Dragus Capital, LLC (hereinafter "Dragus"). If you have any questions about the contents of this brochure, please contact Adriana Gutierrez at (305) 606 1627. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Dragus is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

## **Item 2. Material Changes**

In this Item, Dragus is required to discuss any material changes which have been made to the brochure since the firm's last annual update dated April 1, 2015. Dragus has the following material changes to disclose in this Item.

1. Disclosure of wealth planning services
2. Disclosure of consulting services
3. Disclosure of fee calculation methodology
4. Termination of other industry affiliation
5. Minor adjustments to Items 7, 8, 11, 12 and 14

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## Item 4. Advisory Business

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

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

Dragus provides close consultation and consideration of its clients' goals and risk tolerance before reaching a mutual decision with the client on how best to seek to build and preserve their wealth. Dragus works to follow a rigorous and disciplined process and seeks to leverage high-quality investment products and providers to create a diversified portfolio aimed at meeting its clients' objectives.

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

Dragus is a Florida Limited Liability Company organized on March 13, 2011 and has been an SEC registered investment adviser since June 24, 2011. The principal owners of Dragus are Jorge Sanchez and Javier Madariaga. As of December 31, 2014, Dragus had approximately \$189,186,824 in assets under management, of which \$134,929,324 was managed on a discretionary basis and \$54,257,500 was managed on a non-discretionary basis.

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

### Investment Management Services

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

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

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

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

## **Wealth Planning Services**

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

To accomplish these goals, Dragus normally recommends three types of structures:

**Complex Trust:** this option is for clients with assets above \$2,000,000. This trust allows the settlor to do such things as make distributions over a specified period of time after their death, appoint a Protector for the minors or descendants with special needs, impose certain conditions on the beneficiaries which must be met before they are able to receive their respective distributions, etc.

Providers recommended by Dragus for this type of trust include:

- Forbes Hare Trust Company
- Amicorp
- Intertrust / ATC
- Integritas Trust

### **Simple Trust:**

**Declaration of Trust & Underlying Company:** this is a simple structure for clients with assets under \$2,000,000 and cooperative family circumstances that consists of a Letter of Wishes (similar to a will) and an underlying company whose shares are issued in the name of the custodian.

Provider: Trident Group Nevis

**Company with Joint Tenancy and Rights of Survivorship:** this type of company has a special provision where each owner (two or more) holds an equal share on the company. In the event of death of one of the owners, such owner's share is divided equally among the surviving co-owners.

Provider: Trident Group Nevis

## **Consulting Services**

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Mr. Antonio Polegre, Sr. assists certain clients, with some of their business and personal decisions (these decisions do not involve management of the financial assets). Activities by Mr. Polegre include: attending Board meetings; traveling to different places to meet with a possible buyer for their business; visiting a real estate property the client may want to purchase; meeting with their attorneys, accountants, and family members to discuss business opportunities, etc.

## **Hourly Consulting Services**

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

## Item 5. Fees and Compensation

Dragus offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management or the performance of the client's portfolio.

### Non-Discretionary Investment Management Program Fee

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Dragus provides non-discretionary investment management services for an annual fee based upon a percentage of the market value of the assets it manages. Dragus' annual fee is exclusive of, and in addition to brokerage commissions, transaction fees and other related costs and expenses which are incurred by the client. Dragus does not, however, receive any portion of these commissions, fees and costs. The annual fee is charged quarterly, in arrears, based upon the market value of the assets being managed by Dragus. The market value is calculated based upon the value of the Assets on the last day of the previous quarter as valued by the Custodian. The annual fee ranges up to 1% depending upon the market value of the assets under management and the type of investment management services to be rendered.

Dragus, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.)

### Discretionary Investment Management Program Fee

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For qualified clients investing with Dragus on a discretionary basis, Dragus generally renders investment management services for a performance-based fee in accordance with the requirements set forth in applicable laws, rules, and regulations. For those clients, Dragus charges a fee based upon a percentage of the market value of the assets being managed by Dragus ("base fee") in addition to a fee based on the performance of the account ("performance fee").

Dragus may charge a performance fee up to ten percent (10%) of the net performance by which the account exceeds an agreed upon benchmark, and is subject to a high water mark. Dragus also charges a base fee that ranges up to 1% of the market value of the assets under management.

The base fee is charged quarterly, in arrears, based upon the market value of the assets being managed by Dragus. The base fee is calculated based upon the value of the Assets on the last day of the previous quarter as valued by the Custodian. Dragus' performance fee, if any, is charged annually, in arrears, based on the net gains of the client's portfolio at the end of the calendar period.

Dragus, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## Wealth Planning Services Fees

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As described in Item 4 above, the fees charged by Dragus for Wealth Planning Services varies based upon the complexity of the service provided. The fees with each client are negotiable, but are generally as follows:

**Complex Trust:** Each provider charges an incorporation fee (Trust & Company) and after that an annual fee. Dragus normally charges \$1,000 in addition to the incorporation fees charged by the provider, and \$1,000 in addition to the annual fees charged by the provider. The additional fees Dragus charges for the incorporation of the structure are for the preparation of the instructions of the trust, meetings and phone conversations to decide how the trust needs to be set up in terms of distributions to the beneficiaries, amounts to be distributed, periodicity of the distributions, Protector and Protector Successor of the trust, jurisdiction of the trust, etc. Once the client has the exact idea of how they want to establish the trust, we prepare the instructions and send them to the Provider. After the provider's attorney reviews the instructions Dragus answers any questions, provides clarification, and sends the provider all the compliance documentation required. Annually, Dragus also provides the banks with all the required documents, such as the document of Good Standing, Incumbencies, Beneficial Ownership Certifications, etc.

### **Simple Trust:**

**Declaration of Trust & Underlying Company:** The provider charges an incorporation fee (Trust & Company) and after that an annual fee. Dragus normally charges \$1,500 in addition to the incorporation fees charged by the provider, and \$1,250 in addition to the annual fees charged by the provider. The fees charged by Dragus for the incorporation are for preparing the Letter of Wishes, Indemnity letter for the provider, requesting translations of all the trust documents, requesting compliance documents from the clients, and sending them to the provider. The annual fees charged by Dragus are for compiling and providing all the documents requested by the banks regarding the structure such as, Good Standing, Incumbencies, Beneficial Ownership Certifications, and preparation of resolutions as needed by the client. If any of the settlors or beneficiaries pass away, we prepare resolutions, request the death certificate.

**Company with Joint Tenancy and Rights of Survivorship:** The Provider utilized for this type of trust is Trident Trust Nevis. Dragus charges \$1,000 in addition to the incorporation fees and first year maintenance fees charged by the provider, and \$1,000 in addition to the annual trust and company fees charged by the provider after the incorporation.

## Consulting Services

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The consulting fees charged for these services are a fixed fee which are agreed to by the client and Mr. Polegre. The amount of the fixed fee varies from client to client based upon such factors as the time required to be spent providing the services, the complexity of the services, and other expenses associated with providing the services (travel, transportation, hotels, meals, etc.) Although there is not a standard rate for these services, the fees generally range from \$1,000 from \$10,000.



### Hourly Consulting Services

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Dragus charges a fee of \$250 per hour for hourly consulting services.

### Fees Charged by Financial Institutions and Trust Providers

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As further discussed in response to Item 12 (below), Dragus may recommend the services of one or more financial institutions for investment management accounts. Dragus may also recommend the services of various trust providers, as discussed in Items 4 and 5 above.

Dragus may only implement its investment management recommendations after the client has arranged for and furnished Dragus with all information and authorization regarding accounts with appropriate *financial institutions*. *Financial institutions* may include, without limitation, broker-dealers, custodians, banks and trust companies, as recommended by Dragus or directed by the client (collectively "*Financial Institutions*").

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

For Wealth Planning Service clients, there are certain fees that are not part of the annual maintenance fee of the structures, and that are billed to Dragus separately by the provider. For example, every year certain financial institutions require an updated Certificate of Good Standing for the companies. The certificate is requested by Dragus from the provider and the provider charges Dragus \$140 dollars for the certificate. Dragus passes these charges along to the client in their quarterly invoice as a separate charge.

### Fee Debit

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Dragus' *Agreement* and the separate agreement with any *Financial Institution* may authorize Dragus to debit the client's account for the amount of Dragus' fee and to directly remit that management and/or performance fees to Dragus. All *Financial Institutions* recommended by Dragus have agreed to send a statement to the client, or provide online access to the account statements, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Dragus.

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

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis. Dragus charges clients only for the number of full months in the quarter that Assets are designated to Dragus for management.

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

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



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

As discussed in response to Item 5, above, Dragus may render discretionary investment management services to *qualified clients* that so desire, for a performance-based fee. This type of fee arrangement is an option and not a requirement. It is offered only to *qualified clients* that solicit it.

This fee arrangement raises conflicts of interest. The performance fee may be an incentive for Dragus to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Dragus charges performance-based fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance-based fee.

Dragus has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance-based fee or different type of fee.

## Item 7. Types of Clients

Dragus provides its services to individuals including high net worth individuals, trusts, and estates. Because of the background of its Principals and their profound knowledge of the region, Dragus specializes in servicing the particular needs of clients from Latin America and Europe.

### Minimum Account Size

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As a condition for starting and maintaining a relationship, Dragus generally requires a minimum portfolio size of \$1,000,000. The firm may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria, including (but not limited to): anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. Dragus only accepts clients with less than the minimum portfolio size if, in the sole opinion of Dragus, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Under certain circumstances Dragus may aggregate the portfolios of family members as a risk avoidance strategy.

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

### **Methods of Analysis**

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Dragus' primarily employs fundamental method of investment analysis.

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

### **Investment Strategies**

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

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

### **Risks of Loss**

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#### *General Risk of Loss*

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

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

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

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

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

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

### *Use of Margin*

Dragus limits the use of margin facilities in client accounts to options. While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.



## **Item 9. Disciplinary Information**

Dragus is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Dragus does not have any required disclosures to this Item.



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

Dragus is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Dragus does not have any required disclosures to this Item.



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

Dragus and persons associated with Dragus (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with Dragus’ policies and procedures.

Dragus has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). Dragus’ *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Dragus or any of its associated persons. The *Code of Ethics* also requires that certain of Dragus’ personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When Dragus is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.

Clients and prospective clients may contact Dragus to request a copy of its *Code of Ethics*.

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



and maintain records of securities holdings and securities transactions effected on behalf of our associated persons. These records are reviewed to identify and resolve conflicts of interest.

We do not nor a related person recommends to you, or buys or sells for your accounts, securities in which we (or a related person) have a material financial interest.

We do not, nor does a related person, recommend securities to you, or buy or sell securities for your accounts, at or about the same time that we (or a related person) buy or sell the same securities for our own (or the related person's own) account.

We do not execute transactions on a principal or agency cross basis.

## Item 12. Brokerage Practices

As discussed in Item 5, Dragus may recommend the brokerage, clearing and custodial services of a particular *Financial Institution*.

### Selection of Financial Institutions

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

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

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

### Directed Brokerage

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

### Trading Policy

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

commission rates, or to allocate equitably among Dragus' clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Dragus' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Dragus determines to aggregate client orders for the purchase or sale of securities, including securities in which Dragus' *Supervised Persons* may invest, Dragus generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Dragus does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Dragus determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Dragus may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### Research Benefits

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Consistent with obtaining best execution, brokerage transactions may be directed to certain *Financial Institution* in return for investment research products and/or services which assist Dragus in its investment decision-making process. Such research generally will be used to service all of Dragus' clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Dragus does not have to produce or pay for the products or services.

### Software and Support Provided by Financial Institutions

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Dragus may receive from a particular *Financial Institution*, without cost, computer software and related systems support, which allow Dragus to better monitor client accounts maintained at that *Financial Institution*. Dragus may receive the software and related support without cost because Dragus renders investment management services to clients that maintain assets at that *Financial Institution*. The software and related systems support may benefit Dragus, but not its clients directly. In fulfilling its duties to its clients, Dragus endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Dragus' receipt of economic benefits from a *Financial Institution* creates a conflict of interest



since these benefits may influence Dragus' choice of *Financial Institution* over another *Financial Institution* that does not furnish similar software, systems support, or services.

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

### **Account Reviews**

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

### **Account Statements**

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

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Dragus may provide compensation for client referrals. In the event a client is introduced to Dragus by a solicitor, Dragus may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirement, applicable laws, rules and regulations. All referral fees are paid solely from Dragus' management fee and do not result in any additional charges to the firm's clients. In these situations, clients are advised of the solicitation relationship with Dragus and are provided with the appropriate brochure prior to or at the time the *Agreement* is executed. All third-party solicitors who are not affiliated with Dragus also provide clients with a copy of the solicitor's disclosure statement containing the terms and conditions (including compensation) of the solicitation arrangement.

### Other Economic Benefit

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Dragus may receive an economic benefit from a third party (non-client) for providing investment advice to the firm's advisory clients. This type of relationship poses a potential conflict of interest, as discussed in Item 12.

## Item 15. Custody

Dragus' *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Dragus through such *Financial Institution* to debit the client's account for the amount of Dragus' fee and to directly remit that management fee to Dragus in accordance with applicable custody rules. The *Financial Institutions* recommended by Dragus that act as "Qualified Custodians" have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Dragus.



## Item 16. Investment Discretion

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

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

## **Item 17. Voting Client Securities**

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



## Item 18. Financial Information

Dragus is not required to disclose any financial information pursuant to this Item due to the following:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The firm has not been the subject of a bankruptcy petition at any time during the past ten years.



Prepared by:

