



## Item 1 Cover Page

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

#### **Firm Brochure**

#### **Gratus Capital, LLC**

3350 Riverwood Pkwy, Suite 1550

Atlanta, GA 30339

Phone: (404) 961-6000

<http://www.gratuscapital.com>

Date: May 20, 2020

This brochure provides information about the qualifications and business practices of Gratus Capital, LLC. If there are any questions about the contents of this brochure, please contact us at (404) 961-6000 or via email at [info@gratuscapital.com](mailto:info@gratuscapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Please note that registration as an investment advisory firm does not imply a certain level of skill or training.

## Item 2      Material Changes

This section discusses changes to our ADV Part 2A brochure (the “Brochure”) since the time of our annual updating amendment, in March 2019:

Gratus Capital changed its Chief Compliance Officer from Mark Burton to W. Travis McKinney effective August 1, 2019.

Under Item 4 and Item 5, we discuss the automated portfolio management services we have begun to offer to appropriate clients through Schwab’s Intelligent Portfolios.

In the brokerage practices section under Item 12, we discuss the transactions we execute through Raymond James and Stifel in order to receive proprietary research from those firms.

We have clarified and enhanced our disclosures regarding conflicts of interest and made other stylistic enhancements throughout the Brochure. Clients are encouraged to review the Brochure in its entirety.

Our Brochure is available on request by contacting W. Travis McKinney, Chief Compliance Officer, at (404) 961-6000 or [tmckinney@gratuscapital.com](mailto:tmckinney@gratuscapital.com). It is also available online at [www.gratuscapital.com](http://www.gratuscapital.com).

## Contents

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Expenses .....	7
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients .....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9	Disciplinary Information .....	13
Item 10	Other Financial Industry Activities and Affiliations .....	13
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	16
Item 12	Brokerage Practices .....	16
Item 13	Review of Accounts .....	20
Item 14	Client Referrals and Other Compensation .....	21
Item 15	Custody .....	23
Item 16	Investment Discretion .....	24
Item 17	Voting Client Securities .....	24
Item 18	Financial Information .....	25

## **Item 4      Advisory Business**

### **About the Firm**

Gratus Capital, LLC (CRD # 173627), an investment advisory firm located in Atlanta, Georgia, succeeded to the advisory business of its predecessor, Gratus Capital Management, LLC (SEC # 801-65765), as of October 1, 2014, and does business under the name Gratus Capital, LLC ("Gratus," "we" or the "Adviser"). The predecessor's advisory business was founded in 2006, and Gratus is continuing the advisory business of the prior adviser in virtually all respects. In May 2016, Gratus acquired certain clients and assets formerly managed by Spectrum Advisory Services Inc. ("SAS"), a registered investment advisor also located in Atlanta. In August 2018, Gratus acquired JPH Advisory Group, Inc. ("JPH"), a registered investment adviser located in Atlanta, Georgia.

Gratus is part of the Focus Financial Partners partnership. Specifically, Gratus is a wholly-owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. ("Focus LLC") is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interest in Focus LLC. Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of the end of 2019, investment vehicles affiliated with Stone Point Capital, LLC ("Stone Point") had a greater than 25% voting interest in Focus Inc., and Stone Point had the right to designate two of seven directors on the Focus Inc. Board. As of the end of 2019, investment vehicles affiliated with Kohlberg Kravis Roberts & Co. L.P. ("KKR") had a less than 25% voting interest in Focus Inc., and KKR had the right to designate one of seven directors to the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other financial service firms (the "Focus Partners"), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Pursuant to a management agreement between Gratus, Focus LLC, and GC Partners LLC (the "Management Company"), the Management Company has agreed to provide persons to serve as officers of Gratus who, in such capacity, are responsible for the management, supervision and oversight of Gratus. The primary members of the Management Company include Hank McLarty, Founder and President, Amy Tierney, Chief Operating Officer, Wealth Management, and Todd Jones, Director of Investments.

We are a member of the National Association of Personal Financial Advisors, a nationally recognized fee-only adviser organization. Gratus offers investment management services and financial planning. These services are described further in this section.

### **Investment Management Services**

Gratus provides investment management services on a discretionary and non-discretionary basis.

When offering these services, Gratus reviews the client's current holdings and gathers information about the client's financial situation including time horizon, tax status, net worth, cash flow and budget information, liquid assets and risk tolerance. For the targeted allocation portfolio, Gratus will develop a recommended target asset allocation based on these factors and fulfill the target allocation using a custom combination of exchange traded funds, equities, mutual funds, and bonds. Once the client is fully invested in the target investment allocation, Gratus will review the portfolio on a regular basis with the client and rebalance back to the target allocation as needed.

If the client desires to retain control over investment decision making, Gratus will provide investment advice on a non-discretionary basis and the client will decide whether or not to implement that advice.

As of May 2016, in addition to the discretionary targeted allocation portfolio and non-discretionary investment advice offerings, Gratus has provided personalized investment management services to certain former SAS clients in a conservative disciplined value strategy that invests in portfolios of individual stocks and bonds. Since May 2016, Gratus has also provided investment management services to the Marathon Value Portfolio, (MVPFX), an open-ended broad market mutual fund with the objective of providing shareholders with long-term capital appreciation in a conservative disciplined value strategy. The Marathon Value Portfolio was formerly managed by SAS.

As of August 2018, Gratus provides portfolio management to some accounts through tactical asset allocation, which is based on the relative valuation of asset classes and sub-classes, by using active money managers and investing primarily, but not exclusively, in mutual funds.

Gratus provides portfolio management to some accounts through the use of external managers, who serve as third-party asset managers.

In 2020, we have begun to offer discretionary portfolio management services to clients who have a smaller amount than our typical account size available to invest through Schwab Intelligent Portfolios. Through this program, client assets are automatically invested and rebalanced in accordance with portfolios we have designed and have determined are appropriate for the client in light of the client's investment objectives, financial circumstances and risk tolerance. Schwab Intelligent Portfolios will offer investors access to institutional mutual fund pricing at drastically lower levels, no mutual fund transaction fees and enhanced account management via tax loss harvesting and better capital flow management.

### *Investment Types*

In addition to equities and bonds, we invest in the following securities:

#### *Options*

We occasionally use option transactions in conjunction with our day-to-day management of clients' equity investments. This is generally limited to selling covered calls. The clients own the stock and, in return for a premium, we sell to a third party the right to buy the stock at a certain price by a certain date. We usually do this for tax reasons to extend the holding period so our clients can get more favorable long-term capital

gains tax treatment. When option prices are volatile, we have also sold covered calls to generate income for clients and to manage our sector exposures.

#### *Mutual Funds and Exchange-Traded Funds*

- Mutual Funds and Exchange-Traded Funds

Occasionally, we recommend investments in no-load, open-end mutual funds or exchange traded funds (ETFs) instead of individual equity or fixed income securities. We consider this investment appropriate in certain instances for diversification without investing in a portfolio of individual securities.

- Marathon Value Portfolio

We are also the Investment Adviser to a mutual fund, the Marathon Value Portfolio (ticker: MVPFX) (Marathon). Marathon is an advisory client of Gratus, and Gratus generally manages Marathon according to the same strategy as that of many of its separate account clients. Depending on the prospective client or client's investment objectives and risk tolerance, we generally recommend Marathon for those advisory clients who have assets below our investment minimums or otherwise for clients and prospective clients who we believe would be better served by the diversification that we intend for Marathon to provide. For more information about the Marathon Value Portfolio, please contact Gratus CCO Travis McKinney at [tmckinney@gratuscapital.com](mailto:tmckinney@gratuscapital.com) or 404-961-6000 to receive a copy of the Prospectus..

#### *Private Funds*

Gratus is the Investment Manager of private investment funds in which clients and others are solicited to invest, but are limited to accredited investors. The private funds generally invest in real estate related investments. Interests in the private funds are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in a private fund does not constitute a complete investment program, and who fully understand and are willing to assume the risks involved in the private fund's investment program. In a private fund's real estate investments, illiquidity can result from the absence of an established market for the investments as well as legal or contractual restrictions on their sale by the fund or underlying funds. Even where the investments of a private fund are successful, some do not produce a realized return for a period of years. The private funds' offering documents contain additional information that must be reviewed by any potential investor.

As of December 31, 2019, the total amount of client investments that Gratus managed was \$1,907,190,117 of which \$1,623,248,999 was on a discretionary basis and \$283,941,118 was on a non-discretionary basis.

Gratus Capital is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. Gratus Capital is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners (collectively, "Retirement Account Clients"). As such, Gratus Capital is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest.

When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a "PTE").

### *Financial Planning and Wealth Advisory Services*

Gratus offers financial planning services to clients. These services include assessing a client's present financial situation and assisting with defining personal financial planning goals and objectives. Focus areas can include, but are not limited to, cash flow planning, tax planning, retirement planning, estate planning, investment planning and education planning.

Clients have the option to execute or disregard any or all information, recommendation or advice given. Gratus will assist the client with implementation of agreed-upon recommendations, but the client is fully responsible for all decisions relating to implementation of the advice given.

Gratus does not prepare any accounting or legal documents for implementation of the financial plan. Any fees incurred for such professional services are the client's responsibility.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Client Solutions ("FCS"). Please see Item 10 for a fuller discussion of these services and other important information.

## **Item 5 Fees and Expenses**

### *Fees for Investment Management Services*

Gratus charges an annual fee for its investment management services, which is specified in our agreement with the client and typically ranges from 1.00% to 1.50%, calculated as a percentage of the value of the client's managed portfolio account. Fees for clients who are invested through Schwab Intelligent Portfolios are up to 1.5%. Fees are negotiable. On a quarterly basis, the fee for the quarter is calculated based on the value of the managed portfolio account at the beginning of the first day of the calendar quarter. Some fees are reduced or waived for family or friends of the firm. A client's fees are debited directly from one of or some of the client's accounts. Some clients pay management fees by check. Cash and accrued interest are included in the account value unless Gratus determines otherwise in its sole discretion or by client agreement. Margin balances created through client borrowing are excluded from the account value unless Gratus determines otherwise in its sole discretion or by client agreement.

The Adviser previously offered clients differing fee schedules and payment terms, including those former SAS and JPH clients, and some clients by agreement still have their assets managed under those fee schedules and payment terms. Some clients who have multiple accounts incur a lower percentage fee in some accounts than in others, by agreement. Some clients who have multiple accounts incur a percentage fee under a tiered fee structure where the overall rate decreases as the level of assets across accounts increases, by agreement.

In the event the client's managed portfolio account is opened after the beginning of a calendar quarter, Gratus' policy is to prorate the fee based upon the days remaining in the quarter, beginning no earlier than the execution date of the Investment Management Agreement. If the Investment Management Agreement is terminated during a quarter, prepaid management fees are refunded according to the terms of the Investment Management Agreement.

This fee is exclusive of:

- (a) all commissions and other portfolio transaction charges and any charge relating to the custody of securities in the portfolio (see Item 12 for additional information regarding Brokerage Practices);
- (b) any advisory and other management fees and expenses described in the mutual fund prospectuses for mutual fund securities in the portfolio that are paid by such mutual funds but are ultimately borne by the investor; and
- (c) offering discounts, commissions and related fees in connection with underwritten public offerings of securities.

Gratus does not share in any third-party transaction fees, charges or commissions.

Clients can contribute additional assets to managed portfolio accounts at any time. Fees on additional assets received into Managed Portfolio accounts are prorated based upon the number of days remaining in the current quarter. Fees on withdrawn assets are refunded on a prorated basis based on the number of days remaining in the quarter following the withdrawal of the assets.

As set forth in certain client investment management agreements, Gratus can amend a client fee schedule by providing the client 30 days written notice in advance of such change becoming effective.

Where Gratus provides portfolio management to accounts through the use of external managers who serve as third-party asset managers, some accounts incur an additional management fee payable to the external manager that is separate from the Gratus fee. In other instances where Gratus provides portfolio management to accounts through the use of external managers who serve as third-party asset managers, Gratus pays a portion of its fee to the external manager and no additional management fee is payable to the external manager.

Gratus clients who own shares in the Marathon Value Portfolio or invest in the private funds managed by Gratus will not be charged a management fee at the advisory client level on the value of their shares of the Marathon Value Portfolio or partnership interest in the private funds in their accounts at Gratus. Those clients will, instead, incur the fee for investment advisory services charged by Gratus to the mutual fund or to the private funds. In other words, there will be no "layering of fees" in such circumstances.

### ***Conflicts – Mutual Fund***

We recognize the conflicts of interest in recommending the Marathon Value Portfolio instead of other investments to clients. These conflicts include:



- Our incentive to steer client assets into the fund to make it more attractive to the public with respect to asset-raising efforts;
- Growth in the fund allows for spreading fund expenses costs over a larger asset base. Gratus provides investment advisory services and pays most of the fund's expenses (with certain exceptions noted below) in return for a "universal fee." For its services to the fund, Gratus is entitled to receive an annual fee before expenses equal to 1.10% of the fund's average daily net assets. This annual fee is more than the annual management fee paid by some clients for separately managed accounts. The fund, not Gratus, pays the following expenses: brokerage fees and commissions, indirect costs of investing in other investment companies, taxes, borrowing costs (such as (a) interest and (b) dividend expenses on securities sold short), extraordinary or nonrecurring expenses, such as litigation. Asset growth in the fund can result in us receiving a greater percentage of the management fee after expenses, which is a benefit to us. Also, some Gratus employees own shares of Marathon in their own accounts, so they benefit financially from decisions that benefit the returns, fees, and expenses of Marathon.
- We occasionally use Marathon as a substitute for individual equities in client accounts instead of holding cash. There is an incentive for us to hold Marathon in client accounts, as the fund pays a higher management fee than some client accounts. To address these conflicts, depending on the prospective client or client's investment objectives and risk tolerance, we generally recommend Marathon for those advisory clients who have assets below our investment minimums and to those clients and prospective clients who we believe would be better served by the diversification that we intend for Marathon to provide.

### ***Conflicts – Private Fund***

Gratus receives a management fee in consideration for its management of the private funds described above in amounts described in the offering documents for the private funds. The management fee for the private funds is higher than the management fee clients pay for separately managed accounts. This could create a conflict of interest and provide an incentive for us to recommend that clients invest in our private funds. We have addressed this potential conflict of interest by adopting investment guidelines regarding the allocation of client assets to the private investment funds that we manage and by limiting the amount of client assets that can be allocated to private investment funds.

Gratus receives Incentive Compensation from a certain private funds in addition to a management fee described above in amounts described in the offering documents of the private funds. This could create a conflict of interest and provide an incentive for us to recommend that clients invest in our private funds. We have addressed this potential conflict of interest by aligning our interests with our clients who invest in certain private funds and prioritize income in certain private funds. Please refer to the applicable offering documents or offering materials for more information.

Although the private funds focus on real estate and related finance activities, some Gratus client accounts have investment objectives or implement investment strategies similar to those of the private funds. To the extent that a private fund makes an investment in the same underlying fund or investment as advisory clients, the private fund's investment can be affected by the actions of the advisory clients.

Some Gratus employees have investments in their own names in the private funds. This could incentivize Gratus to recommend that clients also invest in the private funds or to spend a disproportionate amount of their time on the private funds.

As a result of the foregoing, Gratus and its employees could have conflicts of interest in allocating their time and investment opportunities between the private funds and other accounts. We could also have conflicts of interest in allocating investment opportunities among private funds. In the event of any potential conflicts of interest, including with respect to investment opportunities, Gratus and its members will act in a manner that we in good faith believe to be fair and equitable and consistent with our duties to our clients and with our Code of Ethics.

Fees for our private funds and mutual fund are exclusive of brokerage commissions, custodial fees, transaction fees and other related costs and expenses. The private funds and mutual fund are also subject to administrative, tax preparation, consulting, legal, audit, and other types of professional expenses. Please refer to the applicable offering documents or offering materials for more information.

Some clients also pay IRA (or benefit plan) trustee fees and custodial fees if the client uses these services. Some clients pay brokerage costs, and the amount will depend on the brokerage firm executing the client transactions.

Where a client who has multiple accounts incurs by agreement a lower percentage fee in some accounts than in others, Gratus and its employees can have conflicts of interest in allocating assets to the client's account with a higher fee. Gratus addresses and mitigates this conflict by the differing tax status between accounts, where assets cannot be transferred between accounts with after-tax status and accounts with pre-tax status (e.g., retirement accounts).

#### ***Fees for Financial Planning & Advisory Services***

The fees for Financial Planning & Advisory Services are based on the complexity of a client's financial situation and the time expected to complete the agreed upon project. Factors considered when determining the fee and the complexity of the engagement include, but are not limited to, the composition of the client's assets, liabilities, net worth and any special circumstances related to life changes, health or special estate needs. Fees are negotiable and typically range from \$2,500 to \$10,000 for twelve months of service and are payable in advance in either quarterly, semi-annual, or annual installments.

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

Gratus does accept performance-based fees in certain private funds. Please refer to the applicable offering documents or offering materials for more information.

### **Item 7      Types of Clients**

Gratus works with individuals, families, high net worth individuals, retirement accounts, ERISA plans, charities, limited partnerships, and other businesses. The Adviser also serves as the investment manager of the Marathon Value Portfolio, an open-ended Registered Investment Company ("RIC") mutual fund, and as the investment manager of two private funds.

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

Gratus usually invests in various individual equity (stocks), debt (bonds) and fixed income securities, open-end mutual funds including the Marathon Value Portfolio, exchange traded funds, preferred stock, and options on a discretionary basis, consistent with a client's designated objectives. Gratus constructs globally-diversified, multiple-asset-class targeted allocation portfolios. Portfolio construction incorporates careful asset allocation, which involves the strategic placement of the client's investments in taxable, tax-deferred, or tax-free accounts to achieve the highest level of tax efficiency.

We employ both fundamental and technical analysis in our securities selection process and manage client assets in accordance with a variety of investment strategies we have designed to meet client needs.

Different types of investments involve varying degrees of risk. It should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal to any specific performance level(s).

Gratus also implements and/or recommends options transactions for some clients who have large concentrated stock positions. Generally, the purchase or sale, or the recommendation to purchase or sell, an option contract is with the intent of producing income or offsetting/"hedging" a potential market risk in the client's portfolio.

The use of options transactions as an investment strategy can involve a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment can take the form of either selling or purchasing a security, depending upon the nature of the option contract.

For the conservative disciplined value portfolios formerly managed by SAS, Gratus develops a thorough understanding of the strengths and weaknesses of the companies in which client assets are invested. The Adviser looks to invest long-term in companies that have strong businesses and managements, and unrecognized strengths. The adviser's research consists of an intensive review of written materials, corporate and analytical conferences and electronic media, and frequent testing of investment hypotheses both by in-house resources and with other industry knowledgeable professionals.

Gratus stresses avoidance of loss not only as a means of reducing risk but also as a means of increasing returns. Diversification is also utilized as a means of controlling risk. In addition, fixed income investments, both long and short-term, provide necessary current return and judicious alternatives to equities in ongoing market conditions.

### ***Risks of Investing in Securities***

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Investment risks that investors face include the following:

**Interest Rate Risk:** Fluctuations in interest rates can cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions can trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar's value today can vary compared to the value of a dollar next year, as purchasing power usually erodes at the same rate as inflation.

**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.

**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 risk primarily relates to fixed income securities.

**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, which is a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Cash Withdrawals Risk:** The need to sell the portfolio's holdings in order to meet a client's cash withdrawal requests could cause a loss when selling securities if the requests are unusually large or frequent or occur in times of overall market turmoil or declining prices, or when the securities the portfolio manager wishes to sell or is required to sell are illiquid.

**Financial Risk:** Excessive borrowing to finance a business's operations increases the risk to 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.

**Management Risk:** The risk is whether the investment strategy process and risk analyses applied by Gratus will produce the desired results and that legislative or regulatory developments can affect the investment techniques available to Gratus and the individual portfolio manager in connection with managing the portfolio. There is no guarantee that the investment objective of the portfolio will be achieved.

#### **Cybersecurity Risk:**

The computer systems, networks and devices used by Gratus Capital and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures,

infiltration by unauthorized persons, and security breaches. Despite the various protections utilized, these systems, networks, and devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches can cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences can result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs can be incurred by these entities in order to prevent or mitigate the risk of cybersecurity breaches in the future.

## **Item 9      Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Gratus or the integrity of management. Gratus has no information applicable to this item.

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

### *Employee Activities*

One of our firm's advisers, Scott Rutherford, is a CPA who offers tax review and return preparation through Rutherford Consulting Group, LLC. We have a potential conflict of interest in referring clients who need accounting advice to a CPA firm owned by one of our firm's advisors. We address this potential conflict through clear disclosure of the potential conflict to our clients. We will only refer clients when we believe that the services of Rutherford Consulting Group would be beneficial to them, and clients decide whether to use the services.

### *Corporate Affiliations*

As noted above in response to Item 4, As noted above in response to Item 4, certain investment vehicles managed by Stone Point collectively are principal owners of Focus LLC and Focus Inc., and certain investment vehicles managed by KKR collectively are minority owners of Focus LLC and Focus Inc. Because Gratus Capital is an indirect, wholly-owned subsidiary of Focus LLC and of Focus Inc., the Stone Point and KKR investment vehicles are indirect owners of Gratus Capital. None of Stone Point, KKR, or any of their affiliates participates in the management or investment recommendations of our business.. Gratus does not believe the Focus partnership presents a conflict of interest with our clients. Gratus has no business relationship with other Focus partners that is material to its advisory business or its clients.

### *Focus Client Solutions*

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Client Solutions (“FCS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. These third-party financial institutions are banks and non-banks (the “Network Institutions”) which offer credit and cash management solutions to our clients. Certain other unaffiliated third-parties provide administrative and settlement services to facilitate FCS’s cash management solutions. FCS acts as an intermediary to facilitate our clients’ access to these credit and cash management solutions.

FCS receives quarterly fees (the “Network Fees”) from the Network Institutions and certain administrative services providers (the “Administrative Services Providers” and, together with the Network Institutions, the “Network Providers”) in exchange for allowing them to participate in the FCS credit and cash management programs and thereby to offer their services to our clients. The Network Fees are substantial and are expected to change over time. Such fees are revenue for FCS and ultimately for our common parent company, Focus Financial Partners, LLC, but we do not share in such revenue. Additionally, we have paid FCS an amount equal to our pro rata share of the Network Fees obtained by FCS, and FCS has in turn rebated that amount to the Network Institutions on a pro rata basis. The effect of this payment/rebate mechanism has been to eliminate the receipt of any incremental revenue by our affiliates as a result of our clients’ use of FCS’s services. Accordingly, we have addressed this potential conflict of interest by: (1) disclosing the above arrangements to our clients; (2) offering FCS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services; (3) not sharing in any portion of FCS’s revenue in exchange for successfully offering these credit and cash management products to our clients; and (4) eliminating our affiliates’ receipt of revenue attributable to our clients’ use of FCS’s services. Additionally, we note that clients who use FCS’s services will receive robust product-specific disclosure from the Network Providers that provide such services to our clients.

Even if we and FCS do not retain a portion of the Network Fees attributable to our clients’ use of FCS’s services (which mitigates the conflict that would otherwise have arisen from our receipt of incremental revenue), FCS indirectly benefits from our clients’ use of the services insofar as such use incentivizes the Network Providers to maintain their relationship with FCS and to continue paying Network Fees to FCS. It also may support increases in the overall amount of the Network Fee rate in the future. In addition, our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidating some or all of the assets we manage, and that creates a conflict of interest when we recommend FCS to provide credit solutions to our clients.

### *FCS Credit Solutions*

For FCS credit solutions, the interest rate of the loan is ultimately dictated by the lender, although in some circumstances FCS may have the ability to influence the lender to lower the interest rate of the loan within certain parameters. The final rate may be higher or lower than the prevailing market rate. We can offer

no assurances that the rates offered to you by the lender are the lowest possible rates available in the marketplace.

Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients' custodians. While the FCS program facilitates secured loans through Network Institutions, clients are free instead to work directly with institutions outside the FCS program. Because of the limited number of participating Network Institutions and FCS's financial arrangements with those institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A Network Institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The Network Institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the Network Institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

### *FCS Cash Management Solutions*

For FCS cash management solutions, as stated above, certain third-party intermediaries provide administrative and settlement services in connection with the program. Those intermediaries each charge a fixed basis point fee on total deposits in the program, which are deducted from clients' cash balances in the program. Engaging FCS, the Network Institutions, and these other intermediaries to provide cash management solutions does not alter the manner in which we treat cash for billing purposes.

Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the Network Institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in the FCS cash management program if the client prefers to hold cash at the Network Institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance).

### *SmartAsset Client Referral Program*

As stated earlier in this Brochure, Gratus Capital is a wholly owned subsidiary of Focus. Focus is also one of several minority investors in SmartAsset, which seeks to match prospective advisory clients with investment advisers in exchange for a non-success-based fee paid by the investment adviser. Focus has one director on SmartAsset's board as well as a board observer. Gratus Capital's payment of a fee to SmartAsset benefits SmartAsset's investors, including Focus, our parent company.

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

Gratus permits its employees ("Associated Persons") to buy or sell for their own accounts the same securities recommended to clients. Associated Persons are also permitted to recommend securities to clients in which they have proprietary interests, such as limited partnerships. Pursuant to Gratus' policies, Associated Persons are prohibited from personally benefiting from the short-term market effects of their recommendations to clients. Associated Persons are required to report their investment holdings and disclose investment transactions periodically to the Adviser's designated personnel. Gratus reviews and monitors transactions and recommendations by Associated Persons for wrongdoing and conflicts of interest.

Associated Persons have received training pertaining to the misuse of material non-public information and insider trading. Associated Persons are also permitted to buy or sell a specific security for their own account based on personal investment considerations that the Adviser does not deem appropriate to buy or sell for clients. Under limited circumstances and with prior approval, Associated Persons can participate in Initial Public Offerings and invest in private placements.

Gratus has adopted a Code of Ethics (the "Code") that sets forth the standards of business conduct expected by the Adviser and the policies and procedures pertaining to personal securities transactions. It is the Adviser's policy that its personnel owe a duty of loyalty, fairness and good faith to their clients and have the obligation to adhere not only to the specific provisions of the Code but also to the general principles that guide the Code. The Code covers a range of topics including general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV, and supervisory procedures. A copy of the Code is available to any client or prospective client upon request.

The Board of Trustees of the Northern Lights Fund Trust III, a Series Trust including the Marathon Value Portfolio, a mutual fund in Item 4 – Advisory Business, has also adopted and implemented written policies and procedures specifically designed to prevent violations of applicable securities laws.

## **Item 12 Brokerage Practices**

### *Schwab Institutional*

Gratus recommends to some clients to establish brokerage accounts with the Schwab Institutional division of



Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer and member SIPC, to maintain custody of their respective assets and to effect investment transactions for their accounts. The Adviser is independently owned and operated and not affiliated with Schwab. Schwab provides Gratus with access to its institutional trading and custody services, which are typically not available to Schwab retail investors.

These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets is maintained in accounts at Schwab Institutional. Gratus is not required to further commit to Schwab any specific amount of business (assets in custody or trading). Schwab's services include brokerage, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab also makes available to the Adviser other products and services that benefit Gratus and its clients but that do not benefit individual investor accounts. Some of these other products and services assist Gratus in managing and administering client accounts. The products and services include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Gratus' fees from client accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally can be used to service all or a substantial number of client accounts, including accounts not maintained at Schwab Institutional.

Schwab Institutional also makes available to Gratus other services intended to help us manage and further develop Gratus' business enterprise. These available services include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab makes available, arranges and/or pays for these types of services rendered to us by independent third parties. Schwab Institutional discounts or waives fees it would otherwise charge for some of these services or pays all or a part of the fees of a third-party providing these services to Gratus.

While Gratus endeavors to act in the best interest of its clients, recommending that clients maintain their assets in accounts at Schwab can be based in part on the benefit to the Adviser of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab. This can create a potential conflict of interest.

For client accounts maintained in its custody, Schwab generally does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through Schwab or that settle into Schwab accounts. Gratus does not share in the commissions charged to clients.

#### *TD Ameritrade*

Gratus participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to

independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Gratus receives some benefits from TD Ameritrade through its participation in the Program.

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

Amy Tierney, Gratus' Chief Operating Officer, Wealth Management, participates in the Schwab Advisor Services Technology, Operations & Service (TOS) Advisory Board (the "Board."). The Board consists of independent investment advisors that advise Schwab Institutional on issues relevant to the independent advisor and their experience with Schwab's service, technology and products. The Board meets in person and conducts periodic conference calls on an as-needed basis. Schwab does not compensate Board members. The benefits received by Gratus or its personnel by serving on the Board do not depend on the amount of brokerage transactions directed to Schwab. Clients should be aware, however, that the receipt of economic benefits by Gratus or its related persons in and of itself creates a potential conflict of interest and can indirectly influence Gratus' recommendation of Schwab for custody and brokerage services.

See also the description of TD Ameritrade's AdvisorDirect program, which is a national referral service discussed in Item 14: Client Referrals and Other Compensation, below.

See also the description of the Schwab Advisor Network, which is a national referral service discussed in Item 14: Client Referrals and Other Compensation, below.

### *Choosing Brokers for Trading*

Gratus has the authority to select brokers to effect client transactions for certain accounts under its discretionary management, including the Marathon Value Portfolio. Gratus seeks to obtain the most favorable execution for each transaction under the circumstances. When seeking best execution, Gratus considers not only the commission rate offered by the broker, but also other factors such as the broker's service, responsiveness, financial responsibility and the value of research products and services that can be utilized by Gratus. Gratus receives proprietary research from certain brokers that execute trades for the Marathon Value Portfolio. The proprietary research obtained from these brokers applies broadly across client portfolios at Gratus and is not limited to the benefit of the Marathon Value Portfolio.

Gratus will under certain circumstances use discretionary authority to choose broker-dealers other than the custodian to execute trades for accounts held at Schwab and TD Ameritrade. In particular, we execute options trades through Raymond James and Stifel in an effort to seek best execution and in order to receive research benefits, as described in the Soft Dollars section below. Trades will be processed using the custodian's "trade away" service. Executions will be completed at the selected broker-dealer, and then settlement will be completed through the custodian. This service can involve additional transaction costs. However, Gratus has negotiated reduced "trade away" fees to minimize the cost difference to clients. The transactions will be reported on the custodial statements, and the securities are held directly with the custodian.

Gratus reviews trade executions at each custodian and broker on a regular basis to evaluate the executions received and execution costs being paid by clients.

### *Aggregate Trading*

Gratus aggregates or "bunches" some buy or sell orders for two or more clients into a single large order and places the bunched order with a single broker or dealer for execution. The Adviser is not obligated to place all transactions on a bunched basis. When determining whether to bunch orders, Gratus assesses what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, Gratus seeks to avoid advantaging or disadvantaging client accounts that are effecting like transactions in the same securities.

The Adviser permits bunched or block trading when the following conditions are met:

- Orders of two or more clients can be bunched only if Gratus has determined on an individual basis that the transaction is:
  - In the best interests of each client participating in the order;
  - Consistent with a duty to obtain best execution; and
  - Consistent with the terms of the Investment Management Agreement of each participating client.

- When conducting a bunched or block trade, Gratus will determine the accounts that will participate and the specific allocations in advance of the transaction. If the entire order is filled, each client receives the allocation specified on the trade ticket. All allocations are made prior to the close of business on trade date. Client accounts participating in the transaction will receive the weighted average price of the security and will incur a pro-rata share of the transaction costs.
- If part of the order is unfilled, the allocation is based on a pro-rata share per client.

Gratus' books and records separately reflect, for each client for whom an order is bunched, the securities held by, purchased, and sold for that client.

### *Soft Dollars*

Gratus executes securities transactions through Raymond James and Stifel and pays customary commissions charged by those firms, which are more than the lowest commission available in the marketplace, in order to receive proprietary research products and services from them. When client brokerage commissions are used to obtain research or other products or services, a benefit is received because Gratus does not have to produce or pay for the research, products or services. Gratus can have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. The soft dollar benefits received from Raymond James or Stifel service all clients' accounts - not just those that paid for the benefits.

### *Cross Transactions*

In a rare circumstance, Gratus can utilize cross transactions when a current client liquidates their account, sells securities to raise cash or a change occurs in the client's tax status necessitating the sale of bonds. Cross transactions are considered when Gratus feels the security is attractively priced in the present market environment and that both sides will benefit from the transaction. A cross transaction is done only if the price is at least equal to the best price that the seller and buyer could obtain in the current market, after consulting several brokers and obtaining bid/ask quotes to determine a fair price for the security. Typical securities considered for cross transactions are mortgage-backed securities, municipal bonds and corporate bonds. All cross transactions must be approved by Gratus' Chief Compliance Officer.

## **Item 13    Review of Accounts**

Account reviews are completed regularly by Gratus Wealth Advisors and members of the Gratus Investment Strategy Group. Account reviews are performed more frequently when market conditions dictate. Other conditions that can trigger a review are changes in the tax laws, new investment information, and changes in a client's own financial situation.

The client will receive statements at least quarterly from firms that custody their accounts. These statements show the transactions and holdings in the accounts as well as any deposits or withdrawals. The client will also receive access to performance reports from us that detail the asset allocation and performance of the client's accounts, projected income, and other meaningful tracking information.

Clients are urged to compare the information received from Gratus to the information received from the custodian of their assets.

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

Gratus enters into referral agreements with third parties who refer clients to the Adviser ("Solicitors"). Through these arrangements, Gratus pays a monetary referral fee to the Solicitor based on a percentage of the advisory fee. Solicitation agreements inherently give rise to potential conflicts of interest because the solicitor is receiving an economic benefit for the recommendation of advisory services. Gratus Capital, LLC, addresses these conflicts through this disclosure. If a client is introduced to Gratus by a solicitor, Gratus has agreed to pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any referral fees incurred for successful solicitations are paid solely from Gratus' investment management fee and do not result in any additional charge to the client. If the client is introduced to Gratus by a solicitor, the solicitor is required to provide the client with a copy of Gratus' written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement, including compensation the solicitor is to receive.

Certain product sponsors will assist Gratus in the company's marketing efforts. These sponsors provide speakers or financial assistance for client presentations on occasion. These relationships are not based upon the specific advice given to clients and do not relate to any achieved level of client investment in the products managed by the product sponsors.

Gratus receives client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Gratus was selected to participate in AdvisorDirect in part based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Gratus, and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Gratus and has no responsibility for Gratus' management of client portfolios or for Gratus' other advice or services. Gratus pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Gratus ("Solicitation Fee"). Gratus will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Gratus from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hires Gratus on the recommendation of such referred client. Gratus will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Gratus' participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Gratus has an incentive to recommend to clients that the assets under management by Gratus be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Gratus has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Gratus' participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Gratus receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Gratus' participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Gratus. Schwab does not supervise Gratus and has no responsibility for Gratus' management of clients' portfolios or Gratus' other advice or services. Gratus pays Schwab fees to receive client referrals through the Service. Gratus' participation in the Service raises potential conflicts of interest described below.

Gratus pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Gratus is a percentage of the fees the client owes to Gratus or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Gratus pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Gratus quarterly and can be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Gratus and not by the client. Gratus has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Gratus charges clients with similar portfolios who were not referred through the Service.

Gratus generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Gratus generally would pay in a single year. Thus, Gratus will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Gratus' clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Gratus will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Gratus' fees directly from the accounts.

For accounts of Gratus' clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Gratus' clients in the form of commissions or other

transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Gratus has an incentive to cause trades for clients to be executed through Schwab rather than another broker-dealer. Gratus nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab can be executed through a different broker-dealer than trades for Gratus' other clients. Thus, trades for accounts custodied at Schwab can be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Gratus Capital's parent company is Focus Financial Partners, LLC ("Focus"). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Gratus Capital, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Gratus Capital. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Gratus Capital. Although the participation of Focus firm personnel in these meetings is not preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Gratus Capital to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Gratus Capital. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement. The following entities have provided conference sponsorship to Focus in the last year: Fidelity Brokerage Services, LLC; Orion Advisor Services, LLC; Charles Schwab & Co., Inc.; eMoney Advisors, LLC; Envestnet Financial Technologies, Inc.; and Orion Advisor Services, LLC.

We pay a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program, which is operated by SmartAsset, provides information about investment advisory firms to person who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads. The flat fee we pay for being provided with potential leads varies based on certain factors, including the size of the person's portfolio, and the fee is payable regardless of whether the prospect becomes our advisory client.

## **Item 15    Custody**

Gratus is deemed to have custody of client funds where Gratus has the authority to deduct fees from client accounts. An explanation of Gratus' fee calculations is available to the client upon request. In addition, Gratus has custody over certain client accounts in order to facilitate additional services, such as providing cash management services, which are subject to the clients' written instructions. Further, Gratus has

custody over client accounts when Gratus receives a check for deposit into a client's account and the check is written by a third party and made payable to the client.

The qualified custodians of client assets (e.g., Schwab or TD Ameritrade) send statements directly to the client on at least a quarterly basis. The client should carefully review those statements. If there are any issues with custodian statements, please contact the Chief Compliance Officer, W. Travis McKinney, at (404) 961 6000 or by email to [tmckinney@gratuscapital.com](mailto:tmckinney@gratuscapital.com). The Chief Compliance Officer is required to escalate any problems to senior management.

Gratus also provides account performance information to clients and urges clients to compare the account statements received from the custodian to the information received from Gratus.

## **Item 16 Investment Discretion**

When we provide discretionary portfolio management services to client accounts, we have discretionary authority pursuant to the terms of the client investment management agreement to supervise, manage, and direct the assets in the managed portfolio with complete and unlimited trading authorization and to act as attorney-in-fact and the client's agent to purchase, sell, invest, reinvest, exchange, convert, and trade the assets in the client's managed portfolio and to place all orders for the purchase and sale of securities with or through brokers, dealers, or issuers selected by Gratus, all without prior consultation with the client, and all at such times as Gratus deems appropriate. When necessary and appropriate, clients will sign "limited powers of attorney" or "trading authorizations" as required by client's custodian. Gratus is not empowered to liquidate and/or disburse proceeds of Client's assets to anyone other than Client without express written direction of Client, other than for the payment of management fees, account opening fees or termination fees.

For non-discretionary managed portfolios, Gratus does not have discretionary authority to effect trades without client authorization, but if the client accepts a recommendation to purchase or sell an investment, Gratus is responsible for completing the purchase or sale. Gratus includes the assets in non-discretionary managed portfolios in ongoing strategy formulation, asset allocation, and regular monitoring. Gratus does not have any responsibility to advise, monitor or report on the performance of a non-managed portfolio or investments selected by the client.

## **Item 17 Voting Client Securities**

Gratus accepts proxy voting authority only under select circumstances; we do not generally accept proxy voting authority from clients. Under circumstances where we do accept proxy voting authority from the client, Gratus will vote proxies in accordance with Gratus' policies regarding proxy voting. Upon request, Gratus will provide to Client a copy of Gratus' current proxy voting policy. Also upon request, Gratus will disclose to Client how Gratus voted the client's proxies.



Gratus votes proxies for the Marathon Value Portfolio. As a fiduciary to the Mutual Fund, Gratus will vote proxies with the goal of maximizing shareholder value consistent with its proxy voting policy. A copy of Gratus' proxy voting policy for the Mutual Fund is available upon request. The proxy voting reports for the Marathon Value Portfolio are also available upon request. The Fund's proxy voting record is additionally accessible on the SEC's website as the Marathon Value Portfolio's Form N-PX filing.

## **Item 18    Financial Information**

Gratus has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.