

# Taurus Asset Management, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Taurus Asset Management, LLC (“Taurus” or the “Company”). If you have any questions about the contents of this brochure, please contact us at 212-457-9922. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Taurus is an investment adviser that is registered with the SEC. Registration with the SEC does not imply a certain level of skill or training.

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

## **Material Changes**

Taurus' most recent update to Part 2A of Form ADV was made in March 2019. Taurus has not had any material business changes since its last annual amendment.

## Table of Contents

Material Changes .....	2
Table of Contents .....	3
Advisory Business .....	3
Fees and Compensation .....	3
Performance Based Fees and Side-by-Side Management .....	6
Types of Clients .....	6
Methods of Analysis, Investment Strategies and Risk of Loss .....	6
Disciplinary Information .....	7
Other Financial Industry Activities and Affiliations .....	7
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Brokerage Practices .....	8
Review of Accounts .....	9
Client Referrals and Other Compensation .....	10
Custody .....	10
Investment Discretion .....	10
Voting Client Securities .....	10
Financial Information .....	10

## Item 4 - Advisory Business

The Company was founded in 2004 and is owned by Bradford Peck and Margery Flicker. Taurus primarily provides customized investment management services to high-net-worth individuals and associated trusts and estates, pension and profit sharing plans, charitable organizations, and other legal entities. Taurus generally invests client assets in domestic, multi-national and international stocks, bonds, mutual funds, and exchange traded funds (“ETFs”).

Taurus helps clients make financial planning decisions, allocate assets between various asset classes, and establish appropriate investment objectives and guidelines. On an ongoing basis, Taurus monitors clients’ investments and has discretion to place trades. The Company tailors its services and investment advice to the needs of each client, and allows clients to impose reasonable restrictions on Taurus’ management of their accounts.

As of December 31, 2019 Taurus had \$1,128,585,657 of regulatory assets under management on a discretionary basis for its clients.

## Item 5 - Fees and Compensation

### Investment Advisory Fees

Taurus charges advisory fees, and commissions or ticket charges, according to two different schedules. Schedule 1 involves lower advisory fees plus commissions on trades. Advisory fees for Schedule 2 are modestly higher, but there are no commissions, just a small ticket charge. The

two advisory fee schedules are listed immediately below, and information about commissions and ticket charges under the two schedules follow later in this section.

Taurus charges fees quarterly in advance based on the following schedules:

**Schedule 1**

<u>Assets Not Allocated to Fixed Income</u>	<u>Annual Fee</u>
First \$500,000	1.50%
Next \$2 million	1.25%
Next \$2.5 million	1.00%
Amounts in excess of \$5 million	0.75%

<u>Assets Allocated to Fixed Income</u>	<u>Annual Fee</u>
First \$20 million	0.50%
Amounts in excess of \$20 million	0.40%

**Schedule 2**

<u>Assets Not Allocated to Fixed Income</u>	
With a market value of less than \$10 million:	
First \$2,500,000	1.50%
Next \$2,500,000	1.40%
Next \$2,500,000	1.30%
Next \$2,499,999	1.20%

OR

With a market value equal to or greater than \$10 million:	
First \$10,000,000	1.25%
Amounts in excess of \$10,000,000	0.90%

<u>Assets Allocated to Fixed Income</u>	
First \$20,000,000	0.50%
Amounts in excess of \$20,000,000	0.40%

Taurus and its clients agree on target allocations between fixed income and other asset classes. Actual allocations to various asset classes can differ from the agreed-upon targets that are used for billing purposes. Taurus seeks to make good faith recommendations regarding clients' asset allocations, but the lower advisory fees charged on fixed income assets poses a conflict of interest regarding recommended fixed income allocations.

Taurus' quarterly fees are typically collected in advance based on clients' capital balances at the start of each quarter. If a client terminates the investment management agreement in the middle of a billing period, the Company will automatically refund the client an amount that is pro-rated

based on the number of days that the account was managed. Existing clients' capital contributions within a quarter will generally not be billed upon until the start of the next quarter. Similarly, clients will not receive a refund on partial redemptions made within a quarter.

Taurus typically imposes a minimum quarterly fee of \$1,875. However, the Company has waived or negotiated lower or different fees and commissions for certain clients. Information about these alternative fee structures is available upon request.

Most clients authorize Taurus to deduct fees automatically from their brokerage accounts, but clients may request that the Company send quarterly invoices.

To the extent that client assets are invested in mutual funds or ETFs, those assets will be subject to a second layer of management fees, commissions, and administrative costs that are borne directly by the pooled investment vehicles. Clients are responsible for paying brokerage commissions, which are described in greater detail below. Clients who custody their accounts away from NFS may also be responsible for paying custodial fees.

### **Commissions**

Taurus' Portfolio Managers are registered representatives of Western. The Company generally trades client assets through Western. Taurus' advisory fees are not reduced to offset the commissions charged by Western. This arrangement presents a conflict of interest because it gives the portfolio managers an incentive to recommend trades and investment products based on the compensation received, rather than on a client's needs. Certain Portfolio Managers may receive a significant portion of the commissions charged by Western, and their roles as registered representatives of Western represent significant financial interests for each Portfolio Manager. Commissions will generally be charged in accordance with the following schedules:

#### **Schedule 1**

#### **COMMISSION SCHEDULE: EQUITIES (IN CENTS PER SHARE)**

	Number of Shares								
\$/Share	<u>100</u>	<u>300</u>	<u>500</u>	<u>1,000</u>	<u>1,500</u>	<u>2,000</u>	<u>2,500</u>	<u>5,000</u>	<u>10,000</u>
5.00	0.12	0.12	0.11	0.09	0.09	0.08	0.08	0.07	0.06
10.00	0.18	0.16	0.14	0.14	0.13	0.12	0.11	0.09	0.08
15.00	0.22	0.19	0.19	0.17	0.16	0.14	0.13	0.11	0.09
20.00	0.27	0.25	0.23	0.21	0.18	0.16	0.15	0.12	0.11
25.00	0.31	0.29	0.26	0.23	0.20	0.18	0.16	0.14	0.12
30.00	0.35	0.32	0.30	0.26	0.21	0.19	0.18	0.15	0.14
35.00	0.38	0.36	0.33	0.27	0.23	0.21	0.20	0.17	0.15
40.00	0.41	0.39	0.37	0.27	0.25	0.22	0.21	0.19	0.15
45.00	0.44	0.43	0.39	0.30	0.26	0.24	0.23	0.20	0.16
50.00	0.46	0.46	0.42	0.32	0.28	0.26	0.24	0.22	0.17
60.00	0.52	0.52	0.47	0.35	0.31	0.29	0.27	0.25	0.19
70.00	0.52	0.52	0.50	0.38	0.34	0.32	0.31	0.26	0.20
80.00	0.52	0.52	0.52	0.42	0.37	0.35	0.34	0.28	0.22
90.00	0.52	0.52	0.52	0.45	0.41	0.38	0.37	0.30	0.24
100.00	0.52	0.52	0.52	0.48	0.44	0.42	0.40	0.32	0.26

The commission rates charged by Western to Taurus' clients are materially higher than those that are largely available to clients of other investment advisers that are similar to Taurus.

The commissions shown above are rounded to the nearest penny per share, but the actual commissions charged by Western will not be rounded. Commissions may vary under certain circumstances, and may be changed after giving written notice to clients. Certain clients have negotiated lower commission rates; in rare cases, no commissions are charged on transactions. A customary minimum commission is a \$35 ticket charge.

Despite this conflict of interest, Taurus will seek to manage each client's account in accordance with agreed upon investment guidelines and will recommend trades that are believed in good faith to be in each client's best interests.

## **Schedule 2**

While commissions will not be charged for trades in connection with securities managed on a discretionary basis, client directed trades involving non-discretionary assets will be charged commissions at Taurus' prevailing rates. Trades are currently subject to a minimum \$13 ticket charge.

### **Markups and Markdowns on Fixed Income Transactions (Schedules 1 and 2)**

Transactions in fixed income securities are subject to markups and markdowns imposed by third parties, rather than commission charges. Neither Taurus, nor the Portfolio Managers, receives any transaction-based compensation in connection with fixed income trades.

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

Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, Taurus does not charge a performance fee so these conflicts of interest are not applicable to Taurus.

## **Item 7 - Types of Clients**

Taurus primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. Taurus' minimum account size is generally \$2 million, but this amount is negotiable.

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

Taurus' Portfolio Managers and Senior Research Analyst conduct fundamental research on individual stocks and bonds. Taurus uses a security-by-security approach to constructing client portfolios, and monitors clients' exposures to various asset classes, geographic regions, and industry sectors on an ongoing basis. Taurus may apply a technical overlay to its fundamental

analysis when determining asset allocations or the timing of trades. Mutual funds and ETFs are sometimes used to adjust clients' portfolio-level exposures.

Sources of research information used by Taurus' investment professionals include, among other things, trade journals, statistical materials and analyses, company presentations and interviews, contact with outside analysts and consultants, and evaluations of the likely financial consequences of world events.

All investing involves a risk of loss, so Taurus seeks to invest each client account in a way that is consistent with the client's risk tolerance and investment objectives.

Investment advisers, including Taurus, must rely in part on digital and network technologies ("cyber networks") to maintain substantial computerized data about activities for client accounts and otherwise conduct their businesses. Such cyber networks might be subject to possible cybersecurity incidents or events that could result in the inadvertent disclosure of confidential computerized data or client data to unintended parties, or the intentional misappropriation or destruction of data by malicious hackers seeking to compromise sensitive information, corrupt data, or cause operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites, to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Taurus maintains policies and procedures on information technology security. It has certain technical and physical safeguards intended to protect the confidentiality of its internal data, and takes other reasonable precautions to limit the potential for cybersecurity incidents, and to protect data from inadvertent disclosure or wrongful misappropriation or destruction. Nevertheless, despite reasonable precautions, the risk remains that cybersecurity incidents could potentially occur, and such incidents, in some circumstances, might result in unauthorized access to sensitive information about Taurus or their clients, and/or cause damage to client accounts or Taurus.

## **Item 9 - Disciplinary Information**

Taurus and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the Company or its personnel.

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

As noted above, Taurus' Portfolio Managers and several other employees are registered representatives of Western. These affiliations, and the associated conflicts of interest, are described in detail in the Fees and Compensation portion of this brochure.

Taurus and its employees do not have any other relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Taurus has adopted a written code of ethics that is applicable to all employees. Among other things, the code requires Taurus and its employees to act in clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Taurus' restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household. A copy of Taurus' code of ethics is available upon request.

Taurus' employees are generally permitted to trade alongside client accounts as long as they receive the average price that is applicable to clients and do not increase the transaction costs borne by clients. However, no employees are allowed to participate in partially filled orders until all clients' orders have been filled, and employees are strictly prohibited from front-running client accounts. Employees are generally prohibited from trading opposite client accounts and may never buy securities from, or sell securities to, a client. The Chief Compliance Officer monitors employee trading, relative to client trading, to ensure that employees do not engage in improper transactions.

## **Item 12 - Brokerage Practices**

Taurus generally recommends that clients arrange for their assets to be held by NFS, our custodian, and traded by Western, our registered broker-dealer. The Company believes that both are appropriate for clients. Among other things, Taurus believes that they do a good job of following the Portfolio Managers' trading instructions, protecting client confidentiality, executing transactions at prevailing market rates, and settling transactions correctly in a timely manner. As noted previously, Taurus' Portfolio Managers are registered representatives of Western and receive a significant portion of the commissions that clients pay to Western. This arrangement poses a material conflict of interest in connection with Taurus' recommendation that clients select NFS to hold and Western to trade their accounts.

Western provides Taurus with access to certain research reports and analyses. From time to time Taurus also trades securities through other broker-dealers, rather than Western, in order to obtain access to research provided by those counterparties. The Portfolio Managers monitor the amount of research obtained from, and trades placed through, such counterparties. To the extent that the Portfolio Managers determine that the trading volume has not adequately compensated other counterparties for the amount of research received, Taurus may trade through such counterparties with greater frequency. The research that Taurus receives primarily consists of reports and analysis prepared by sell-side broker/dealers, access to company managements and conferences, and a subscription to Thomson Reuters information services. Although not all clients will participate in each trade that generates research credits, Taurus may use the research it receives for the benefit of any or all clients. When trading through our counterparties, Taurus' clients will pay commissions that are the same or lower than the Western rates listed in the *Commissions* section of this brochure. The commissions charged by Western are materially higher than those that are largely available to clients of other investment advisers that are similar to Taurus. The Company benefits from the receipt of research from counterparties because Taurus does not need to generate



or pay for the research. This benefit poses a conflict of interest that could influence Taurus' selection of trading counterparties or trading frequency.

### **Best Execution Reviews**

Certain other investment advisers customarily evaluate a variety of broker-dealers when seeking best execution for client trades. However, substantially all of Taurus' trades are executed through Western.

On at least an annual basis Taurus' Portfolio Managers evaluate the services offered by Western to ensure that Western continues to follow the Portfolio Managers' trading instructions, protect client confidentiality, execute transactions at prevailing market rates, and settle transactions correctly in a timely manner.

### **Aggregated Trades**

Taurus typically aggregates client trades in an effort to treat all clients fairly. Taurus' Portfolio Managers exercise their professional judgment when deciding whether or not it is appropriate to aggregate trades. In some cases, the Portfolio Managers may permit the combination of open orders that were placed at different times during the day if the Portfolio Managers determine in good faith that such a combination is fair to all participating clients. Such decisions may be subjective in nature, but will always be based on the Portfolio Managers' desire to treat all clients fairly.

Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. Employees may be included side-by-side in bunched client trades that are fully executed in a single day. If an order is partially filled at the end of a day, clients will have their orders fully filled on a randomized basis; Taurus will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades whenever client orders are only partially filled. Taurus may cross fixed income securities between client accounts, but only if it benefits both the buyer and seller.

### **Client Referrals**

Taurus does not compensate Western or any other custodian or broker/dealer for referring client accounts.

## **Item 13 - Review of Accounts**

Taurus' Portfolio Managers are responsible for reviewing clients' accounts on an ongoing basis. Each account is reviewed in detail at least annually, with interim reviews conducted more frequently. Interim reviews may be triggered by changes in clients' investment mandates or economic developments. The Portfolio Managers also periodically review reports showing clients' holdings, asset class exposures, and returns. Reviews of these reports can prompt more detailed analyses of client accounts.

NFS, or any other custodian selected by a client, provides clients with reports showing trading activity and holdings on at least a quarterly basis. Custodians also provide clients with confirmations for all trades placed in client accounts.

## **Item 14 - Client Referrals and Other Compensation**

Taurus does not compensate any third parties for referring clients. As noted previously, Western provides compensation to Taurus' Portfolio Managers in their capacities as registered representatives of Western. This arrangement poses conflicts of interest, which are described in the *Fees and Compensation* and *Brokerage Practices* sections of this brochure.

## **Item 15 - Custody**

Taurus is deemed to have custody of client assets because of its ability to debit advisory fees directly from client accounts and through the course of ordinary business for those clients who have engaged Taurus for business management services. NFS and any other qualified custodians that hold client assets send clients account statements showing all holdings and account activity on at least a quarterly basis. Clients should carefully review the account statements they receive from their qualified custodian. Clients should compare any account information provided by Taurus with the information provided directly by their account's custodian.

In addition, Taurus obtains an annual surprise asset verification on all business management clients who are also investment advisory clients. This is performed by an independent accountant that is overseen by the Public Company Accounting Oversight Board.

## **Item 16 - Investment Discretion**

Taurus maintains investment discretion over the majority of its clients' accounts. Clients grant Taurus trading discretion through the execution of a limited power of attorney included in Taurus' advisory contract.

Clients can place reasonable restrictions on Taurus' investment discretion. For example, a client might ask Taurus not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

## **Item 17 - Voting Client Securities**

It is Taurus' policy not to accept the authority to vote proxies or opine on clients' participation in class actions.

## **Item 18 - Financial Information**

Taurus has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.