

# VERITY

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WEALTH ADVISORS LLC

SEC Form ADV Part 2A Firm Brochure  
("Brochure")

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This Brochure provides information about the qualifications and business practices of VERITY Wealth Advisors LLC ("VERITY"). If you have any questions about the contents of this brochure, please contact us at telephone number 415- 561-3340 or via e-mail at [evan@veritywealth.com](mailto:evan@veritywealth.com). The information in this brochure has NOT been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. VERITY is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.

This Brochure does not constitute an offer to sell, or the solicitation of an offer to buy, any securities. Additional information about VERITY is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **Item 2 - Material Changes**

The following material changes were made in this brochure from VERITY's last annual updating amendment of February 25, 2022 .

None

Other, non-material changes were made that are not discussed in this summary and, consequently, clients are encouraged to read this version of VERITY's disclosure brochure in its entirety.

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### **Item 3 - Table of Contents**

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

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## **Item 4 - Advisory Business**

VERITY Wealth Advisors was founded in 2003 by Evan Oliver, who remains the principal owner of the firm. VERITY provides a broad range of financial advisory services that depend upon the needs of the client. Our services fall into two main categories:

Managed	VERITY builds, directs and maintains an investment portfolio for the client
Consulting	VERITY provides ad-hoc financial advice on an as-needed basis
Privates Tracking	VERITY tracks investments in private investments that it does not manage

These service arrangements may or may not include the provision of Financial Planning services.

VERITY believes that the best investment advice is provided when an advisor is deeply intertwined in every aspect of their clients' overall financial picture, a view best gained through the financial planning process. However, in limited situations, VERITY will manage a client's assets without also providing financial planning services. We currently have clients engaged under such investment management-only agreements.

VERITY also provides non-managed financial consulting to a limited number of clients. Under these contracts, VERITY provides investment and/or financial planning advice on an ad-hoc hourly basis but does not take on any management responsibility of the clients' assets.

As part of a managed engagement, VERITY may provide basic/general advice on Client investment assets that are not considered assets under management. Examples of such assets include (but are not limited to) retirement plan holdings, private real estate and limited partnerships. This advice is generally limited to the effects that such investments have on big picture asset allocation and risk considerations within a Client's overall wealth. In cases wherein a Client wishes to have VERITY more explicitly track investments that they make (or have already made) in such non-managed investments, VERITY may enter into an additional privates tracking engagement.

Until September 30, 2018, VERITY Wealth Advisors acted as the general partner of a limited partnership, Verity Alternative Partners L.P. ("VAP"). This partnership was formed in 2005 as a means of providing VERITY clients with exposure to such alternative investments as real estate, commodities and hedge funds. The fund was closed to new investment since 2006 and was dissolved and wound-down as of September 30, 2018. Since December 31, 2013, VERITY has not received any management fees or other compensation for serving as the general partner of VAP.

As of December 31 2022, the assets upon which VERITY provides supervisory services totaled \$189,836,261 in discretionary funds. This amount includes accounts to which VERITY provides "continuous and regular supervisory or management services" over the assets. This figure also includes engagements whereby VERITY provides a broad range of Financial Planning services (i.e. our traditional wealth management mandates), including but not limited to general guidance on estate planning, taxes, insurance and retirement planning issues. The provision of these services is driven by and tailored to each client's needs as articulated/requested by the client. VERITY is NOT licensed to provide specific tax or legal advice and therefore the guidance given under these mandates is designed only to supplement the expert counsel of tax and/or legal practitioners.

## **Item 5 - Fees and Compensation**

For VERITY's full wealth management services, we generally charge 0.50% (50 basis points) of the value of assets managed. Assets managed between \$5 million and \$15 million are charged 0.1667% (16.67 basis point) and assets over \$15 million are charged 0.10% (10 basis points). Standard fees at each level of portfolio size are shown below:

### **Assets managed**

\$1 million and below	\$10,000
\$1 million to \$4 million	\$10,000 plus 0.50% of assets managed over \$1 million

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\$4 million to \$5 million	\$25,000
Above \$5 million	\$0.50% of assets managed

While the above table represents a standard schedule of fees, other fee schedules can be negotiated and each service contract contains a specific billing regimen within the engagement agreement that may or may not adhere to this standard, so deviations from this schedule can and do occur. These fees are paid on a quarterly basis (i.e. one-fourth each quarter) and are calculated using portfolio values as of the last day of the final month of each calendar quarter (March, June, September and December). These fees are then deducted directly from portfolio assets, though VERITY will consider other payment options.

Investment management only services are generally available only to those clients with managed assets above \$5 million and fees are negotiated on a case-by-case basis and currently range between 0.15% and 0.50%. Billing for these fees is handled in the same fashion as for the wealth management mandates above.

Consultation clients are billed on an hourly basis at the then prevailing rate or a rate initially agreed to in an engagement agreement (or in subsequent written notification), whichever is less. The current billing rate is \$360 per hour and has ranged between \$300 and \$450 per hour over the past twenty years. These fees are billed by invoice on a monthly (or bi-monthly or quarterly, depending upon the size of the invoice) basis.

A limited number of clients have engaged VERITY on a flat dollar fee basis. In this type of agreement, a fixed dollar fee is charged for investment management services, regardless of the amount of assets managed.

For the above-mentioned privates tracking engagements, VERITY charges a flat dollar fee based upon the scope of the work required to track the non-managed investments as well as expenses that VERITY may incur.

The fees mentioned above represent the only fees that VERITY collects in relation to VERITY's management of client assets and the provision of advice. The securities and/or funds that VERITY purchases for clients charge separate fees (i.e. underlying management fees) and the custodian of the client's assets (i.e. Schwab) charges commissions on certain security transactions and fees for providing certain services (e.g. wire fees). VERITY does NOT in any way share in these underlying fees. For more information about the custodial relationships that VERITY has established and its choice of brokerage services, see the Brokerage Practices and Custody sections below. Clients have the option to purchase investment products that we recommend through other brokers or agents not recommended by VERITY, if they so choose. However, such assets will not be considered as regulatory assets under management for reporting purposes.

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

VERITY does not charge any performance-based fees nor do we share in any such arrangements with any manager we recommend who may charge such fees. VERITY may charge different marginal rates based upon portfolio size and other factors. VERITY's style of portfolio management and supervision (described later in this brochure) is designed with the goal of treating each client equitably.

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

VERITY provides its services primarily to high-net-worth ("HNW") and non-HNW individuals, but also does limited work with other entities such as retirement plans, and trustees of irrevocable trusts. VERITY also supervises assets managed or sub-advised by other investment advisers.

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

VERITY Wealth Advisors develops investment plans tailored to the specific needs of each client based many different factors,

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primarily:

- 1) The role that the portfolio plays in the client's overall financial picture;
- 2) The client's tolerance for risk (in terms of both capacity and comfort); and
- 3) The interplay of return needs and risk tolerance.

These factors are combined to guide a targeted asset allocation designed to provide a reasonable balance between these factors. After allocation targets are determined, VERITY then considers, as the default investment strategy, the use of index or index-like securities to execute the specific asset class allocations. In the presence of compelling evidence or client preferences, we will sometimes opt instead to execute a target allocation using investments other than index-based securities, including actively-managed funds.

Once in place, VERITY periodically, but no less than quarterly, monitors portfolios and, when allocations deviate substantially from the target allocation, rebalances client portfolios. While we discourage our clients from making changes to the target allocations based on short-term changes to their comfort with risk, we do adjust target allocations as their long-term appetite for risk changes or if the client makes a specific request for an allocation change.

VERITY believes that the single most important determinant of the risk of loss within a given client's portfolio is the target percentage devoted to fixed income. While the risk tolerance of each client differs, we tend to maintain a significant allocation to fixed income regardless of economic cycle in hopes of buffering the capital preservation characteristics of our client's portfolios.

This style of management results in portfolios that span a wide range of risk levels from lower-risk (i.e. less stock exposure) to higher-risk (more stock exposure), depending upon each client's risk tolerance. While less stock exposure typically results in less dramatic principal fluctuations, there may be periods wherein even such portfolios exhibit meaningful drawdowns. VERITY makes no guarantees that the theoretical basis supporting its investment management approach will hold up in the future and it must be made clear that future investment results may not resemble past results.

In 2020, VERITY began using Schwab's Institutional Intelligent Portfolios (IIP) to manage a limited number of Client accounts. IIP is a system that allows advisors to build/maintain any number of their own model portfolios utilizing the automated investment and rebalancing features of Schwab's Intelligent Portfolios (SIP) platform. VERITY's IIP offering currently contains both proprietary models as well as ones based on those published by BlackRock. Even though such accounts are held within the IIP system, VERITY maintains ongoing management responsibility and discretion. There is no additional fee for the IIP service, though Schwab requires that a minimum percentage of cash be held in each IIP account. To the extent that this results in more cash than would be allocated in a non-IIP account, this constraint causes a cash drag, which is considered an indirect cost during times of rising markets.

**The following is a list of risks associated with the types of securities that VERITY commonly uses within Client portfolios:**

An **American depositary receipt (ADR)** is a negotiable security that represents securities of a non-US company that trades in the US financial markets, which has certain of the same risks as investing directly in non-U.S. securities.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry market conditions and general economic environments.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance. Because ETFs use "authorized participants" (APs) as agents to facilitate creations or redemptions (primary market), there is a risk that an AP decides to no longer participate for a particular ETF; however, that risk is mitigated by the fact that other APs can step in to fill the vacancy of the withdrawing AP [an ETF typically has multiple

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APs] and ETF transactions predominantly take place in the secondary market without need for an AP. Like other liquid securities, ETF pricing changes throughout the trading day and there can be no guarantee that an ETF is purchased at the optimal time in terms of market movements. Moreover, due to market fluctuations, ETF brokerage costs, differing demand and characteristics of underlying securities, and other factors, the price of an ETF can be lower than the aggregate market price of its cash and component individual securities (net asset value – NAV). An ETF is subject to the same market risks as those of its underlying individual securities, and also has internal expenses that can lower investment returns.

**Exchange Traded Notes (ETNs)** are unsecured, unsubordinated debt securities that were first issued by Barclays Bank PLC. This type of debt security differs from other types of bonds and notes because ETN returns are based upon the performance of a market index minus applicable fees, no period coupon payments are distributed and no principal protections exist. The purpose of ETNs is to create a type of security that combines both the aspects of bonds and exchange traded funds (ETF). Similar to ETFs, ETNs are traded on a major exchange, such as the NYSE during normal trading hours. However, investors can also hold the debt security until maturity. At that time the issuer will give the investor a cash amount that would be equal to principal amount (subject to the day's index factor). One factor that affects the ETN's value is the credit rating of the issuer. The value of the ETN may drop despite no change in the underlying index, instead due to a downgrade in the issuer's credit rating.

**Fixed Income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This includes corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general the fixed income market is volatile, and fixed income securities carry significant interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting, but these bonds still carry a risk of losing share price value. Risks of investing in foreign fixed income securities also include the general risks inherent in non-U.S. investing.

**Index Funds** employ a strategy that aims to replicate the movements of an index of a specific financial market (which may include debt securities), or a set of rules of ownership that are held constant, regardless of market conditions. Products that utilize an index tracking strategy may suffer a risk of loss, including as a result of tracking error. Imperfect correlation between a portfolio of securities and those in the underlying index, rounding of prices, changes to the underlying index and regulatory requirements may cause tracking error, which is the divergence of the portfolio's performance from that of the underlying index. This risk may be heightened during times of increased market volatility or other unusual market conditions. Tracking error also may result because a portfolio incurs fees and expenses while the underlying index does not.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. The funds can be of bond (fixed income) nature or stock (equity) nature, or a mix of multiple underlying security types.

**Non-U.S. Securities** present certain additional risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

**Precious Metal ETFs** (e.g., Gold, Silver, or Palladium Bullion backed "electronic shares" not physical metal) specifically may be negatively impacted by several unique factors, among them (1) large sales by the official sector which own a significant portion of aggregate world holdings in gold and other precious metals, (2) a significant increase in hedging activities by producers of gold or other precious metals, (3) a significant change in the attitude of speculators and investors.

**Real Estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically

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has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Treasury Inflation Protected/Inflation Linked Bonds** are treasury bonds indexed to an inflationary gauge, with the aim of protecting the bond holder from declines in the purchasing power of the holder's money. The principal value of these bonds will typically increase with inflation and decrease with deflation, whereas the interest payment varies with the adjusted principal value of the bond. The risk of default on these bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal.

**The following is a list and associated risks of certain types of securities that, while not generally used in Client portfolios, may occasionally be discussed, tracked, bought or owned.**

**Closed-end funds and business development companies** are registered investment companies, like mutual funds. They carry the risk of capital loss and thus you may lose money. Like mutual funds, they have costs that lower investment returns. They can be of bond "fixed income" nature or stock "equity" nature (also discussed herein). They have liquidity risks that mutual funds do not.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Exchange Traded Notes (ETNs)** are unsecured, unsubordinated debt securities that were first issued by Barclays Bank PLC. This type of debt security differs from other types of bonds and notes because ETN returns are based upon the performance of a market index minus applicable fees, no period coupon payments are distributed and no principal protections exists. The purpose of ETNs is to create a type of security that combines both the aspects of bonds and exchange traded funds (ETF). Similar to ETFs, ETNs are traded on a major exchange, such as the NYSE during normal trading hours. However, investors can also hold the debt security until maturity. At that time the issuer will give the investor a cash amount that would be equal to principal amount (subject to the day's index factor). One factor that affects the ETN's value is the credit rating of the issuer. The value of the ETN may drop despite no change in the underlying index, instead due to a downgrade in the issuer's credit rating.

**Hedge Funds** often engage in leveraging and other speculative investment practices that may increase the risk of investment loss; can be highly illiquid; are not required to provide periodic pricing or valuation information to investors; may involve complex tax structures and delays in distributing important tax information; are not subject to the same regulatory requirements as mutual funds; and often charge high fees. In addition, hedge funds may invest in risky securities and engage in risky strategies.

**Interval funds** are a type of closed-end fund that allow withdrawals only at set times, usually once a quarter. The fund may also impose limits on how much may be withdrawn during a quarter. Interval funds will usually invest in high-yielding and low-liquidity type investments that may not be found in normal mutual funds. This carries additional liquidity and valuation risk

**Multi-strategy funds** engage in a variety of investment strategies. The diversification benefits help to smooth returns, reduce volatility and decrease asset-class and single-strategy risks. Strategies adopted in a multi-strategy fund may include, but are not limited to, convertible bond arbitrage, equity long/short, statistical arbitrage and merger arbitrage.



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**Oil and gas** investment faces the following risks: (1) Political Risk: Typically, an oil and gas company is covered by a range of regulations that limit where, when and how extraction is done. That said, [political risk](#) generally increases when oil and gas companies are working on deposits abroad. (2) Geological Risk: Many of the easy-to-get oil and gas is already tapped out, or in the process of being tapped out. Exploration has moved on to areas that involve drilling in less friendly environments. Geological risk refers to both the difficulty of extraction and the possibility that the accessible reserves in any deposit will be smaller than estimated. (3) Price Risk: Beyond the geological risk, the price of oil and gas is the primary factor in deciding whether a reserve is economically feasible. Once a project has begun, price risk is a constant companion. (4) Supply and Demand Risk: [Supply and demand](#) shocks are a very real risk for oil and gas companies. The uneven nature of production is part of what makes the price of oil and gas so volatile. Other economic factors also play into this, as [financial crises](#) and [macroeconomic](#) factors can dry up capital or otherwise affect the industry independently of the usual price risks. (5) Cost Risk. The more onerous the regulation and the more difficult the drill, the more expensive a project becomes. The combination of uncertain prices due to worldwide production beyond any one company's control involve real cost concerns.

**Private Equity Funds:** In addition to the risks associated with hedge funds, there are risks specifically associated with investing in private equity. Capital calls can be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

**Venture Capital Funds** invest in start-up companies at an early stage of development in the interest of generating a return through an eventual realization event; the risk is high as a result of the uncertainty involved at that stage of development.

**Private Placements** carry a substantial risk as they are subject to less regulation than are publicly offered securities, the market to resell these assets under applicable securities laws may be illiquid, due to restrictions, and liquidation may be taken at a substantial discount to the underlying value or result in the entire loss of the value of such assets.

**Publicly traded master limited partnerships (MLPs)** own pipelines, storage tanks, and other cash-generating energy infrastructure and give practically all their income to shareholders in the form of distributions. They are structured differently from typical corporations and operate in a highly technical industry, and in some cases may use management incentive payments that encourage executives to take on more debt, which may increase the risk to investors. Furthermore, because production from shale drilling declines faster than that of crude from traditional wells, the high value and return of MLPs may not be sustained, and investors could lose money.

**Futures contracts** are agreements to buy or sell a specific amount of a commodity or a financial instrument at a particular price on a stipulated future date. Futures trading involves a high amount of leverage, with a relatively small amount of money used to establish a position in assets having a much greater value, and may involve significant losses during a very short period of time.

**Structured notes** are debt securities issued by financial institutions with performance linked to an underlying index or indices. Specifically, the return is typically based on a single equity, a basket of equities, equity indices, interest rates, commodities, or foreign currencies. The performance of a structured note is linked to the performance of the underlying investment, so risk factors applicable to that investment will also apply to the structure note. Investing in structured notes also carries liquidity risk, credit risk, and market risk. There is also the risk of capital loss and additional complexity beyond more direct investment in the underlying asset.

**Unit Investment Trusts ("UITs")** are bundled collections of over investments, designed to provide individuals the opportunity to invest in a diversified portfolio of securities with a low initial investment requirement. A UIT is either a regulated investment company ("RIC") or a grantor trust. [A RIC is a company in which the investors are joint owners, while a grantor trust grants investors proportional ownership in the UIT's underlying securities.] UITs will, generally speaking, inherit the risks of the underlying securities, and may not be appropriate for investors seeking capital preservation. Unlike mutual funds, UITs are not traded; rather the UIT manager purchases investments and holds them until maturity. UITs carry

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significant interest rate risk and have liquidity risks that mutual funds do not, plus more complex UITs are also subject to a number of risks that include increased volatility and greater potential for loss.

### **Schwab Institutional Intelligent Portfolios Program**

VERITY provides some of its portfolio management services through an automated investment program (the "IIP Program") through which clients are invested in a range of investment strategies the Firm has constructed and manages, each consisting of a portfolio of ETFs and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("CS&Co"). The Firm uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to Independent Investment advisors and an affiliate of CS&Co, to operate the IIP Program. VERITY is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, CS&Co, or their affiliates (together, "Schwab"). VERITY, and not Schwab, is the client's investment adviser and primary point of contact with respect to the IIP Program. VERITY is solely responsible, and Schwab is not responsible, for determining the appropriateness of the IIP Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. VERITY has contracted with SPT to provide it with the Platform, which consists of technology and related trading and account management services for the IIP Program. The Platform enables VERITY to make the IIP Program available to clients online and includes a system that automates certain key parts of the Firm's Investment process (the "System"). The System includes an online questionnaire that helps VERITY determine the client's investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that VERITY will recommend a portfolio via the System in response to the client's answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but VERITY then makes the final decision and selects a portfolio based on all the information the Firm has about the client. The System also includes an automated investment engine through which VERITY manages the client's portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). VERITY charges clients a fee for its services as described above under Item 5 Fees and Compensation. VERITY's fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to CS&Co as part of the IIP Program. Schwab does receive other revenues in connection with the IIP Program. VERITY does not pay SPT fees for the Platform.

### **Item 9 - Disciplinary information**

Neither VERITY Wealth Advisors, its employees, nor Verity Alternative Partners L.P. have been involved in any legal or disciplinary events since the firm's inception in 2003.

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

VERITY has entered a sub-advisory agreement with CW Henderson, a municipal bond separately-managed account manager, wherein CW Henderson sub-manages municipal bond portfolios for certain VERITY clients. VERITY does not receive compensation from CW Henderson (or any other advisor). CW Henderson collects its own management fees directly from Client accounts.

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

The principals and employees of VERITY Wealth Advisors are governed by the firm's Trading Code of Ethics, established pursuant to SEC Rule 204A-1. A copy of this code of ethics is available upon request. VERITY's principals and employees may buy, sell or hold securities identical to those recommended to clients. Trading of such securities by VERITY personnel at about the same time as client trades are conducted may skew transaction prices and hence represent a potential conflict of interest. Personal transactions in certain securities must first be approved by a principal of the firm and procedures are in place to avoid transactions from occurring at or near the same time as client transactions are taking place in the same securities. Approval is not required for the trading of mutual funds or government-related securities.

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Additionally:

- A principal or employee of VERITY shall not buy or sell securities for his or her own personal portfolio when their decision to do so is a result of information derived from their position at VERITY, unless that information is also reasonably available to the investing public.
- VERITY maintains records of all securities bought, sold or held by its principals and employees and these records are reviewed on a regular basis by a principal of the firm.
- VERITY requires that its principals and employees obey applicable federal and state regulations governing registered investment advisory practices.
- Any individual found to have violated any of these rules is subject to disciplinary action, including dismissal from the firm.

## **Item 12 - Brokerage Practices**

VERITY currently maintains no active broker relationship outside of the brokerage business associated with the custodial platform that we use for our clients, which is the Schwab Advisor Services Division of Charles Schwab & Co., Inc. ("Schwab"). VERITY seeks to engage in a low level of trading and therefore chooses to negotiate favorable commission rates and centralized service team support from a single broker.

VERITY believes that the electronic and liquid nature of the markets for the securities that we trade, along with the fact that we have already selected an industry leader for combined custody and execution, allows no tangible value to be added by expanding the list of brokers that we use.

VERITY does not participate in any wrap-fee agreements with Schwab or any other broker, nor do we permit clients to direct brokerage to brokers other than Schwab. Additionally, VERITY did not choose Schwab as its clients' custodian based upon any expectation or possibility of receiving client referrals from Schwab.

Although VERITY has not entered into a specific soft-dollar agreement with Schwab, some may consider the services that Schwab provides to advisers working on their institutional platform to resemble soft-dollar services and, hence, we disclose these services below.

VERITY currently requires clients to establish brokerage accounts with Schwab, which is a FINRA-registered broker-dealer and member of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Schwab provides VERITY with access to its institutional trading and custody services. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them, so long as a sizeable amount of the advisor's clients' assets are maintained in accounts at Schwab. These services are not contingent upon VERITY committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments. Schwab does not charge clients separately for general custody services. However, client account holders pay Schwab commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab also makes available to VERITY other products and services that benefit VERITY but may not directly benefit clients' accounts. These products and services may be used to service all or some substantial number of VERITY accounts, including accounts not specifically maintained at Schwab.

Schwab's products and services that assist VERITY in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of VERITY's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help VERITY manage and further develop its business enterprise. These services

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may include: (i) compliance, legal and business webinars and programs; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to VERITY. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to VERITY. Schwab may also provide other benefits such as educational events or occasional business entertainment of VERITY personnel. In evaluating whether to recommend that clients custody their assets at Schwab, VERITY may consider the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest. The receipt of the above services does not result in the client paying a higher-than-normal commission rate to Schwab.

In certain circumstances, VERITY will aggregate trades for client accounts under our master account, enter a block trade and then allocate those trades to specific client accounts after execution. This practice allows VERITY to (1) aggregate multiple trades in a security for specific clients and/or (2) group together trades for multiple clients in the same security. This type of trade typically occurs because of portfolio rebalancing efforts and ensures the same execution price for multiple accounts and potentially reduces market impact. It is important to note that, because of the customized nature of its portfolio construction and rebalancing procedures, VERITY will tend to trade/rebalance portfolios in a serial manner, rather than inputting trades in a certain security broadly across portfolios, which limits the use of trade aggregation. VERITY believes that the size of its trades (singular or block) are sufficiently small relative to the issue size of the securities in which it transacts to limit the market impact of multiple smaller trades. Nonetheless, by not using aggregated trades, trades in the same security may occasionally be executed in different accounts at different times in the same day (or on other days), which would result in some clients getting better or worse execution prices than others.

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

VERITY's portfolio management system as well as other tools provide us with the ability to view the entirety of our clients' assets on a consistent basis to determine whether specific action is required within a portfolio. Each portfolio is specifically reviewed and compared against targets on at least a quarterly basis to determine whether any routine rebalancing or other adjustments are necessary. VERITY provides written quarterly performance reports to clients for whom they manage assets.

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

VERITY maintains relationships with numerous professionals from whom we receive and to whom we send client referrals. VERITY neither pays nor receives any compensation for these referrals and, accordingly, considers only the merit of the service provider when making referral recommendations and we expect our colleagues to use the same criteria in determining whether to refer potential clients to us. See Items 8 and 12 for benefits received from Schwab.

### **Item 15 - Custody**

Assets under VERITY's management are held at Charles Schwab & Co. a FINRA-registered broker-dealer. Clients provide Schwab, as custodian, with authorization to accept directions from VERITY in connection with: a) the purchase and sale of securities; b) the withdrawal of management fees; and 3) the limited movement of assets on the client's behalf to like-titled accounts.

These transactions, as well as any other changes to a client's portfolio, are automatically reflected in the records of the custodian and VERITY has no ability to alter these records. In the case of trades, confirmation of all trades is made available directly to the clients in hard or electronic format. Schwab also sends periodic (monthly or quarterly depending on account activity) reports showing the assets held in the account and the history of any transactions that occurred. We recommend that clients take care to review these custodial reports and confirmations and to immediately bring any questions or issues surrounding them to our attention or to the attention of Schwab.

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Each quarter, VERITY sends to each client for whom a portfolio is managed, a report that summarizes the performance for various time periods. VERITY recommends (here and in each report disclosure) that clients compare information within these performance reports with that contained within the periodic reports sent directly by Schwab.

VERITY does not act as trustee for any client funds.

### **Item 16 - Investment Discretion**

Clients provide Schwab with authorization to act on the investment instructions of VERITY within managed accounts. Our authority to direct client assets may be altered by specific arrangement with the client. Limitations on discretionary authority may be requested any Client. Discretionary authority allows us to choose: a) the types of securities held/traded; b) the timing of transactions; and c) the broker to be used for executions and the applicable commission rates (although all trades are currently executed by Charles Schwab and Co., Inc., as previously disclosed.)

There may be circumstances where VERITY determines that it may be in the best interest to maintain certain positions which we might not otherwise recommend (e.g. stock positions that have a low cost basis and therefore a high tax cost to selling).

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

VERITY maintains and adheres to a strict proxy voting policy. Within the engagement agreement, during the account opening process and within any applicable IPSs, VERITY specifically informs clients that it does not vote proxies for shares of funds or securities held in client accounts. Within account documents, VERITY specifically directs Schwab to send proxy materials directly to the client or a designee thereof. A copy of VERITY's Proxy Voting Policy is available upon request. While this policy allows VERITY to provide a client with information clarifying the intent and effect of a particular proxy, VERITY is prohibited from providing a specific vote recommendation.

### **Item 18 - Financial Information**

VERITY charges and collects all fees in arrears (i.e. after applicable services have been rendered).

VERITY, its affiliates, and its supervised persons have never filed bankruptcy. VERITY is not aware of any financial condition that is expected to affect its ability to meet contractual commitments to clients.