



veritimanagement.com

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## **Item 1 Cover Page**

Veriti Management LLC  
100 High Street, Suite 1110  
Boston, MA 02110

March 5, 2020

**This brochure provides information about the qualifications and business practices of Veriti Management LLC. If you have any questions about the contents of this brochure, please contact us at 617-752-6009. 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. Registration as a registered investment advisor does not imply a certain level of skill or training.**

**Additional information about Veriti Management LLC also is available on the SEC's website at <http://www.adviserinfo.sec.gov>.**

## **Item 2 Material Changes**

March 3, 2020 – Item 8 was amended to provide further discussion of the firm’s methods of analysis, investment strategies and risk of loss.

The material changes discussed above are only those changes that have been made to this brochure since the firm’s last annual update of the brochure. The date of the last annual update of the brochure was March 28, 2019.

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#### Brochure

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#### **Item 4 Advisory Business**

Veriti Management LLC is an investment advisor firm registered with the U. S. Securities and Exchange Commission (“SEC”) since July 30, 2018.

The principal owner of Veriti Management LLC is Entwood Holdings LLC, which is controlled by David L. Beatty, Managing Partner. Ownership of Veriti Management LLC was transferred from Mr. Beatty to Entwood Holdings LLC in February 2019.

##### Advisory Services

Veriti Management LLC’s (“Veriti” or “Advisor”) principal service is managing domestic, international, and global equity portfolios for high-net worth individuals, institutions, and intermediaries such as wealth managers, consultants and family offices. In addition, the Company advises a very limited number of individual clients on asset allocation and fund selection.

Veriti creates customized long equity separately managed portfolios for individuals and institutions. In creating such portfolios, Veriti uses quantitative models and tools in seeking to incorporate client specifications for benchmark, factor tilts, Socially Responsible Investing (“SRI”) values (e.g., faith based), and tax management, and in offering clients the ability to customize their portfolios to meet specific requirements such as holding restrictions, industry limitations, market exposure, situation-appropriate tax needs, and risk factor tilts. Benchmarks include broad market equity indexes representing domestic and/or foreign companies. Once a client has selected an investment strategy and benchmark, Veriti provides supervision and management of the assets. Clients are responsible for informing Veriti of any changes to their investment objectives, individual needs and/or restrictions.

##### Selection of Other Advisors

Veriti may recommend and refer clients to unaffiliated money managers or investment advisors. Through this arrangement, Veriti will enter into an advisory agreement with the third-party money manager authorizing them to assist in managing the relevant client accounts to their investment strategy on a discretionary basis and performing ongoing monitoring of the client accounts. In consideration for such, the third-party money manager will receive an investment advisory fee that will be paid out of the investment advisory fee the client pays to Veriti and the client will not make separate payments to the third-party money manager.

Veriti will ensure that all third-party money managers recommended to clients will be either an investment advisor registered with the U. S. Securities and Exchange Commission, the appropriate state securities regulators, or exempt from such registrations. The client will be provided with that manager’s Brochure.

##### Investment Screening Services

Veriti will provide Socially Responsible Investment screening as a research service to other investment advisors and institutions. The results of these services may be used by the other investment advisors and institutions to help manage their clients’ portfolios. Veriti will not be involved in the management of those accounts.

Veriti will tailor its advisory services to its client's individual needs based on meetings and conversations with the client. If clients wish to impose certain restrictions on investing in certain securities or types of securities, the Advisor will address those restrictions with the client to have a clear understanding of the client's requirements.

Veriti does not provide portfolio management services to wrap fee programs.

As of December 31, 2019, Veriti had \$229,054,000 in discretionary, and no non-discretionary client assets under management.

## **Item 5 Fees and Compensation**

### Advisory Fees

Clients will pay Veriti an annual advisory fee, payable quarterly in advance, based on the amount of assets under advisement by Veriti measured as of the close of business on the last business day of the prior quarter. New account fees will be prorated from the inception of the account to the end of the first quarter.

The advisory fee will range from 0.50% to 0.20% annually depending on factors such as the type and complexity of the investment management strategy employed, the use of sub-advisors, and the size of the account or overall client relationship. The minimum annual advisory fee per account is \$2,500, and clients subject to the minimum fee will be charged \$625 in advance of each quarter. These fees may be negotiated by Veriti at its sole discretion. The client will give written authorization permitting the Advisor to be paid directly from their account held by the custodian. The custodian will send a statement at least quarterly to the client. Where direct fee deduction is not practicable, client will be sent an invoice at the beginning of each quarter which is due upon receipt.

### Specialized Service Fees

Standard investment screening, as well as standard data and index selections, will be provided as part of the fees described above. Standard proxy voting services may be provided as part of the fees described above for institutional clients only. If specialized investment screening, data or index selections, or proxy voting are needed, additional fees may be charged.

In the unusual situation where the client chooses to hold mutual funds or ETFs in their Veriti account, the expenses charged by mutual funds to their shareholders would be separate and distinct from the fees paid to Veriti for investment advisory services. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses.

Client is responsible for all custodial and securities execution fees charged by the custodian and executing broker-dealer. The Advisor's fee is separate and distinct from the custodian and execution fees.

Clients may terminate their advisory contract with Veriti in whole or in part, effective immediately upon giving written notice. Upon termination, any fees paid in advance will be prorated to the

date of termination and any excess will be refunded to client. Client's Turnkey Asset Management Provider ("TAMP") or Money Manager Provider agreement with the Advisor is nontransferable without Client's consent.

Neither Veriti nor its supervised persons accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

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

Veriti does not charge performance-based fees.

## **Item 7 Types of Clients**

The Advisor will offer its services to individuals, institutions, trusts, estates, charitable organizations, corporations and other business entities, and other investment advisors.

While the Advisor does not generally require a minimum account size for opening and maintaining an account, the minimum annual advisory fee per account is \$2,500. However, as noted in Item 5, the Advisor's fees are negotiable.

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

When managing client portfolios, Veriti employs two investment methodologies. For institutional clients, Veriti performs the investment analysis, selects securities to be utilized in the construction of the portfolios, and may use a third-party service provider to trade the accounts and provide account reporting and billing. For all other clients, Veriti may, or may not, sub-advise to other managers. It is Veriti's duty to work alongside the advisor or institution to determine an appropriate benchmark, any factor tilts, any values screens/tilts, or other items so that the overall portfolio is consistent with the client's needs as described in their Investment Policy Statement or by other agreement with the client.

### **Methods of Analysis**

Veriti uses quantitative models and software to manage its client strategies. Investment strategies are typically customized to client specifications and have a defined benchmark and a set of client restrictions/targets. To create portfolios, Veriti typically uses broad universes consisting of stocks that are screened for liquidity, capitalization, and various risk factors provided by the quantitative models and software tools. Portfolios are constructed using optimization techniques and generally hold between 50 and 1,000 stocks, depending on the benchmark, strategy, and client constraints. For taxable clients, portfolios are rebalanced using a tax-efficient approach in order to maximize loss harvesting and minimize capital gains. Veriti's methodologies consider portfolio risk, transactions costs, and taxes when making investment decisions.

### **Investment Strategies**

For the Active Tax Management strategy, Veriti constructs a portfolio comprising individual stocks that track a target benchmark and utilizes software designed to systematically harvest losses

within the portfolio and immediately replace the securities sold at a loss with others of similar type and risk. The losses realized are available to offset gains which may be realized in other portions of the client's portfolio (including those not managed by Veriti), whether from stocks, bonds, real estate, hedge funds, mutual funds, ETFs, or any other source. Any savings realized by the reduction in taxes paid or postponed can improve returns when measured after-tax. This after-tax return benefit presumes that clients have capital gains from active managers, hedge funds, sale of low-cost-basis stock, or other sources suitable for offset. Changes in tax law and/or the treatment of capital gains could impact the after-tax returns from this strategy.

The Factor Tilts and Values-Based Indexing strategies are customized portfolios of equity securities that are designed to meet specific client-driven objectives. These strategies are suitable for both taxable and non-taxable portfolios and include values-based screening as well as other factor strategies. Values-based portfolios are designed to track the equity benchmark selected by the client using a universe of securities that meet specific criteria and standards of conduct as determined by the client.

Factor Tilts enable clients to gain exposure to quantitative factors like quality, value, momentum, low volatility, etc., in a low-cost, tax-efficient strategy. Clients can also tilt portfolios based on industries, sectors, and countries. Clients can work with Veriti to develop customized factor tilts or choose "pre-set" customized tilt strategies offered by Veriti.

#### Risk of Loss

Veriti's separately managed equity portfolios consist of stocks with the objective that the portfolio perform in line with the selected equity benchmark. As a result, the value of the managed portfolios will generally rise and fall with the particular stock market. With all separately managed portfolios, there is a significant risk that accounts will decline in value from time to time, and clients should be prepared to accept the risk of potential loss. In addition, accounts may hold small amounts of cash.

Veriti uses quantitative tools to measure the estimated tracking error of the portfolio versus the benchmark index. Estimated tracking error is a statistic that forecasts how much a portfolio is likely to deviate from the benchmark index on an annualized basis and represents a one-standard-deviation event. For example, if the estimated tracking error of a portfolio is 1% and the benchmark index goes up 10%, there is an approximately 68% chance that the portfolio performance will return between 9% and 11%, assuming what statisticians refer to as a "normal distribution." There is also the possibility that the account could experience a two, three, or higher standard-deviation outcome. While not expected, the risk of a significant deviation from the benchmark is possible. If the deviation is negative versus the benchmark, the portfolio will underperform—perhaps significantly—versus the benchmark. Some accounts will perform worse than the benchmark due to random variation.

The Factor Tilt strategies add an additional and potentially significant level of tracking error risk as the themes emphasized by these strategies move in and out of favor.

ESG or other values-based strategies add an additional level of tracking error risk due to the investing constraints; such a style of investing introduces risk to the management of a portfolio.

Some additional general investment risks a client should be aware of include, but are not limited to, the following:

- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it (a lengthy process), before they can generate a profit. They carry a higher risk of profitability than an electric company that generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Currency Risk:** Overseas investments are 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.
- **Equity Markets Risk:** Since the strategies invest in equity securities, they are subject to the risk that stock prices can fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of each strategy's equity securities may fluctuate drastically from day-to-day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. These factors contribute to price volatility, which is the principal risk of investing in the strategies we offer.
- **Financial Risk:** Excessive borrowing to finance business operations may increase the risk of profitability, because a 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.
- **Foreign and Emerging Markets Risk:** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. Generally, investment markets in emerging countries are smaller, less liquid, and more volatile, and as a result, the value of a portfolio investing in emerging markets may be more volatile. Emerging-market investments often are subject to speculative trading, which typically contributes to volatility. Emerging-market countries also may have relatively unstable governments and economies. Trading in foreign and emerging markets usually involves higher expenses than trading in the United States. A client may have difficulties enforcing legal or contractual rights in a foreign country for any portfolio invested in these markets. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks.
- **General Investing Risk:** Our investment strategies are not intended to be a complete investment program. Clients generally should have a long-term investment perspective and be able to tolerate potentially sharp declines in value and/or investment losses. Investment advisers, other market participants, and many securities markets are subject to



rules and regulations and the jurisdiction of one or more regulators. Changes to applicable rules and regulations could have an adverse effect on securities markets and market participants, as well as on the ability to execute a particular investment strategy.

- **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 the United States or those companies that conduct a substantial amount of their business outside the United States.
- **Small Companies Risk:** Smaller companies are subject to greater price fluctuations, limited liquidity, higher transaction costs, and higher investment risk. Such companies may have limited product lines, markets, or financial resources; may be dependent on a limited management group; or may lack substantial capital reserves or an established performance record. There is generally less publicly available information about such companies than for larger, more established companies. Stocks of these companies frequently have lower trading volumes, making them more volatile and potentially more difficult to value.
- **Tax-Managed Investing Risk:** Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. The ability to utilize various tax-management techniques may be curtailed or eliminated in the future by tax legislation or regulation. The benefit of tax-managed investing to an individual investor is dependent upon the tax liability of that investor. Over time, the ability of an investor in a tax-managed strategy to harvest losses may decrease as unrealized gains may build up in a securities portfolio.
- **Tax Risk:** The tax treatment of investments held in a client portfolio may be adversely affected by future tax legislation, U.S. Treasury regulations, and/or guidance issued by the Internal Revenue Service that could affect the character, timing, and/or amount of taxable income or gains attributable to an account.
- **Tracking Error Risk:** Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the benchmark index it attempts to track, either on a daily or aggregate basis. Factors that contribute to tracking error include: fees and trading expenses, imperfect correlation between the portfolio's investments and the benchmark, changes to the composition of the benchmark, regulatory policies, and high portfolio turnover. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

There can be no assurance that a client's investment objectives will be obtained, and no inference to the contrary is being made. Prior to entering into an agreement with Veriti, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of five years; (2) that volatility from investing in the stock market can occur; and (3)

that over time, the value of the client's assets can fluctuate and at any time be worth more or less than the amount invested.

Veriti does not represent, guarantee, or imply that its services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

### **Item 9 Disciplinary Information**

Neither Veriti nor its management persons have had any legal or disciplinary events, currently or in the past.

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

Neither Veriti nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither Veriti nor any of its management persons are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

Veriti does not currently have any relationships or arrangements that are material to its advisory business or clients with either a broker-dealer, municipal securities dealer, or government securities dealer or broker, investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund" and offshore fund), financial planner, futures commission merchant, commodity pool operator, or commodity trading advisor, banking or thrift institution, accountant or accounting firm, lawyer or law firm, insurance company or agency, pension consultant, real estate broker or dealer or sponsor of syndicator of limited partnerships.

Veriti is under common control with Daintree Advisors LLC due to the control of both firms by David L. Beatty, Managing Partner. Certain management persons of Daintree Advisors LLC provide services to Veriti under an administrative services agreement. Where appropriate, Veriti will be introduced to Daintree clients to provide investment management and screening research services and Veriti will charge their separate fee to the clients for these services. In the event that Veriti and Daintree provide advisory services directly to the same clients, it is the fiduciary duty of Veriti and Daintree to disclose all of the fees being charged to the client prior to any services being provided and to not charge fees for the same services from both companies. Veriti and Daintree will monitor arrangements with common clients to ensure these conflicts are managed.

Mr. Beatty is also a minority investor in Inspire Impact Group, LLC, which owns a registered investment advisor, CWM Advisors, LLC, d/b/a Inspire. Inspire Impact Group, LLC provides portfolio screening services to both Veriti and Daintree's clients under a separate fee agreement. Veriti will disclose the relationship of Mr. Beatty to Inspire Impact Group, LLC to clients that utilize the Inspire screening service and all fees will be disclosed to the clients prior to the services being provided. Veriti clients are not clients of CWM Advisors, LLC.

The principal owner of Veriti Management LLC is Entwood Holdings LLC, which is controlled by Mr. Beatty. In October of 2019, Entwood Holdings LLC acquired a controlling interest in tru Independence, LLC, an SEC registered RIA firm providing services to other RIAs and broker dealers. Mr. Beatty became the Chair of the Board of Directors of tru Independence, LLC in connection with that transaction. Clients of tru Independence, LLC are not clients of Daintree or Veriti.

Veriti does recommend or select other investment advisors for clients. For more specific detail see the response to 4 above.

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

Veriti is registered with the SEC and maintains a Code of Ethics pursuant to SEC rule 204A-1. Veriti has adopted a Code of Ethics that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser. In addition, the Code of Ethics governs personal trading by each employee of Veriti deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of Veriti are conducted in a manner that avoids any conflict of interest between such persons and clients of the adviser or its affiliates. Veriti collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve conflicts of interest. Veriti will provide a copy of the Code of Ethics to any client or prospective client upon request.

Veriti and/or its investment advisory representatives may from time to time purchase or sell products that they may recommend to clients. Veriti and/or its investment advisory representatives have a fiduciary duty to put the interests of their clients ahead of their own.

Veriti requires that its investment advisory representatives follow its basic policies and ethical standards as set forth in its Code of Ethics.

### **Item 12 Brokerage Practices**

If requested by the client, Veriti may suggest brokers or dealers to be used based on execution and custodial services offered, cost, quality of service and industry reputation. Veriti will consider factors such as commission price, speed and quality of execution, client management tools, and convenience of access for both the Advisor and client in making its suggestion.

Veriti does not receive research or other products or services other than execution from a broker-dealer or third party as a result of client securities transactions.

Veriti does not receive client referrals from any broker-dealer or third party as a result of the firm selecting or recommending that broker-dealer to clients.

Veriti does not recommend, request or require that a client direct it to execute transactions through a specified broker-dealer.

Veriti does not permit clients to direct brokerage.

Veriti may combine orders into block trades when more than one account is participating in the trade. This blocking or bunching technique must be equitable and potentially advantageous for each such account (e.g., for the purposes of reducing brokerage commissions or obtaining a more favorable execution price). Block trading is performed when it is consistent with the duty to seek best execution and is consistent with the terms of Veriti's TAMP or Money Manager Provider agreements. Equity trades are blocked based upon fairness to client, both in the participation of their account, and in the allocation of orders for the accounts of more than one client. Allocations of all orders are performed in a timely and efficient manner. All managed accounts participating in a block execution receive the same execution price (average share price) for the securities purchased or sold in a trading day. Any portion of an order that remains unfilled at the end of a given day will be rewritten on the following day as a new order with a new daily average price to be determined at the end of the following day. Due to the low liquidity of certain securities, broker availability may be limited. Open orders are worked until they are completely filled, which may span the course of several days. If an order is filled in its entirety, securities purchased in the aggregated transaction will be allocated among the accounts participating in the trade in accordance with the allocation statement. If an order is partially filled, the securities will be allocated pro rata based on the allocation statement. Veriti may allocate trades in a different manner than indicated on the allocation statement (non-pro rata) only if all managed accounts receive fair and equitable treatment.

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

Veriti monitors client accounts on an ongoing basis for consistency with investment strategies/objectives, cash, and loss-harvesting potential. Accounts are rebalanced at least annually to take advantage of tax-loss harvesting opportunities, reduce tracking error, or to realign the portfolio to its target exposures. The review is conducted by the Chief Investment Officer or designee. Accounts also are reviewed upon a change in client circumstances. Triggering factors may include Veriti becoming aware of a change in client's investment objective, a change in market conditions, change of employment, or a change in recommended asset allocation weightings in the account that exceed a predefined guideline.

The client is encouraged to notify the Advisor and Investment Advisor Representative if changes occur in his/her personal financial situation that might materially affect his/her investment plan.

The client will receive written statements no less than quarterly from the custodian. In addition, the client will receive other supporting reports from mutual funds, asset managers, trust companies or other custodians, insurance companies, broker-dealers and others who are involved with client accounts. Veriti does provide account performance reports to certain clients, but does not deliver separate client statements.

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

Veriti is not compensated by anyone for providing investment advice or other advisory services except as previously disclosed in this Brochure.

Veriti does not directly or indirectly compensate any person who is not a supervised person for client referrals.

## **Item 15 Custody**

In most circumstances, Veriti does not have custody of client funds or securities, however, all clients will receive written statements no less than quarterly from the custodian. Veriti encourages clients to carefully review their account statements for any inaccuracies. Any discrepancies should be immediately brought to the firm's attention.

Generally, Veriti will not accept or maintain custody of a client's funds or securities except in relationships where Veriti or its supervised persons serve as trustee to client accounts. In those limited situations, Veriti ensures that the Client receives custodial reports from other providers on those accounts and Veriti will engage an independent auditor to perform an annual surprise examination of Veriti's records for the assets for which it has custody.

## **Item 16 Investment Discretion**

Veriti generally has discretion over the selection and amount of securities to be bought or sold in client accounts, or the selection of third-party money managers that will carry out such investment activities, without obtaining prior consent or approval from the client for each transaction. However, these purchases or sales, and selection of third-party money managers, are subject to specified investment objectives, guidelines, or limitations previously set forth by the client and agreed to by Veriti.

Discretionary authority will only be provided upon full disclosure to the client. The granting of such authority will be evidenced by the client's execution of a TAMP or Money Manager Provider Agreement containing all applicable limitations to such authority. All discretionary trades made by Veriti will be in accordance with each client's investment objectives and goals.

## **Item 17 Voting Client Securities**

Veriti has adopted and implemented written Proxy Voting Policies and Procedures ("Proxy Voting Procedures") which are designed to reasonably ensure that Veriti votes proxies in the best interest of its clients where the adviser has voting authority.

The Proxy Voting Procedures describes how Veriti addresses voting authority, material conflicts of interest, voting decisions, notification to the client, and books and records requirements, and ensures that proxies are voting in the best interest of its clients.

Veriti acknowledges and agrees that it has a fiduciary obligation to its clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its clients. The Proxy Voting Procedures are intended to guide Veriti and its personnel in ensuring that proxies are voted in such manner without limiting Veriti or its personnel in specific situations to vote in a predetermined manner. These policies are designed to assist Veriti in identifying and resolving any conflicts of interest it may have in voting client proxies.

Where the advisor has voting authority, standard proxy voting services will be provided as part of the fees described above. Advanced proxy voting services may be available and will incur an additional fee.

### **Item 18 Financial Information**

Veriti does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and is not required to file a balance sheet.

Veriti has discretionary authority over client accounts and is not aware of any financial condition that will likely impair its ability to meet contractual commitments to clients. If Veriti does become aware of any such financial condition, this brochure will be updated and clients will be notified.

Veriti has never been subject to a bankruptcy petition.