



Item 1 – Cover Page

WRAP FEE PROGRAM BROCHURE

Appendix 1

CLARAPHI ADVISORY NETWORK, LLC

120 Vantis Drive, Suite 585
Aliso Viejo, CA 92656

(949) 215-0025

Date of this brochure:

March 30, 2021

This Wrap Fee Program Brochure (“Brochure”) provides information about the qualifications and business practices of Claraphi Advisory Network, LLC. If you have any questions about the contents of this Brochure, please contact us at (949) 215-0025. 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.

Claraphi Advisory Network, LLC is an SEC registered investment adviser. Registration as an investment adviser does not itself imply any level of skill or training. Additional information about Claraphi Advisory Network, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov. The searchable CRD number for Claraphi Advisory Network is 165868.

Item 2 – Summary of Material Changes

Claraphi has updated this Brochure, the most noteworthy are identified below and are found in more detail under the following Items:

- Item 4: Advisory Business-January 8, 2021 Appointment of Claraphi's new Chief Executive Officer, Pierre Gallant;
- Item 6: Risk of Loss-Cybersecurity risks, including unauthorized disclosure of Client data;
- Item 9: Code of Ethics-Enhanced policy on borrowing monies by Claraphi Representatives;
and
- Item 9: Financial Information-Claraphi's Payroll Protection Plan loan was completely
forgiven by the Small Business Administration

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Item 4 – Services, Fees, and Compensation

Introduction

As used in this Brochure, the words “we”, “our” and “us” refer to Claraphi and the words “you”, “your” and “Client” refer to you as either a Client or prospective Client of our firm. Claraphi’s advisory services are made available to Clients primarily through individuals associated with Claraphi as investment adviser representatives or “IAR” or “Representative”. For more information about the IAR that provides advisory services to the Client, Client should refer to the Brochure Supplement for the IAR. The Brochure Supplement is a separate document that is provided by the IAR along with this Brochure before or at the time a Client engages the IAR. If a Client did not receive a Brochure Supplement for the IAR, the Client should contact the IAR or Claraphi at info@claraphi.com or by calling (949) 215-0025.

Claraphi Advisory Network, LLC (“Claraphi”) registered as an investment adviser in 2012. Claraphi provides investment advisory services to individuals, corporations, trusts, and other entities. Claraphi acts as a fiduciary to you, our Clients. This means that we must act in your best interest rather than our own. You will receive account statements directly from a qualified, unaffiliated custodial partners (where your assets are held) no less than quarterly reflecting transactions, balances, and portfolio holdings.

As of January 8, 2021, Pierre Gallant become Chief Executive Officer of Claraphi. Mr. Gallant is the Founder of Claraphi and has served on the Board of Directors for Claraphi’s parent company, Pomegranate Holdings, LLC, since inception. Claraphi is a wholly-owned subsidiary of Pomegranate Holdings, LLC, a Washington limited liability company. Pomegranate Holdings, LLC is principally owned and controlled by Mark Roth and Pierre Gallant.

This wrap fee program disclosure document provides information about wrap fee programs sponsored by Claraphi. A wrap program is one in which a Client is charged a specified fee not based directly on transactions in the Client’s account for investment advisory services and execution of Client transactions.

Claraphi offers its Clients fee-based wrap programs to provide flexibility in investment strategy based upon the investor’s financial goals, circumstances and risk tolerance. Fees are reflected on periodic statements issued by the custodian no less frequently than quarterly. Accounts generally have minimum account size requirements, which may be negotiable, depending on the Client household, relationship, type and size of the account. Advisory fees, including minimum fees, as well as minimum account size, may be negotiable depending upon a range of factors including, but not limited to, account size and overall range of services provided.

As of December 31, 2020, we managed \$1,070,426,042.73 on a discretionary basis and none on a non-discretionary basis.

Types of Advisory Services

Claraphi, through its IARs, offers advisory services described below to Clients in a Wrap Fee Programs, available through Fidelity. Additional programs offered through Claraphi are described

in its Form ADV 2A. Under such customized engagements, Clients authorize IARs to purchase and sell securities on a discretionary or non-discretionary basis (depending on the Program) pursuant to investment objectives chosen by the Client. The Client's IAR obtains the necessary financial data from the Client and assists in determining the appropriate program. The IAR provides ongoing investment advice and management that is tailored to the individual needs of the Client through a review of the Client's risk tolerance questionnaire. Depending on the program selected and the Client's investment objectives, the types of securities that may be purchased or sold may include mutual funds, ETFs, equities, options, fixed income securities, structured notes, and interests in partnerships such as real estate, and oil and gas, as well as the management of variable annuity subaccounts.

Clients generally may impose reasonable restrictions on investing in certain securities or groups of securities. If the Client's instructions are unreasonable or Claraphi believes the instructions are inappropriate for the Client, we will notify the Client that, unless the instructions are modified, we may terminate the Client's advisory agreement. A Client will not be able to provide instructions that prohibit or restrict the investment advisor of an open-end or closed-end mutual fund or exchange-traded fund, with respect to the purchase or sale of specific securities or types of securities within the mutual fund. Execution services are provided by an unaffiliated broker-dealer.

Following is a description of the firm's fee-based programs, which are managed in a similar manner as non-wrap programs. Claraphi and the IAR receive a portion of the wrap fee. By participating in a fee only program, you could pay more or less than you would through a non-wrap fee. Clients should refer to the description of each Program for a discussion of fees that Clients may incur in addition to the asset-based fee. Clients should review with their IAR whether a wrap program is appropriate for them, considering impact of the size of their account and the likely turnover of the account (with resulting transaction fees if the program utilized were not a wrap) based on the proposed strategy for their account.

Representative (Rep) as Manager Program

The Rep as Manager Program is a Program for individual management of accounts held with a selected qualified custodian, unaffiliated with Claraphi. Under the Program, a Representative associated with Claraphi will act as portfolio manager. The Program is offered as either a non-discretionary or discretionary service. The minimum initial investment for the Program is \$25,000. The minimum account size requirements may be negotiable depending on the Client household, relationship, type and size of the account. Rep as Manager Program accounts are charged an assets under management ("AUM") fee which may include but is not limited to mutual funds, stocks, ETFs, cash and alternative investments. The amount of the fee agreed upon between Claraphi and the Client is negotiated between the Representative and the Client at a rate not to exceed 2% annualized, with the rate memorialized in the Claraphi Investment Advisory Agreement. Representatives are located across the country and negotiate fees with Clients. Similar services may be obtained from other investment advisers for a lesser fee.

The amount of the monthly or quarterly advisory fee is based upon the average daily value of the Client's account calculated as of the last day of the month or quarter by Claraphi. We also charge a monthly administrative fee of up to \$7.25 (or quarterly fee of up to \$21.75). This fee may be absorbed by the Representative, which results in a lower overall fee to the Representative. All fees

are detailed in the advisory agreement signed by the Client. The AUM fee is negotiated between the IAR and the Client using the schedule listed below as a maximum. The wrap fee schedule is included in the Claraphi Investment Advisory Agreement.

This Program may be offered as a fee only program, in which no ticket charges or commissions are charged to the Client's account, or an AUM fee plus ticket charge, as negotiated with the Client.

If the agreement with the Client provides for an AUM fee plus ticket charge, the custodian will collect a ticket charge, which may be a flat fee per transaction or based on the size of the transaction. The monthly fee is calculated by Claraphi and deducted automatically from the account monthly or quarterly in arrears (as negotiated with the Client). Costs and fees arising out of transactions effected by the qualified custodian, including commissions, dealer mark-ups, markdowns or "spreads," as well as margin interest, offering discounts, IRA fees or fees charged by mutual funds, will also be separately borne by Client. To the extent permitted by law, the qualified custodian may act on an agency or principal basis. The qualified custodian would retain any mark-ups, mark-downs or "spreads" associated with any such transaction in which it acts as principal.

Wrap fee accounts are managed in the same way as any other accounts. However, you should be aware that advisors may have an incentive to limit their trading activities in your account for AUM fee-only accounts. Clients should review with their IAR whether a wrap program is appropriate for them, considering impact of the size of their account and the likely turnover of the account (with resulting ticket charges if the program utilized were not a wrap) based on the proposed strategy for their account.

The IAR who recommends the Portfolio Advisor Program receives compensation as a result of a Client's participation in the Program. IARs who manage accounts under the Program receive an advisory fee after payment of fees to the custodian. The amount of this compensation may be more or less than what the IAR would receive if the Client paid separately for investment advice, brokerage and other services. The IAR may therefore have a financial incentive to recommend wrap programs over other programs and services.

Claraphi may recommend that Clients establish brokerage accounts with Fidelity Institutional ("Fidelity"), an unaffiliated registered broker-dealer, member FINRA/SIPC, among others, to maintain custody of the Client's assets and to effect trades for their accounts. Clients are advised that there may be transaction charges involved when purchasing or selling securities. Claraphi does not share in any portion of the brokerage fees/transaction charges imposed by Fidelity. Additionally, the commission/transaction fees charged by Fidelity may be higher or lower than those charged by other broker-dealer/custodians. Fidelity provides Claraphi with access to its institutional trading and operations services, which are typically not available to Fidelity retail Clients. Fidelity services may include research, brokerage, custody, access to mutual funds and other investments that are otherwise available only to institutional Clients or would require significantly higher minimum initial investments. Fidelity also makes available to Claraphi other products and services that benefit Claraphi but may not benefit its Clients' accounts. These include

technology that provide access to Client account data, facilitate trade execution, provide research, pricing information and other market data, facilitate payment of Claraphi's fees from its Clients' accounts, and assist with back-office support, recordkeeping and Client reporting. Fidelity also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- Educational conferences and events
- Technology, compliance, legal, and business consulting;
- Publications and conferences on practice management and business succession; and
- Access to employee benefits providers, human capital consultants and insurance providers.

Further, Fidelity may provide various incentives to IARs, including marketing provided by vendors paid for by Fidelity, and waiver of ticket charges and availability of systems which may be contingent on the quantity of business directed to Fidelity. Fidelity may provide some of these services itself. In other cases, it may arrange for third-party vendors to provide the services to us. Fidelity may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Fidelity may also provide us with other benefits such as occasional business entertainment of our personnel. For certain IARs, the availability of the foregoing products and services is not contingent upon Claraphi committing to Fidelity any specific amount of business (assets in custody or trading). However, certain IARs may not have to pay for Fidelity's services or receive other benefits described above so long as they maintain Client assets at a stated level. The availability of these services from Fidelity benefits Claraphi's IARs because they do not have to produce or purchase them. Any commitment level may give the IAR an incentive to recommend that Clients maintain their accounts with Fidelity based on the IAR's interest in receiving Fidelity's services that benefit their business rather than based on Client interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that Claraphi's selection of Fidelity as a qualified custodian and broker is in the best interests of our Clients. This belief is based on the scope, quality and price of Fidelity's services and not Fidelity's services that benefit only Claraphi or IARs.

REMOVE THIS CHART!

The specific manner in which fees are charged by Claraphi is established in a Client's written

agreement with Claraphi. Unless there is an alternative arrangement negotiated with the Client, Claraphi deducts its fees on a monthly or quarterly basis in arrears depending on the Program and the Client's election in its agreement with Claraphi. Clients may also elect to be billed directly for fees or to authorize Claraphi to directly debit fees from Client accounts. Accounts initiated or terminated during a calendar month or quarter will be charged a prorated fee. The Client may terminate the written agreement with Claraphi by providing advance written notice. You are responsible for advisory fees up to and including the date of termination.

Additional Fees for Most Programs

Additional fees, which will be separately borne by Clients, include (i) dealer markups, markdowns or spreads by non-affiliated broker-dealers charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles ("Collective Investment Vehicles"), such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as fund operating expenses, management fees, redemption fees, 12b-1 fee and other fees and expenses) or other regulatory fees; further information regarding charges and fees assessed by Collective Investment Vehicles may be found in the appropriate prospectus or offering document; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law; and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC") imposed upon the liquidation of "in-kind assets" that are transferred into the Program.

In addition to the redemption fees described above, a Client may incur redemption fees when the Advisor determines that it is in the Client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain funds prior to the expiration of the minimum holding period of the funds. Some mutual funds also assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

A custodian may charge a minimum account fee. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Similarly, certain non-brokerage related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs) may be charged by the custodian. To the extent permitted by law, brokers may act on a principal basis.

The broker, not Claraphi would retain any mark-ups, mark-downs or "spreads" associated with any

such transaction in which it acts as principal.

Item 5 – Account Requirements and Types of Clients

Claraphi through its Representatives provides investment advisory services to the following types of clients, but are not limited to individuals, high net worth individuals, trusts, estates, charitable organizations, corporations, or other business entities, and to qualified/pension/profit sharing plans.

All wrap program advisory accounts have minimum account size requirements up to \$250,000, which may be negotiable, depending on the Client household, relationship, type and size of the account.

Item 6 – Portfolio Manager Selection and Evaluation

Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Each IAR has access to various research reports and model portfolios to which he or she may refer in determining investment advice provided to Clients. Each IAR chooses his or her own research methods, investment style, and management philosophy. Accordingly, the investment advice provided to each Client may vary from one IAR to another.

It is important to note that no methodology, investment style, or investment strategy is guaranteed to be successful or profitable or can guarantee a Client against loss. The investment strategies and advice may vary depending upon each Client's specific financial situation. As such, IARs determine investments and allocations based upon Clients' predefined objectives, risk tolerance, time horizon, financial objectives, financial information, liquidity needs, and other various suitability factors. Clients' restrictions and guidelines may affect the composition of Client portfolios. Claraphi IARs use a variety of investment analysis techniques to analyze the securities they purchase or sell on behalf of Clients, which may include:

Fundamental Research, which is analysis of industries and companies based on factors such as sales, assets, earnings, products and services, markets and management. Fundamental analysis of economic trends includes interest rates, unemployment, inventories, consumer savings and gross national product(s). The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Charting, which is the graphic tracking of price movements and other trends to determine typical movement. When a trend deviates from its norm, that can be an

indicator of an impending upturn or downturn. The risk of market timing based on analysis of charts is that it may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in the market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Technical Analysis, which involves analysis of stock prices, also takes into account internal market factors that reflect investor psychology. This style of analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

Cyclical Analysis, which reviews securities in industries that are particularly sensitive to swings in general economic conditions. Economic/business cycles may not be predictable and may have many fluctuations between long- term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Asset Allocation, an attempt to identify an appropriate ratio of securities and cash suitable to the Client's investment goals and risk tolerance. A risk of asset allocation is that the Client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the Client's goals.

Investment Strategies

In the implementation of its analysis, Claraphi IARs may use some or all of the following strategies at any given time:

Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. Short term gains in taxable accounts are subject to federal income tax at higher rates than long-term gains. This difference in tax treatment is a disadvantage of short-term trades for taxable Clients.

Trading - IARs may use short-term trades (in general, selling securities within 30 days of purchasing the same securities) when managing Client account(s). An IAR may sell a security soon after purchasing it on occasions when they determine that there is a reasonable basis for the sale, and it is suitable given a Client's stated investment objectives and tolerance for risk. Short-term gains in taxable accounts

are subject to federal income tax at higher rates than long-term gains, while losses realized on securities held 30 days or less are generally not tax-deductible. These differences in tax treatment are disadvantages of short-term trades for taxable Clients. There is also risk in that high velocity trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

Short Sales – securities transactions in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price. The risk associated with a short sale is the potentially unlimited loss should the underlying value of the short position increase in value instead of the anticipated decline. Another risk is buy-in risk. Once borrowed, the shares are subject to buy-in at any time, which could force the Client to cover the short position at a disadvantageous time or price. Short sales require the use of margin, which may increase cost and risk. Additional costs include interest on the value of borrowed securities. Risks include buy-in and additional margin calls in response to market fluctuation or at the discretion of the custodian.

Margin Transactions – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. This allows the Client to purchase more stock than would be possible based on the Client's available cash and would allow the IAR to purchase stock without selling other holdings. This is a higher risk strategy. Securities purchased on margin are subject to liquidation, additional margin calls, and interest on the funds borrowed. Should the value of the securities decline, Clients may be forced to deposit additional margin with limited notice, or to liquidate their securities at substantial losses.

Option Purchases and Option Writing – Purchasing a long option gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor writes (or sells) an option, he or she is obligated to deliver to the buyer of the option a specified number of shares (or the calculated money difference) if the buyer exercises the option. The seller receives a premium in exchange for writing the option. Options are wasting assets and expire at pre-determined dates. Commission charges for option transactions may be higher than the charges assessed for other assets, such as individual equities.

Risk of Loss

Claraphi can recommend many different types of securities, including mutual funds, ETFs, equities, options, fixed income securities, structured notes and interests in partnerships, such as real estate, or oil and gas. Investing in these securities and alternative investments involves a risk of loss that Clients should be prepared to bear. Claraphi does not represent or guarantee that methods of analysis employed by an IAR can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to market corrections or declines.

Claraphi cannot offer any guarantees or promises that Clients' financial goals and objectives will be met. Past performance is not an indication of future performance.

Described below are some particular risks associated with some types of investments Claraphi may recommend. Risk is inseparable from return. Every investment involves some degree of risk, and both the degree of risk and the type of risk varies depending on the investment. For example, the risk of loss to principal can be very close to zero in the case of a US Treasury security, or very high for something such as a concentrated exposure to one specific foreign security. On the other hand, purchasing power risk for a US Treasury security may be higher than the purchasing power risk of a higher-yield corporate bond or an equity. An understanding of risk in different forms can help Clients to understand the opportunities, trade-offs and costs involved with different investment approaches. The principal risk of any investment is that despite any comprehensive analysis, the security or instrument will not perform as expected. This can be due to, among other things:

Market risk: the success of Client portfolio activities will be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws, trade barriers, currency fluctuations and controls, and national and international political circumstances. These factors may affect the level of volatility of securities prices and the liquidity of investments in Client portfolios. Such volatility or illiquidity could impair profitability or result in losses;

Equity risk: investments in equity securities generally involve a high degree of risk. Prices are volatile and market movements are difficult to predict. These price movements may result from factors affecting individual companies or industries. Price changes may be temporary or last for extended periods. In addition to, or in spite of, the impact of movements in the overall stock market, the value of investments may decline if the particular investments within the portfolio do not perform well in the market. Prices of growth stocks may be more sensitive to changes in current or expected earnings than prices of other stocks. Prices of stocks may fall or fail to appreciate regardless of movements in securities markets. A higher level of activity, or increased trading may result in higher transaction costs and higher taxes in taxable accounts and may also affect the strategies' overall performance;

Management risk: the strategies utilized by Claraphi IARs may not work in some market conditions; management risk could also influence mutual fund and ETF portfolio management teams;

Fixed income risks: investments in fixed income securities represent numerous risks such as credit, interest rate, reinvestment, and prepayment risk, all of which affect their price/value. These risks represent the potential for a large amount of price volatility. In general, securities with longer maturities are more sensitive to price changes. Additionally, the prices of high-yield, fixed income securities fluctuate more than high-quality debt issues. Prices for these securities are especially sensitive to developments affecting the company's business (in the case of corporate high-yields) and to changes in the ratings assigned by rating agencies. Prices are often closely linked with the company's stock prices. High-yield

securities can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sales by major investors, default, or other factors. In the event of a default, the investment may suffer a partial or total loss;

Increased regulations: events during the past several years and adverse financial results have focused attention upon the necessity to maintain adequate risk controls and compliance procedures. These events have led to increased governmental and self-regulatory authority scrutiny of the financial industry. Various national governments have also expressed concern regarding disruptive effects of speculative trading and the need to regulate the markets in general. Any regulations that restrict the ability to utilize broker-dealers and counterparties to extend credit or restrict trading activities could adversely impact profit potential;

Market liquidity risks: the value of securities held in Client accounts that are traded on exchanges and the risks associated with holding these positions vary in response to events that affect asset markets in general. Market disruptions such as those that occurred in 1987, 2001, 2008 and the “Flash Crash” in 2010 could lead to violent price swings in securities held within Client portfolios and could result in substantial losses;

Small capitalization companies: a portion of assets may be invested in smaller and less established companies. Both debt and equity securities of such issuers tend to be more volatile than larger, more established companies. Such volatility could adversely impact Client portfolios;

Large company risk: large cap stocks can perform differently from other segments of the equity market or from the equity market as a whole. Large capitalization companies may be less flexible in evolving markets or unable to implement change as quickly as smaller capitalization companies;

Short sales, leverage and derivatives: short sales, leverage and derivatives all represent substantial risks given their inherent heightened risk of loss. Leverage and derivatives imply borrowing capital. When such borrowing is deployed, losses can escalate quickly should investment suffer even small losses. Short sales involve a finite opportunity for appreciation, but a theoretically unlimited risk of loss. Short positions can also be subject to a “short squeeze” that could lead to accelerating losses for those short that particular security;

Leverage Risk: which may increase volatility of the portfolio;

Price and Interest Rate Risk: when interest rates change, the price of a bond is likely to adjust up or down so that its yield, based on the new price, is in line with the new level of interest rates. Interest rate risk is probably the most significant risk facing Clients in fixed income securities because it affects all bonds similarly;

Convertible arbitrage risk: if interest rates on a convertible security rise, its value usually falls;

Exchange Traded Funds (ETFs): ETFs are a type of exchange-traded investment product that must register with the SEC as either an open-end investment company (generally known as “funds”) or a unit investment trust. ETFs have become increasingly popular as investment vehicles for both retail and institutional investors. Like mutual funds, ETFs offer investors a way to pool their money in a fund that makes investments in stocks, bonds, or other assets and, in return, to receive an interest in that investment pool. Unlike mutual funds, ETF shares trade like a stock and are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs may trade for less than their net asset value.

Short Sales Risk: if the value of a security sold short increases prior to the scheduled delivery date, the account must pay more for the security than it has received from the purchaser in the short sale;

Options and futures risk: the risk that the counter-party that wrote the option will be unable or unwilling to perform its obligations under the option contract, or the options may become illiquid and difficult to close. Options are a derivative of stocks. An option derives its value from the price of the underlying stock;

Tax risk: An IAR may not manage Client accounts with tax consequences in mind; some strategies, including transactions in options and futures contracts, can be subject to special tax rules, which may have adverse tax consequences for the account holder. Clients are urged to consult with a tax professional of their choice;

Private Placements: these instruments are exempt from registration under federal securities laws, have limited or no transparency as to the underlying investments, and are generally available only to “accredited” or “qualified investors,” who are assumed to be sophisticated purchasers who have little or no need for liquidity from such investments, and are able to withstand the loss of some or all of their investment. Limitations on withdrawal rights and non-tradability of interests create higher liquidity risk and such investments should be viewed as long-term investments. Clients do not have access to public information, and the securities purchased are deemed restricted, are not traded on a secondary market or exchange and the instrument is thus illiquid. Partnership and fee expenses may be a higher percentage of net assets than traditional investment strategies and may include performance or incentive fees. The duration of private fund investments with longer-term securities are more sensitive to interest rates and include the possibility of more volatility than other investments. This is not an exclusive list of potential or actual risks in any particular private placement. Potential investors should review the particular private offering memorandum for more complete risk and strategy information;

Extraordinary events: global terrorist activity or pandemic activity (as experienced in 2020), Acts of God and United States’ involvement in military conflict may negatively affect general economic fortunes, including sales, profits, and production, and may lead to depressed securities prices and problems with trading facilities and infrastructure;

Cybersecurity Risk: intentional cybersecurity breaches include unauthorized access to systems, networks, or devices (such as through “hacking” activity); 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. In addition, unintentional incidents can occur, such as the inadvertent release of confidential information (possibly resulting in a violation of applicable state and federal privacy laws). A cybersecurity breach could result in the loss or theft of Client data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system, and costs associated with system repairs. Such incidents could cause Claraphi, an investment fund, manager, issuer, sponsor, or service provider to incur regulatory costs, reputational damage, additional compliance costs or financial loss. Should an incident occur, Claraphi will comport with federal and state law as applicable.

Non-US investments: Client funds may be invested in securities (e.g., debt, equity, currencies, derivatives, etc.) domiciled outside the United States. Such investments expose a portfolio to a number of risks that may not exist in the domestic market alone. Such risks include, among other things, trade balances and imbalances and related economic policies, currency exchange rate fluctuations, imposition of exchange control regulation, withholding taxes, limitations on the removal of funds or other assets, possible nationalization of assets or industries, political difficulties, and political instability in foreign nations;

Potential concentration: Client portfolios may have highly concentrated positions in issuers engaged in one or a few industries. This increases the risk of loss relative to the market as a whole.

Voting Client Securities; Investor Class Action Lawsuits

All Client securities in wrap programs are held at the respective qualified custodian. These custodians are responsible for ensuring all proxy material is forwarded to the Client. Claraphi does not serve as custodian for any Client securities, and as such does not receive proxies for securities held in Client accounts. Claraphi does not vote, nor give advice on how to vote, proxies for securities held on behalf of Clients. Likewise, Claraphi does not take any action with respect to investor class action lawsuits. Under the investment advisory agreement between Claraphi and the Client, the Client retains exclusive voting authority over the securities in the Client's portfolio and the firm does not have any role in proxy voting. Clients are responsible for voting all proxies. If Client assets are invested in mutual funds, the managers of those mutual funds may vote the proxies for the securities in the funds. Clients are entitled to receive information from fund managers concerning their proxy voting policies and procedures. Clients should review the information that is provided concerning the proxy voting policies of the managers of the funds in which assets are invested.

Item 7 Client Information Provided to Portfolio Managers

The process for investing in sub-managed Programs begins with Claraphi IARs recommending an appropriate asset allocation among sub-Programs and recommending specific investment managers with whom we have established relationships or investment products. These

recommendations will be based on information you have provided your IAR regarding your financial resources, risk tolerance and investment objectives, among other factors.

Each Client will provide his or her IAR with information about financial circumstances, suitability and investment objectives, along with any reasonable restrictions a Client wishes to impose on the management of the account, which the IAR will use in selecting portfolio managers or models managed by portfolio managers when investing the account. Claraphi will provide the Client's portfolio manager with any investment policy statement or questionnaire prepared in connection with the Program. At least annually, the Client's IAR will contact the Client and request current information about the Client to determine whether there have been any changes in that information.

Clients are encouraged to, and are responsible for, regularly providing material changes in objectives or financial situations to the IAR's attention. Any material changes will be forwarded to the portfolio manager.

Item 8 Client Contact with Portfolio Managers

Your IAR is available to address any questions, issues or concerns regarding these managers or their recommendations.

Item 9 Additional Information

Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of the adviser of the integrity of the adviser's management. Claraphi's Executive Officers, detailed on our ADV Part 1A, have no information applicable to this Item.

Please refer to the individual Form ADV Part 2B (Brochure Supplement) for any disclosures with respect to your Representative.

Other Financial Industry Activities and Affiliations

Broker-Dealer Affiliation

Claraphi is not affiliated with any broker-dealers and does not receive brokerage compensation. However, certain Claraphi Representatives may be a registered representative of an unaffiliated broker-dealer firm. As described elsewhere in this Brochure, dually-registered Representatives may receive, through the broker-dealer firm with which they register, transaction-based commissions, and compensation from the sale of mutual funds and variable annuities, including ongoing 12b-1 fees (trails). Dual registration presents a conflict of interest and gives Representatives an incentive to recommend investment products based on the compensation received, rather than on a Client's needs. However, if a Client establishes both an advisory account (advised by Claraphi) and a brokerage account (through an unaffiliated broker-dealer where the Representative functions as broker and could receive transaction-based compensation), the Client

and the Representative will establish the types of transactions that will be made in each account. Clients have the option to purchase investment products that Representatives recommend through other broker-dealers or not at all; it is the Client's choice.

National Futures Association Member Affiliation

Claraphi is not affiliated with any futures or commodities firms and does not receive compensation related to transactions in these products. However, should certain Claraphi Representatives may be associated with a National Futures Association ("NFA") firm, including commodity trading advisors, such dual representation presents a conflict of interest and gives those Representatives an incentive to recommend investment products based on the compensation received, rather than on a Client's needs. However, if a Client establishes both an advisory account (advised by Claraphi) and a futures or commodities account (through an unaffiliated firm where the Representative could receive transaction-based compensation), the Client and the Representative will establish the types of transactions that will be made in each account. Clients have the option to purchase investment products that Representatives recommend through other firms or not at all; it is the Client's choice.

As mentioned above, each Representative's ADV 2B (Brochure Supplement) will detail his or her specific investment business activities and the conflicts inherent in those activities.

Other Business Products

Claraphi assisted in the development of a product through its unaffiliated third-party service provider, Orion Advisor Services, LLC ("Orion"), that allows its investment adviser representatives to customize certain features to assist in servicing their Clients' needs. The product: (a) can be branded individually for the firm, creating a Client proposal, including asset allocation, possible models and managers; (b) includes a program through which the firm can create its own models; (c) creates new account forms with a methodology to populate and print the forms for Client signature; (d) generates quarterly performance reports; (e) performs billing functions; (f) includes a trading module that supplies trade data conforming to the selected models; (g) performs data retrieval and aggregations; and (h) displays product offerings available through the platform. Orion is an unaffiliated technology provider, and its parent company owns Series B shares in Pomegranate Holdings, LLC. This creates a conflict of interest in that Claraphi utilizes Orion as its CRM system, however no special benefits are afforded. Further, Orion services more than 1,900 advisory firms throughout the United States which are all unaffiliated with Claraphi.

Code of Ethics; Participation or Interest in Client Transactions and Personal Trading

Claraphi has adopted a Code of Ethics that describes its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and gratuities, and the reporting of personal securities trading activity, and avoidance of other potential conflicts of interest, among other things. All Representatives and employees of Claraphi must acknowledge the terms of the Code of Ethics annually, or as amended. Claraphi's Representatives and persons associated with Claraphi are required to adhere to Claraphi's Code of Ethics and will provide a copy to any

Client upon request or you can request it at info@claraphi.com.

As reflected in our Form ADV Part 2A October 2020 update, between May and September 2020, a sponsor's fund was recommended to certain accredited investors of Claraphi. Subsequently, Claraphi discovered that the sponsor fund's lender affiliate provided an undisclosed short-term mortgage loan ("Loan") in the amount of approximately \$750,000 to Claraphi's then Chief Executive Officer. The fund continued to perform as intended; however, Claraphi suspended all future recommendations of the fund pending completion of its review. Subsequently, the fund was removed from the firm's investment platform.

The internal review was completed in December 2020 and on December 2, 2020, Claraphi received confirmation that the Loan had been repaid in the amount of \$803,463.39 on November 25, 2020. Separate from the undisclosed Loan, the internal review revealed unrelated material financial issues involving undisclosed or unapproved compensation, loans, advances, and expense reimbursements taken from Claraphi assets by the then Chief Executive Officer which resulted in his termination. It is important to note that no Clients were financially harmed, as a result of the undisclosed Loan or the financial misconduct of the prior Chief Executive Officer. Claraphi remains financially stable.

As a result, Claraphi's enhanced Code of Ethics policy explicitly prohibits any of its Representatives or Claraphi employees to borrow monies from any Client, fund manager, sponsor, sponsor affiliate or any other entity or individual that has a business relationship with Claraphi without the prior written approval of Claraphi's President or Chief Compliance Officer. This is essential in order to comport with our fiduciary obligation to you.

Subject to satisfying the Code of Ethics and applicable laws, officers, directors, and employees of Claraphi (Representatives) may trade for their own accounts in securities which are recommended to and/or purchased for Claraphi's Clients. The Code of Ethics is designed to ensure that the personal securities transactions, activities, and interests of the Representatives of Claraphi will not interfere with (i) making decisions in the best interest of advisory Clients and (ii) implementing such decisions while, at the same time, allowing Representatives to invest for their own accounts.

Representative personal trading must be consistent with recommendations made to Clients. For example, if the Representative recommends buying a particular security, the Representative cannot sell that security while the buy recommendation is in effect. An exception to this occurs where the Representative has invested his or her assets in specific models that require ongoing rebalancing to retain the model's allocation targets. In this case, the model rebalancing may result in the Representative buying or selling shares to reach the target allocation whereas Client(s) did not trade or made trades on the opposite side of the market to reach their own target allocations.

Representatives will generally trade after Client trades are executed, or Representatives' trades will be aggregated with Client orders and all parties will be allocated shares at the same price. Claraphi does not typically permit a Representative to receive a better price than any of that Representative's Clients if the Representative's orders were entered prior to Client order(s). While it is possible that aggregating Representatives' orders with Client orders could disadvantage the Client (e.g., in cases where the firm is not able to fill the entire order), Claraphi believes that this is unlikely given the volumes and liquidity of securities most often traded for Client portfolios. See Section 12, Block Trades, below, for more information.

Under the Code certain types of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Claraphi's Clients. In addition, the Code requires pre-clearance of limited offerings and IPO transactions, and restricts trading in close proximity to Client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as Clients, there is a possibility that Representatives might benefit from market activity by a Client in a security held by a Representative. Representative trading is reasonably monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between Claraphi and its Clients.

Claraphi does not purchase securities from or sell securities to its Clients. Claraphi's employees, agents and advisors may also invest personal assets in securities recommended to Claraphi's Clients. Claraphi expects to be recommending securities with sufficiently large public floats and trading volumes such that personal trading by Claraphi's employees, agents and advisors will not adversely impact the prices at which Clients' transactions are accomplished.

Claraphi's Clients or prospective Clients may request a copy of the firm's Code of Ethics by contacting your Representative or at info@claraphi.com or by calling 949-215-0025.

Even though Program contracts and applicable law may permit them, as a matter of policy Claraphi does not generally permit cross transactions or principal trades in its advisory programs. In case-by-case exceptions, cross transactions will be permitted in advisory accounts, but only if they comply with applicable regulations, and Claraphi determines the transactions are in the Client's best interest. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory Client. Claraphi does not have an affiliated broker-dealer and does not otherwise conduct principal trades. A cross transaction is defined as a transaction where Claraphi arranges for one Client to sell a security directly to another Client. The transaction is not executed in the open market.

Where a Representative recommends that one Client purchase a security that another of his or her Clients is selling (or vice versa) (a "cross transaction"), Claraphi will review the terms of the transaction and ensure applicable disclosure is made to both parties. In most cases, one side of the transaction (buy or sell) will be unsolicited. Exceptions require review of the underlying rationale for recommending both a buy and a sale, as well as approval of the Representative's supervisor.

Review of Accounts

Claraphi's supervisors or a designee are charged with reviewing all new Client account applications for completeness, potential improper addresses, reviewing the customer personal data and determining that the recommendation of the particular advisory service appears to be appropriate for the Client's personal and financial situation, risk tolerance, and investment objectives. The firm's Portfolio Manager or a designee signs off on all new Client applications. A Claraphi supervisor as identified on the Form ADV 2B or a designee conducts periodic reviews of a sample of customer accounts through the firm's internal data management system to detect and prevent irregularities, as well as to ensure portfolios are on target with the Client's objectives, risk tolerance, and liquidity needs.

All Clients are provided account statements of activity and account holdings directly from the asset custodian(s). Statements are provided no less than quarterly. Clients may receive periodic reports or information directly from the fund/alternative investment company. Claraphi may provide Clients with quarterly evaluation reports which will disclose an inventory of account holdings and the performance of the securities in the Client's account in order to assist the Client in determining whether to re-allocate investment of account assets among available securities. Clients are urged to carefully compare any statement provided as a courtesy by Claraphi to official account statements provided by the qualified custodian, and to promptly notify Claraphi of any discrepancy.

Client Referrals and Other Compensation

Compensation for Client Referrals

Claraphi has solicitor arrangements wherein compensation is paid to unaffiliated third parties for referrals made to us should the potential referral become a Client. Such compensation may serve as an inducement to refer Clients to Claraphi, and therefore may present a conflict of interest. The general circumstances for such payment are as follows:

Claraphi pays compensation to unaffiliated third parties (solicitors) for referring Clients to Claraphi, as permitted under Rule 206(4)-3 of the Investment Advisers Act of 1940 and under applicable state law. Such arrangements are disclosed in writing to the Client at the time the referral is made. Appropriate disclosures are provided to the Client in any such case in accordance with SEC rules and the solicitor will be compensated by Claraphi according to the specific terms of the compensation arrangement contained in the Claraphi Solicitation Agreement.

Solicitors do not provide investment advisory services to Claraphi's Clients, and do not have discretion over or authority to make trades in Clients' accounts. However, solicitors do maintain a customer service role with Clients they refer to Claraphi, including, but not limited to those times when the solicitor has their own separate advisory agreement with the Client through another investment adviser (not related to Claraphi). Claraphi often receives updates to Client information, including investment objectives, risk tolerance and liquidity needs, via the solicitor.

Additional Compensation

Claraphi participates in the Institutional programs of some unaffiliated broker-dealer firms, such as Fidelity. While there is no direct link between the investment advice given and participation in the programs, economic benefits are received. These benefits include receipt of duplicate confirmations; access to a trading desk serving adviser participants exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate share to Client accounts; access to an electronic communication network via the Custodians' web portal for Client order entry and account information; receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional Clients. To the best of our knowledge, the benefits received through participation in the program do not necessarily depend upon the proportion of transactions directed to the respective broker-dealer.

Soft Dollars

Claraphi has entered into an arrangement which was seldom utilized in 2020 with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Claraphi with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Claraphi in conducting business and in serving the best interests of their Clients and that may also benefit Claraphi.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables Claraphi to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to Claraphi, at no additional charge to Claraphi, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Claraphi (within specified parameters). These research and brokerage services are used by Claraphi to manage accounts for which Claraphi has investment discretion. Without this arrangement, Claraphi might be compelled to purchase the same or similar services at its own expense which could be more costly.

As a result of receiving such services for no additional cost, Claraphi may have an incentive to continue to use or expand the use of Fidelity's services. Claraphi examined this potential conflict of interest when it chose to enter into the relationship with Fidelity and has determined that the relationship is in the best interests of Claraphi's Clients and satisfies its Client obligations, including its duty to seek best execution. A Client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Claraphi determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Claraphi will seek competitive rates, to the benefit of all Clients, it may not necessarily obtain the lowest possible commission rates for specific Client account transactions. Although the investment research products and services that may be obtained by Claraphi will generally be used to service all of Claraphi's Clients, a brokerage commission paid by a specific Client may be used to pay for research that is not used in managing that specific Client's account. Claraphi and Fidelity are not affiliates.

Financial Information

Claraphi is required in this Item to provide you with certain financial information or disclosures about Claraphi's financial condition. Claraphi does not require or solicit prepayment of more than \$1200 in fees per Client, six or more months in advance. Claraphi has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

On May 5, 2020, Claraphi received a Payroll Protection Plan (PPP) loan through the Small Business Association (SBA) in conjunction with the relief afforded from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Claraphi used the PPP funds to continue its payroll to its employees and did not suffer any interruption of service and continues to timely meet its financial obligations.

As of January 13, 2021, Claraphi received written notification from the SBA that the PPP loan received in May 2020 was forgiven. Claraphi continues to timely meet its financial obligations uninterrupted.