

Karani Asset Management LLC

Part 2A of Form ADV The Brochure

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August 12, 2021

This brochure provides information about the qualifications and business practices of Karani Asset Management LLC (“Karani” or the “Adviser”). If you have any questions about the contents of this brochure, please contact Karani’s Chief Compliance Officer, Patrick A. Keenan, at (646) 593-7450. For additional information about the adviser, see www.karaniasset.com.

Karani is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. The information in this brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about Karani is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Item 2 - Material Changes

Following is a summary of material changes in this brochure, dated August 12, 2021, from Karani's previous brochure dated March 5, 2021:

- The Cover Page is revised to reflect the addition of a Website for information provided by Karani.
- Item 4 is revised to report regulatory assets under management of approximately \$276,202,000 as at June 30, 2021.

Karani will provide a summary of any material changes to this and subsequent Brochures within 90 days of the close of its fiscal year and disclose other material changes to its Form ADV as required.

Item 3 - Table of Contents

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

Item 4 - Advisory Business

Karani Asset Management LLC is a Delaware Limited Liability Company formed on May 7, 2018. Karani's owners are Richard L. Bayles and Youngdawn Daniel Ha, both of whom are its Portfolio Managers. Karani's operations are located in New York, NY, at 888 Seventh Avenue, 11th Floor, New York, NY 10106.

Karani provides investment advisory services to high-net-worth individuals, trusts, estates, individual retirement accounts ("IRAs"), and institutional clients, including charitable organizations, foundations and endowments, all through separately managed accounts. Karani seeks long-term growth of capital by principally investing in publicly traded equity securities of companies around the world. Clients may impose reasonable restrictions on Karani's management of their accounts.

As of June 30, 2021, Karani had approximately \$276,202,000 in regulatory assets under management, all of which is managed on a discretionary basis.

Item 5 - Fees and Compensation

Karani charges clients an annual management fee based on the following schedule:

Portion of Account Size	Percent Per Annum
Amounts up to and including \$100,000,000	1.00%
Amounts exceeding \$100,000,000	0.75%

Generally, Karani charges fees and requests payment quarterly in advance based on the account value at the beginning of each calendar quarter. Karani requires approval of the client and its authorized custodian to receive its fees from custody accounts. However, for accounts opened by clients at Interactive Brokers, fees are payable quarterly in arrears.

Accounts initiated or terminated during a calendar quarter are charged a pro-rated fee. Upon termination of an account, any prepaid, unearned fees are promptly refunded or applied to amounts owed by the client to Karani pursuant to the terms of the Managed Account Agreement. The management fee is adjusted for any contributions or withdrawals made during the quarter. For accounts at Interactive Brokers, because fees are paid quarterly in arrears, any unpaid fees are accrued on a daily basis against the value of the account at the applicable fee percentage rate.

All clients bear the custodial fees, transaction costs and brokerage expenses on their accounts, as discussed below in the Brokerage Practices section.

Karani has adopted valuation policies and procedures to govern the valuation of securities held in client accounts. Karani primarily relies on asset prices obtained from broker-dealers and/or custodians, as established every business day and recorded on custodial records. However, Karani has a fair value pricing policy that it follows in situations where custodians may be unable to price

certain investments, or where custodians may assign prices that do not reflect Karani's reasonable view of current market conditions. In such instances, Karani works directly with the applicable custodian to establish the appropriate valuation.

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

Karani does not charge any performance-based fees (fees based on a share of capital gains on, or capital appreciation of, the assets of a client). Therefore, Karani avoids any potential conflicts of interest that may be experienced by investment managers who, in connection with side-by-side management of accounts, offer different performance-based fee structures.

Item 7 - Types of Clients

Karani provides investment advisory services to high-net-worth individuals, trusts, estates, IRAs, and institutional clients including foundations, endowments, and other charitable organizations. Karani's minimum account size is generally \$5,000,000, except where Interactive Brokers is the custodian, where the minimum is \$100,000.

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

Investing in any security or investment strategy involves the risk of loss and each client should be prepared to bear that loss. There can be no assurance that the investment objective of a client will be achieved or that the strategies implemented on the client's behalf will be successful. Clients must be prepared to lose all or substantially all of their investment.

Methods of Analysis and Investment Strategies

Karani offers two investment strategies:

- 1) **Original Strategy:** The Original Strategy seeks long-term growth of capital by investing in publicly-traded equity securities of companies around the world. The Original Strategy employs a high-conviction, long-term-oriented, fundamentals-driven strategy that focuses on investing in companies with multiyear growth opportunities. It is anticipated that the number of holdings will be limited typically in the range of approximately twenty (20) to forty (40)) and that most companies will be based in developed economies. The Original Strategy only takes long positions when investing in securities. The Original Strategy does not employ derivative instruments. The Original Strategy does not employ leverage. The Original Strategy will invest in securities that are traded on United States and non-United States markets (including over-the-counter markets).
- 2) **Culture Factor Strategy:** The Culture Factor Strategy seeks long-term growth of capital by primarily investing in publicly-traded equity securities of companies around the world. The Culture Factor Strategy emphasizes corporate culture as a competitive advantage and will invest in the securities of companies that we believe have this feature. The Culture Factor Strategy primarily invests in U.S. securities, but the scope may widen over time to

include foreign securities. The Culture Factor Strategy uses a bottom-up investment selection process. The Culture Factor Strategy seeks to be diversified by number of issuers (i.e., typically no fewer than 20). However, the bottom-up selection process could result in sector or geographic concentration at any given time. The Culture Factor Strategy takes only long positions when investing in securities. The Culture Factor Strategy will not employ derivative instruments. The Culture Factor Strategy does not employ leverage. The Culture Factor Strategy will invest in securities that are traded on United States and non-United States markets (including over-the-counter markets).

To implement its investment strategies, Karani invests principally in equity securities, including, common and preferred stock and depository receipts that are traded on United States and non-United States markets (including over-the-counter markets). Occasionally, Karani will be issued warrants or rights as a shareholder of record of a company that it has invested in. Warrants and rights give Karani an option, but not an obligation, to purchase securities of the company that issued the warrants or rights. Karani will either exercise the right, sell the right, or allow the right to lapse as appropriate. Karani does not actively trade warrants, rights, or any other equity-linked securities, other than depository receipts, to implement its investment strategies.

Generally, Karani creates and maintains a proprietary financial model for each portfolio company or potential portfolio company to determine and monitor its earnings potential and underlying intrinsic value. Karani conducts ongoing analysis of the portfolio investments in each client's account. On an ongoing basis, Karani manages market exposures, position-level and industry-level concentrations, and the liquidity profile of each portfolio.

Investment Risks

Risk management is at the core of Karani's investment process. Every investment decision is evaluated beforehand with consideration of how the idea will impact other positions and portfolio-level risk.

Below is a non-exhaustive summary of risks relevant to Karani's investment strategies.

Equity Investments. Equity securities are subject to various types of risks, including market risk, liquidity risk, currency risk, counterparty credit risk, country risk, legal risk, and operations risk. In addition, certain equity-related instruments can involve significant imbedded economic leverage and may, in some cases, involve significant risk of loss.

Non-U.S. Securities. Investing in securities of non-U.S. companies and governments that are generally denominated in non-U.S. currencies involves the aforementioned risks of equity investments and along with both risk and opportunities not typically associated with investing in securities of United States companies. These include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, foreign government restrictions, less government supervision of exchanges, broker-dealers and issuers, greater risks associated with counterparties and settlement, difficulty in

enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility. These risks are particularly evident in emerging and undeveloped markets.

Debt and Other Income Securities. Karani may invest in U.S. Treasury and Government securities for short term or defensive purposes. Cash positions will generally be held in money market funds (which may be affiliated with a client's custodian) or bank money market deposits. Debt securities have interest rate risk, meaning that their prices decline when interest rates rise, or perceived risk of issuer default.

Reliance on Key Management Personnel. The success of Karani's investment strategy will depend, in large part, upon the skill and expertise of the management team. In the event of the death, disability, or departure of key members of Karani, the business and the performance of its clients will be adversely affected.

Cybersecurity Risk. Karani relies on technology to perform many of its functions, as do custodians, and broker-dealers that execute trades for client accounts. This means that trade processing, portfolio accounting, client servicing and other operational tasks are susceptible to disruption during events such as power failures, Internet unavailability and telephone outages. In addition, our network and our client data are vulnerable to nefarious acts including hacking directly into our network or through third-party providers such as custodians, broker-dealers, software providers or network administrators. A breach in cybersecurity can impact our hardware, software, and confidential information we hold, and can result in financial losses and reputational damage, as well as legal and regulatory consequences. We have taken what we believe to be reasonable precautions to maintain our ability to conduct business in the presence of such events or acts, and to protect the functionality of our networks and the confidentiality of our client data. However, no measures can eliminate cybersecurity risks completely. Karani will endeavor to take action to mitigate any damage and notify affected clients, as appropriate, if we experience a cyber-related incident.

Item 9 - Disciplinary Information

To Karani's knowledge, neither Karani nor its principals or employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's or prospective client's evaluation of Karani or its personnel.

Item 10 - Other Financial Industry Activities and Affiliations

To Karani's knowledge, neither Karani nor its principals or employees have any other relationships or arrangements, pending or otherwise, with other financial services companies that pose material conflicts of interest.

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

Pursuant to Rule 204A-1 under the Advisers Act, Karani has adopted a written Code of Ethics (the "Code") that requires Karani to put the interests of its clients before its own interests and to use

reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, and engaging in other professional activities, among other things. The Code requires that Karani, its principals, and its employees to comply with the spirit and the letter of the federal securities laws, and the relevant rules that govern capital markets, at all times. Clients and prospective clients may obtain a copy of the Code by contacting Karani at the address or telephone number listed on the first page of this brochure.

Karani's Code requires employees to: (i) pre-clear personal securities transactions; (ii) report personal securities transactions on at least a quarterly basis; and (iii) provide Karani with a detailed summary of certain holdings, both initially upon commencement of employment and at least annually thereafter, over which such employees have control and beneficial interest. Karani's reporting requirements and restrictions on personal securities investing apply to all employees, as well as an employee's immediate family members living in the same household.

While Karani does not generally prohibit personnel from investing in securities that are being considered for its clients, as well as securities already held by clients, any proposed personal transaction by its personnel involving such securities requires preclearance from Karani's Chief Compliance Officer. The Chief Compliance Officer does not grant preclearance where it would appear that the investment could disadvantage Karani's clients. Karani and its personnel do not purchase or sell any securities on terms more favorable than those received by Karani's clients.

Item 12 - Brokerage Practices

Broker Selection and Best Execution

Karani is authorized to determine the broker-dealer to be used for each security's transaction, with the exception of client directed brokerage (see Interactive Brokers Directed Brokerage Arrangement section below). Before Karani begins transacting with a broker-dealer, Karani will review, as applicable, the broker-dealer's operational, financial, and regulatory status. In seeking "best execution," Karani considers the broker-dealer's trading costs, efficiency of execution, error resolution, financial strength and stability, capability, positioning, distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinions pertaining to trading, and prior performance in serving Karani. In addition, Karani, as part of its normal operations, monitors the execution of trades to identify unexpected deviations in price, commission rate, market impact, execution speed, or other aspects of execution quality. Karani performs periodic reviews of broker-dealers, which will vary in frequency and intensity based on the perceived counterparty exposure of Karani and its clients.

Although Karani seeks competitive commission rates, Karani may not necessarily obtain the lowest possible commission rates for each security transaction. Instead, Karani will make a good faith determination that the amount of commissions paid is reasonable in light of both the costs and the products or services provided by a broker-dealer, including research, brokerage or other services provided by the broker-dealer as discussed below in Research and other Soft Dollar Benefits.

Research and other Soft Dollars Benefits

Karani executes securities transactions and generates “soft dollar credits” from commissions paid by client accounts through soft dollar broker-dealers to pay for both research and mixed-use products and/or services from the broker-dealers directly or from third parties as arranged by the broker-dealers. Soft dollar arrangements represent potential conflicts of interest because clients’ commissions are used to obtain research and other services and products that Karani would otherwise have to purchase with its own funds. Moreover, a client account may pay more in trading costs to broker-dealers providing soft dollar credits than the account would pay to other broker-dealers.

Karani limits the use of “soft dollars” to research and brokerage services which constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934. Research services can include research reports such as market research, certain financial newsletters and trade journals, software providing analysis of securities portfolios, corporate governance research and rating services, attendance at certain seminars and conferences, discussions with research analysts, meetings with corporate executives, consultants’ advice on portfolio strategy, data services, including services providing market data, company financial data and economic data, and advice from broker-dealers on order execution.

Such research generally is used to service all of Karani’s clients (including accounts that may not generate commissions used to pay for investment research) and brokerage commissions paid by a client account may be used to pay for research that is not used directly in managing such client’s account. An example of this would be when Karani obtains soft dollar research on a particular company or industry segment that is not held in a client account. A client account may pay to a broker-dealer a commission greater than another qualified broker-dealer might charge to effect the same transaction, where Karani determines in good faith that the amount of trading costs charged by a broker-dealer is reasonable in relation to the value of the trading, brokerage and research or investment management-related services provided by such broker-dealer.,

Brokerage services include services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services), trading software operated by a broker-dealer to route orders, software that provides trade analytics and trading strategies, software used to transmit orders, clearance and settlement in connection with a trade, routing settlement instructions, post trade matching of trade information, and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. In some instances, Karani could receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system or trade analytical software). In such instances, Karani will make a good faith effort to determine the relative proportion of the product or service used to assist Karani in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Karani in carrying out its investment decision-making responsibilities is paid through brokerage commissions generated by transactions in client accounts, and the proportion attributable to administrative or other purposes outside Section 28(e) is paid for by Karani from its own resources.

Many broker-dealers provide Karani with access to proprietary research reports (such as standard investment research) which are used to manage client accounts. To the best of Karani's knowledge, these reports are generally made available to all institutional investors doing business with such broker-dealers and without regard to the rates of commissions charged or paid by Karani or the volume of business Karani directs to such broker-dealers. Because the reports are made available by broker-dealers as part of a bundled business package, to those who may or may not use them, Karani understands that such broker-dealers do not set discrete prices for the reports.

Soft dollar credits are in effect assets of Karani's clients that must be treated with appropriate care. All new soft dollar products and services must be reviewed and approved by compliance personnel. Karani's Chief Compliance Officer, or his designee, reviews soft dollar accrual and expenditure reports sent by broker-dealers on a regular basis to ensure accuracy, the use and costs of the soft dollar products and the level and costs of the soft dollar commissions paid. In addition, Karani evaluates soft dollar arrangements as part of periodic best execution reviews.

Investment and trading personnel are responsible for identifying those broker-dealers who have provided research and execution services that Karani considers useful to its investment decision-making process on a periodic basis. Karani utilizes this information to develop a commission and soft dollar budget which is based on the amount, quality, and usefulness of the research provided by broker-dealers. The commission budget is considered when determining where to direct client transactions.

Brokerage for Client Referrals

Karani does not consider client referrals from broker-dealers when making brokerage allocation decisions.

Interactive Brokers Directed Brokerage Arrangement

Interactive Brokers Directed Brokerage occurs when a client chooses Interactive Brokers as its custodian and broker-dealer. Interactive Brokers offers a custody and trading platform that relies on technology to deliver its services and that imposes certain requirements and limitations on clients, such as requiring all trade execution to run through Interactive Brokers. All clients who use Interactive Brokers instruct Karani to direct all portfolio transactions for their accounts to Interactive Brokers. In such circumstances, execution of transactions could be on less favorable terms than if Karani had the authority to execute such transactions with another broker-dealer. For example, Karani will not be able to aggregate orders of clients custodied at Interactive Brokers with orders executed at a different broker-dealer for other clients. Such aggregation could reduce transaction costs or result in more favorable prices for securities. However, Karani will seek to aggregate multiple orders within Interactive Brokers. Clients choosing to engage in directed brokerage may pay more in brokerage-related transaction fees than clients choosing not to engage in directed brokerage.

Aggregation and Allocation of Orders

Orders for client accounts generally will be aggregated when Karani purchases or sells the same securities for multiple clients at approximately the same time. Such orders would be effected independently if aggregation is restricted by client direction, type of account or other restrictions (such as limited availability of investment opportunities or the ability to divide purchases among clients). In executing aggregated orders, Karani will use the average price for the same security for all participating clients and will allocate the same securities among Karani's clients in proportion to the purchase and sale orders placed for each client account on any given day.

Cross Trading Among Our Clients

Subject to applicable law, Karani maintains the ability to cross investments and/or cash between client accounts when such a transaction is advantageous for each participant. However, no account subject to ERISA, with less than \$100 million in assets, would be included in any cross trade.

Trade Errors

Generally, Karani's policy is to identify and correct any trade errors promptly and in a way that mitigates losses. Karani has established trade processes and procedures designed to reduce the likelihood of trade errors. The cost of trade errors is borne by Karani.

Item 13 - Review of Accounts

Accounts under Karani's management are monitored on an ongoing basis by the investment team. The investment team reviews each account in detail on at least an annual basis. Reviews of client accounts will also be triggered if a client changes its investment objectives or if the market, political, or economic environment changes in a material way, or upon client request.

Clients receive account statements directly from their chosen custodian on at least a quarterly basis. Karani may supplement these custodial statements with its own regular and ad hoc reports.

Item 14 - Client Referrals and Other Compensation

At present Karani does not compensate third parties for client referrals. If Karani decides to do so in the future, any such arrangements will be structured and disclosed to clients in accordance with Rule 206(4)-3 under the Advisers Act.

Karani does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients.

Item 15 - Custody

Client accounts are held in custody by qualified custodians (generally a broker-dealer or bank). Account custodians send statements directly to the account owners on at least a quarterly basis.

Clients are urged to carefully review these statements and to compare these statements to the account information provided by Karani. The information contained in Karani's reports could vary from custodial statements on occasion, based on accounting procedures, reporting dates or valuation methodologies of certain securities.

In addition, certain managed accounts have delegated to Karani the authority to direct payments from their accounts, typically under a limited power of attorney. Karani does not exercise this authority, except on a limited basis when necessary to instruct a custodian to receive or deliver securities or payment to consummate securities transactions effected by Karani for the account of the client. However certain custodians do not permit Karani to limit a power of attorney authorization in such a fashion. For this reason, Karani is considered to have custody of certain client accounts under applicable law. The custodians of all accounts are required to send statements to the account owners on at least a quarterly basis. Clients should make sure their addresses and all contact information are kept up to date with their custodians (and Karani), carefully review these statements and compare these statements to the account information provided by Karani. Information contained in Karani's reports can vary from custodial statements based on differences in accounting procedures, reporting dates or less often, valuation methodologies of certain custodians or securities.

Item 16 - Investment Discretion

Karani always receives discretionary authority from a client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. The only limitations on the investment authority will be those limitations imposed in writing by the client.

In all cases, discretionary authority is established through the execution of a Managed Account Agreement, which typically includes the stated investment objectives for the particular client account. When selecting securities and determining amounts for a client account, consistent with the selected strategy, Karani observes the investment guidelines, limitations, and restrictions of the account. In addition, from time to time, Karani will attempt to accommodate a client's request to effectuate certain account activity, in each case in accordance with the client's Managed Account Agreement, including, without limitation, to generate cash.

While the separately managed accounts that follow the same investment strategy are largely invested *pari passu*, it is practically impossible for two separately managed accounts to experience identical results due to account specific circumstances, including, but not limited to, timing and size of contributions and withdrawals and minimum lot size in trading securities. The latter is especially true for accounts smaller than \$5,000,000, where the portfolio manager's intended target weighting of individual positions may not be achieved precisely. For this reason, we reserve the right to exclude or replace certain securities or maintain a substantially different weighting of those securities than those held in other accounts that follow the same strategy. This can cause the performance of separately managed accounts following the same investment strategy to diverge meaningfully from one another.

Item 17 - Voting Client Securities

In accordance with its fiduciary duty to clients and Rule 206(4)-6 of the Investment Advisers Act, Karani has adopted and implemented written policies and procedures governing the voting of client securities. All proxies that Karani receives will be treated in accordance with these policies and procedures. Securities held at Interactive Brokers are not voted on by Karani.

In general, Karani votes in favor of routine corporate housekeeping proposals, including election of uncontested directors, selection of auditors, and increases in or reclassification of common stock. Karani will generally vote against proposals that make it more difficult to replace members of the issuer's board of directors. In general, Karani also abstains from voting a proxy if it determines that the value of an issuer's economic interest in the proxy issue or the value of the portfolio holding is insignificant. Karani does not vote proxies received for securities which are no longer held by a client. For other proposals, Karani shall determine whether a proposal is in the best interests of the client that owns the applicable securities and may take into account the following factors, among others, (i) whether the proposal was recommended by management and Karani's opinion of management; (ii) whether the proposal acts to entrench existing management; and (iii) whether the proposal fairly compensates management for past and future performance.

Another consideration is whether Karani is subject to any material conflict of interest in connection with each proxy vote. Karani's employees are required to report any material conflict of interest associated with a proxy vote of which they are aware to the Chief Compliance Officer for resolution.

A copy of Karani's proxy voting policies and procedures, as well as information about how Karani votes with respect to a client's securities, is available upon request by contacting Karani's Chief Compliance Officer at the telephone number or address found on the initial page of this brochure.

Item 18 - Financial Information

Karani does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, a balance sheet is not required to be attached. There is no known financial condition that is reasonably likely to impair Karani's ability to meet contractual commitments to clients, and Karani has not been the subject of a bankruptcy proceeding.