



## **The Clarius Group, LLC**

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### **DISCLOSURE BROCHURE**

**Form ADV Part 2A**

**March 30, 2020**

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 also is 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 June 28, 2019. The material changes made are outlined below:

Item 4 – Advisory Business – Updated to reflect the Firm’s assets under management as of December 31, 2019.

Item 5 – Fees and Compensation – Updated the last tier of the investment management fee schedule. Also, added disclosures on the Firm’s practice for aggregating client assets for fee calculation purposes (“householding”) and more detail on the fees charged by mutual funds.

Item 6 – Performance-Based Fees and Side-by-Side Management – updated to reflect that Private Funds charge performance-based fees.

Clarius made additional non-material updates, so we encourage each client to review this Brochure carefully and to call us with any questions.

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 30th, which is 120 days after our fiscal year-end. Additionally, upon any material changes 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

- A. General Description of the Advisory Firm: 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.
- B. Description of Advisory Services: 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.

Our services vary, depending on the needs of the client, and include (among others) the following:

- 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 financial planning and consulting provided as part of our wealth management services, clients should understand the following:

- (a) Clients are free to accept or reject any recommendation made by Clarius.
- (b) Recommendations in various areas (e.g., estate planning, retirement planning, taxes, and insurance) are only implemented at the client's sole discretion, with the corresponding professional advisor(s) (e.g., accountant, attorney, insurance agent) of the client's choosing.
- (c) 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).
- (d) No portion of our services should be construed as legal or accounting advice, rather the client should defer to their attorney or accountant.
- (e) 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, we 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.

Each client enters into a written investment advisory agreement with Clarius, which – in the case of discretionary assets -- gives us 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, exchange-traded funds (ETFs), and options.

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 account. Generally, in these cases, the client enters into an agreement with the TPA, which gives the TPA the discretionary authority over the client's assets allocated to them and 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, 7 and 12* for further information.

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, managed futures funds, mezzanine 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, including, but not limited to: equities, debt instruments, commodities, futures contracts, real estate, and other private investment funds.

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 fair and balanced manner; however, given these differing factors, the allocation of investment opportunities in Private Funds to our 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. Buying an investment security in a brokerage account using margin debt is an example 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, and 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* below 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. We recognize that margin debt is not suitable for all investors. It is our 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 opening a margin account. For further information, please refer to *Item 8*, below.

- C. Availability of Tailored Services for Individual Clients: 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. We design client portfolios to reflect the different characteristics of each client, such as their ability to accept market volatility, need for liquidity, tolerance for concentrated positions, ability to invest in illiquid investments, and time horizon(s). Clients may impose restrictions on investing in certain securities or types of securities. We offer to meet with each client as often as necessary for the client to feel comfortable about the investment process; we ask to meet with clients at least annually.
- D. Direct Indexing Investment Strategy: This strategy was adopted by Clarius as a means for clients to replicate broad equity market exposures in a diversified, tax-controlled manner with less fee drag. Our 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, our direct indexing strategy allows for a greater breadth of tax loss harvesting opportunities and portfolio customization.

Our Direct Indexing investment strategy, offers two index selections:

1. US Large Capitalization Stocks – similar risk/return characteristics as the S&P 500 Index
2. International Developed Markets Large Capitalization Stocks – similar risk/return characteristics as the FTSE Developed Markets Index ex US (via ADRs)

Our Direct Indexing strategy requires 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.

- E. Wrap Fee Program: Clarius does not participate in wrap fee programs.
- F. Client Assets Under Management: As of 12/31/2019, Clarius managed \$1,367,396,981 on a discretionary basis and \$671,959,108 on a non-discretionary basis.
- G. Rollovers from Retirement Plans: In recommending that any client roll over retirement plan assets to our management, we have a conflict of interest. Before making any such recommendation, we review the client's existing investment options, fees and expenses in the context of their overall investment objectives. We only make the recommendation once we have determined that doing so is in the client's best interest.

As an investment advisor we are a fiduciary to all our clients. We also explicitly acknowledge that we are a "fiduciary" under ERISA or the Internal Revenue Code, or both, with respect to our investment advisory recommendations and discretionary asset management provided to Retirement Investors under this Agreement. A "Retirement Investor" is defined as (1) a participant or beneficiary of a retirement plan with authority to direct the investment of assets in his or her retirement plan account or to take a distribution; (2) the beneficial owner of an

IRA; or (3) a “retail” fiduciary, defined as a retirement plan or IRA fiduciary that is not an “independent fiduciary with financial expertise,” as defined in the Department of Labor’s Fiduciary Rule.

## ITEM 5: FEES AND COMPENSATION

- A. Advisory Fees: Clarius enters into a written advisory agreement with its clients. The advisory agreement contains the Advisory Fee arrangement which typically includes an Investment Management Fee and an annual Planning Fee. Investment fees are based on a percent of assets under management and Planning fees are based on the scope and complexity of non-investment services. Either party may cancel the advisory agreement without penalty upon thirty days’ written notice.

Investment 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. Investment 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 amount of contributions to the partnership less distributions made as of the valuation date. The valuations from private partnerships are typically delayed by approximately one quarter for logistical reasons. Additional information on our valuation practices is provided in the client advisory agreement.

At the inception of an advisory relationship, we will charge an Investment Management Fee calculated from the initial portfolio value and prorated through the remainder of the then-current quarter. Planning fees will be similarly prorated.

Our annual Investment Management Fee schedule is:

- 0.80% on the first \$3,000,000
- 0.60% on the next \$2,000,000
- 0.40% on the next \$5,000,000
- 0.30% on the next \$10,000,000
- 0.20% on the next \$20,000,000
- 0.15% on balances exceeding \$40,000,000

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, the value of a client’s account(s) will be aggregated with the total values of all managed accounts belonging to a client’s spouse, custodial accounts for minor children who reside at the same address of client, and any trust assets where the trustees, trustors and current beneficiaries all reside at the same address as client (collectively, a “household”).

Planning Fees range from \$2,000 per year to more than \$100,000 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. We have clients with fees that are different (both higher and lower) than those shown above, and we reserve the right to negotiate fees for accounts depending on the size and type of account, the investments in the account, and the services required. We also reserve the right to waive fees for family members and friends of the Firm.

If a client has a margin account, our 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 us.

- B. Payment of Advisory Fees: Clarius charges clients quarterly in advance. Clients generally authorize Clarius to deduct fees directly from their account as they become due. We have discretionary authority to sell (at the then-current price) a sufficient amount of account securities in order to pay these fees. Should the advisory contract be cancelled during the billing period, Clarius will refund any unearned fees on a prorated basis. The custodian of the client's investment assets provides a written confirmation of the fees taken but does not calculate or verify the accuracy of the fees.
- C. Third Party Adviser Fees: 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 arrangement 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.
- D. Other Fees and Expenses: Clients incur other fees and expenses associated with their investment portfolios. These can include but are not limited to: custodial fees and transaction costs, 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 a management fee, 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.

Clients invested in Private Funds are subject to certain fees, such as a management fee, performance or incentive fee and other fees and expenses, which are outlined in the fund's offering documents.

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, you 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 us to fully understand the total amount of fees affecting your account

- E. Commissions: 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**

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 Fund. The method of calculating the fee is described in each Fund's offering documents and is in addition to the Clarius Investment Management Fee. Clarius does not receive directly or indirectly any fees charged by Private Funds.

## **ITEM 7: TYPES OF CLIENTS**

Clarius has two general service models – Wealth Management and Family Office.

- Wealth Management clients generally are families with \$2 to \$20 million in net worth whose services typically include investment advisory services and wealth management (e.g., banking and credit coordination, bill paying, cash flow planning, estate planning coordination, financial planning, insurance coordination, charitable support, and tax coordination). We generally require that accounts hold at least \$2 million in investment assets in order to be accepted for management, but we retain the option of accepting smaller accounts at our discretion.
- Family Office clients generally are families with \$20 million or more in net worth who have similar general service needs as Wealth Management clients, but they also may require additional time and/or services based on the increased complexity of their financial issues. Additional services can include multi-generational planning, family governance, more extensive estate structuring, and more complex investment vehicles.

Our clients include individuals, as well as families and their related entities (e.g., charitable organizations). We do not directly advise pension or profit-sharing plans, though we do provide investment advice to individual clients with respect to the self-directed portion of their retirement plans.

For our Direct Indexing investment strategy, generally we require a minimum investment of \$3 million, but retain the option of accepting smaller amounts at our discretion.

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

- A. Methods of Analysis & Investment Strategies:

Our investment approach is specifically tailored to each client. We 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. Our 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).

We employ both passive and active investment strategies. Passive strategies attempt to achieve benchmark-like results. Active strategies attempt to outperform a relevant and appropriate benchmark through the application of

manager skill or knowledge. Clarius is keenly aware that our 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, or in any asset class, are uncertain. We cannot warrant or 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 unstable 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.

We have no affiliation with any of the investments or TPAs we recommend, other than what is outlined in *Items 10 and 11* below. We do not receive any commissions, rebates or other compensation from and/or due to these investments and TPAs. We believe this degree of independence strongly aligns our interests with the best interests of our clients.

If a client chooses to terminate our advisory agreement, we do not liquidate the investments in the client's managed account unless instructed to do so. Notably, some TPAs can require termination of their management arrangement with the client in the absence of a relationship with our firm.

Our methods of analysis and sources of information vary substantially by security or product type, asset class, investment risk, liquidity and other factors. Our research, sourcing and due diligence are supported by items such as: review of applicable regulatory filings and documents, manager site visits, phone calls, correspondence or other means of direct and indirect communication with managers, third-party opinions, reference checks, and background checks.

Other sources of information we rely upon 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.

We provide 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, CDs, 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

We utilize a variety of securities and security types, the precise choice of which are be influenced by liquidity needs, the size of the investment and manager minimums, implementation and ongoing management costs, tax attributes or consequences, administrative and record-keeping burdens and other factors. We 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, we will also recommend the use of options, warrants, structured products or other derivatives for accomplishing objectives and managing risk.

We also recommend unaffiliated TPAs from time to time, which we monitor to ensure the TPA adheres to the philosophy and investment style for which they were selected.

We choose TPAs based on our assessment of their expertise in particular investment strategies. We seek to select TPAs that we believe have the ability to achieve attractive risk-adjusted, net-of-fee investment returns.

In selecting TPAs, we consider a number of factors, 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

We generally compare the historical investment results of comparable money managers, evaluate written information supplied by the TPAs and others, and conduct interviews with individuals who would actually manage money for clients.

Our 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. We are able to give advice on other private offerings if requested by client. 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.

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

*Direct Indexing Investment Strategy:* The direct indexing objective is to provide diversified exposure to core equity markets for long-term growth. Two primary portfolio management considerations will be: 1) tracking risk introduced by differences in key risk factors, such as market cap, style and industry, compared to target index; and 2) rebalancing costs – primarily taxes but secondarily transaction costs. The Direct Indexing solution consists of two primary large capitalization, public equity strategies – U.S. and non-U.S. (via American Depositary Receipts). 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-controlled manner as 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 of market cap. Less-liquid securities will also 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 our investment approach, and we help our 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, we recommend investing broadly across the capital markets, in major asset classes both domestically and internationally. We utilize a range of asset classes 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 noted above, 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. A 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 with Clarius regarding any concerns they have with their margin accounts.

There are risks associated with investing in 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 we do 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 risk of loss, which includes complete loss of principal. Clarius-recommended investments 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:

- 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 we, nor the managers we recommend, have the ability to control or predict such market conditions, including such important market conditions as the level of economic activity and interest rates. Our 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. 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. Interest rates, and changes in interest rates, can impact the value of interest rate-sensitive investments, including fixed income securities.
- Manager Risk: Manager risk encompasses the possibility of loss due to manager fraud, intentional or inadvertent deviation from a predefined investment strategy or simply poor judgment.
- General Economic Conditions: 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. Unexpected volatility or illiquidity in the markets can result in losses.
- Market Disruptions and Government Intervention: 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.
- Non-U.S. Securities: Non-U.S. investments, and in particular those in emerging markets, involve special risks. These risks include fluctuations in currency exchange rates, foreign government intervention or expropriation, failure of markets to function properly, political or economic instability, and differences in regulatory, financial disclosure, accounting and auditing standards.

- Political and Legislative 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.
- Leverage: Some strategies and products involve the use of leverage (borrowing), and this can exacerbate losses or magnify gains.
- Business Risk: These risks are associated with a particular industry or a particular company within an industry. Generally, business risk is that a company will go bankrupt or perform below expectations. Every company carries the business risk that it will produce insufficient cash flow in order to maintain operations. 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).
- Financial Risk: 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.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash.
- 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.
- Currency Risk: Overseas investments may be subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Reinvestment Risk: This is the risk that future proceeds from investments are reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Fixed Income Risk: Bond investing includes the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed income investors receive periodic payments that face the same inflation risk.

Below is a summary of risks on certain types of investments utilized and/or recommended for investment by Clarius:

- Private Funds: These investments (e.g., private equity) 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 of 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 or incentive fees. The duration of private

fund investments 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 placement, and additional important information is found in the specific security's offering materials. Clients generally must execute separate subscription documents to invest in private placements.

- Options Risk: Options on securities can be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks. Options involve risk and are not suitable for all clients.
- ADR Risk: 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 firm. Shares are held on deposit in a bank in the firm'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 value of the ADR, and inflationary risk which is related to exchange rate risk.
- Exchange Traded Fund (ETF) Risk: ETF risk is the risk of an investment in an ETF, including the possible loss of principal. ETFs typically trade on a securities exchange and the prices of their shares fluctuate throughout the day based on supply and demand, which may not correlate to their net asset values. Although ETF shares will be listed on an exchange, there can be no guarantee that an active trading market will develop or continue. Owning an ETF generally reflects the risks of owning the underlying securities investments. ETFs are also subject to secondary market trading risks. In addition, an ETF may not replicate exactly the performance of the index it seeks to track for a number of reasons, including transaction costs incurred by the ETF, the temporary unavailability of certain securities in the secondary market, or discrepancies between the ETF and the index with respect to weighting of securities or number of securities held.

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

We use our best judgment and good faith efforts in making suitable investment recommendations to our clients. It is the responsibility of the client to give us complete and accurate information and to notify us 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.

Investing in securities involves risk of loss that clients should be prepared to bear. Each managed investment product has its own unique set of risks, which are typically discussed in the prospectus or offering documents. Clients should also refer to the disclosure document of the TPAs for a full description of the services offered and the associated risks.

## **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**

We have no other financial industry activities or affiliations. In recommending other advisors for our clients, we select unaffiliated firms as described in *Item 4*, above, and we do not receive any compensation, directly or indirectly from them.

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

A. 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 applicable federal securities laws;
- Report personal securities holdings and transactions for review;
- Protect confidential or material, nonpublic information about issuers from improper disclosure;
- Promptly report violations of the Code of Ethics to Clarius’ Chief Compliance Officer; and
- 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 will be 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. We will approve these actions only if we determine that the acquisition or board service would be consistent with the interests of our 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 our clients. Furthermore, Clarius does not advise with respect to any security of an entity in which a Clarius employee is an insider.

We maintain our Code of Ethics and our policies and procedures in writing and provide our Code of Ethics to clients and prospective clients at their request.

- B. Client Transactions in Securities where Advisor has a Material Financial Interest: We do not recommend products or strategies in which we have a material financial interest.
- C. Investing in Securities Recommended to Clients: To achieve the desired level of diversification, client portfolios can include ETFs, mutual funds and professionally managed accounts. Our owners, officers and employees frequently invest alongside and in line with client portfolios and are included in the aggregation process as described in *Item 12*. We require our related persons to disclose their securities trading for both personal and family accounts to the Chief Compliance Officer, who determines that there are no undisclosed potential conflicts of interests with our clients.

## ITEM 12: BROKERAGE PRACTICES

- A. 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, we may recommend the broker-dealers through which securities are traded. We seek opportunities to negotiate the commission rates at which client transactions are affected. Under the provisions of our written investment advisory agreement, our policy is to secure for our 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 we do business. Among the factors we consider in selecting a broker-dealer are price, efficiency in effecting the transactions, reliability and financial stability, custody, quotation and recordkeeping services.

We typically recommend Charles Schwab & Co., Inc. ("Schwab") for custody of client assets. Schwab's business is serving independent investment advisory firms such as Clarius. They provide Clarius and our 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 us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services described below are generally available on an unsolicited basis (i.e., we do not have to request them) and at no charge to us. 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 we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit each client.

### Services that May Not Directly Benefit Clients

Schwab also makes available to us other products and services that benefit us but may not directly benefit a specific client. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We use this research to service all or some substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements);
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- Provide pricing and other market data;
- Facilitate payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping and client reporting.

### **Services that Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our 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 to us. 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 us with other benefits, such as occasional business entertainment of our personnel.

We do 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. We will review the availability of benefit providers and other services offered as we continue to operate and make use of other opportunities in the future.

The availability of the services described above from Schwab benefits us because we do not have to produce or purchase them. They are not contingent upon Clarius committing any specific amount of business to Schwab in trading commissions or assets in custody.

- Brokerage for Client Referrals: We do not select or recommend broker-dealers based on whether we receive client referrals from such broker-dealer.
- Directed Brokerage: Because we recommend a specific custodian and then execute client investment transactions through that custodian on a discretionary basis, we are effectively requiring that clients "direct" their brokerage activity to Schwab, absent other specific instructions as discussed below. Because we are not choosing brokers on a trade-by-trade basis, we may not be able to achieve the most favorable executions for clients, and this can ultimately cost clients more money.

We do permit clients to direct us 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 we would otherwise implement, which can result in greater client costs.

- B. Order Aggregation: While each client is advised independently, and transactions are executed in accordance with such advice, we will aggregate orders to reduce execution costs. We do not always aggregate orders when we

have the opportunity to do so. Not aggregating orders can result in higher execution costs than if we consistently aggregated.

If we aggregate orders, we allocate the securities among client accounts so as not to systematically favor any client account over another. We determine which accounts will participate in an aggregated order on a case-by-case basis in the best interests of the client. We consider such factors as account size, suitability, taxes, diversification 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, we 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.

- C. Private Fund Allocation: In most cases, Private Funds are available only to a limited number of sophisticated investors who meet the definitions of “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 takes into account 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. Our 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.

- D. Assets Managed by TPAs: For the assets managed by the unaffiliated 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’ team manages each client relationship. Our client management teams generally consist of a relationship manager (“RM”), a client manager (“CM”), an assistant client manager (“ACM”), and a portfolio analyst (“PA”). Sometimes a member of the investment team is also assigned to a particular client. Each CM supervises and works closely with other members of the team.

CMs and their teams meet at least quarterly to review client accounts. A number of factors will trigger an account review, such as changes in the client's circumstances or objectives, a need to rebalance the account to reflect the asset allocation, or changes in the investment or tax environment that would impact the account’s performance.

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

We make quarterly reports available to our 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. We urge our clients to carefully compare statements we provide with those provided by the custodian and to notify us promptly of any discrepancies.

#### **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

Clarius is not compensated by any non-client in connection with providing advice to our clients. We do 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 because the Firm 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 the Firm custody. Custody is defined as any legal or actual authority or ability by the Firm to withdraw client funds or securities. Firms with deemed custody must take the following steps:

1. Ensure the clients’ managed assets are maintained by a qualified custodian;
2. Have a reasonable belief, after due inquiry, that the qualified custodian will deliver an account statement directly to the client at least quarterly;
3. 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; and
4. Obtain a surprise audit by an independent accountant on the clients’ accounts for which the advisory firm is deemed to have custody.

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

1. 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.
2. 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 the Firm, and (ii) ensure that certain requirements are being performed by the qualified custodian.

In addition, Clarius is deemed to have custody due to other activity, 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.

Our clients receive account statements (at least quarterly) directly from the qualified custodian of the client's assets. We encourage our clients to carefully review and compare the information in the custodian's statements with the information in our quarterly statements for consistency.

#### **ITEM 16: INVESTMENT DISCRETION**

Our clients enter into a written investment advisory agreement that sets forth the scope of our discretionary authority. Unless otherwise directed by the client, and except with respect to private placements which must be authorized by the client, we have 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. We require written authorization (e.g., a subscription agreement) in order to invest a client's funds in any private placement.

We have 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.

#### **ITEM 17: VOTING CLIENT SECURITIES**

Clarius generally does not vote proxies on behalf of its clients but will do so at the client's request. If applicable, our authority to vote proxies will be identified in the individual client's advisory agreement. Our policy is to vote proxies solely in the best interests of our clients, to retain records of how we voted and why, and to provide information to the clients who wish to know how we voted. A copy of our proxy voting policies is available upon request. While we do not believe conflicts of interest will arise with respect to proxies, if a material conflict of interest does present itself, we 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. We routinely consult with our clients who want to discuss particular solicitations. Clients are free to call or email to seek additional information.

#### **ITEM 18: FINANCIAL INFORMATION**

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