



## 2021 PORTFOLIO GUIDE

### PORTFOLIO MANAGEMENT INFORMATION & RESOURCES

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*Updated: January 31, 2021*

## Introduction

At Clarus Wealth Advisors, we are committed to providing investment management solutions that make sense in the modern market. Investment management is one of the key pillars of our business, and an area that we continually strive to improve as we continue to grow as a firm. It is our goal to provide a diverse lineup of portfolios that allows our clients and partners to feel confident in what they're invested in and why.

Our investment management lineup was constructed by portfolio managers Ken Hartley, CFA, Mike Sherman, CIMA, and Don Moenning, who have over 50 combined years of portfolio management experience. The lineup features over 30 individual and multi-strategy portfolios that span numerous investment styles, methodologies, and asset classes. Our managers have worked together to ensure that each portfolio series serves a distinct purpose and fills a different potential client need. As a firm, we are pleased to offer our investment management solutions at TD Ameritrade with a competitive fee structure.

The Portfolio Guide contains general information about each portfolio available at Clarus. The primary goal is to provide readers with an understanding of what portfolios we offer, what they do, and how they work. This guide delivers portfolio descriptions, minimums, information sheets, benchmark information, risk levels, manager bios, and more, and is interactive on your PC.

If you would like more information on our investment management solutions, please refer to the Contact Us section at the end of the guide for phone and email contact information.

## Table of Contents

<i>Cover Page.....</i>	<b>1</b>
<i>Introduction.....</i>	<b>2</b>
<i>Clarus Portfolio Lineup.....</i>	<b>3</b>
<i>Clarus ETF Portfolios - Descriptions &amp; Information.....</i>	<b>4</b>
<i>Tactical Asset Allocation (TAA) Portfolios - Descriptions &amp; Information.....</i>	<b>5</b>
<i>Equity Portfolios - Descriptions &amp; Information.....</i>	<b>6</b>
<i>Capital Allocation Plus (CAP) Portfolios - Descriptions &amp; Information.....</i>	<b>7</b>
<i>Multi-Strategy (STS &amp; STS Premium) Portfolios - Descriptions &amp; Information.....</i>	<b>8</b>
<i>DFA Portfolios - Descriptions &amp; Information.....</i>	<b>9</b>
<i>Clarus Managed Portfolio Reference Sheet.....</i>	<b>10</b>
<i>Morningstar Target Risk Series Benchmarks.....</i>	<b>11</b>
<i>Benchmark Assignments for Clarus Portfolios.....</i>	<b>12</b>
<i>Portfolio Risk Level.....</i>	<b>13</b>
<i>FinMason Risk Scores for Clarus Portfolios.....</i>	<b>14</b>
<i>About Our Portfolio Managers.....</i>	<b>15</b>
<i>Contact Information &amp; Disclosures.....</i>	<b>16</b>



## 2021 Managed Account Portfolio Solutions

CLARUS STRATEGIC & TACTICAL PORTFOLIOS		
Clarus ETF Portfolios	Capital Allocation Plus (CAP)	Tactical Asset Allocation (TAA)
\$50,000 Minimum Manager: Ken Hartley	\$25,000 Minimum Manager: Don Moenning	\$5,000 Minimum Manager: Don Moenning
Clarus Income Portfolio (Q   NQ)	CAP Bond	TAA Conservative
Clarus Balanced Portfolio (Q   NQ)	CAP Conservative	TAA Moderate
Clarus Growth Portfolio (Q   NQ)	CAP Moderate	TAA Growth
Sectors Portfolio	CAP Growth	
50/50 Growth/Sectors	CAP Global Growth	

CLARUS EQUITY & MULTI-STRATEGY PORTFOLIOS		
Equity Portfolios	STS Portfolios (CAP / TAA)	STS Premium (CAP / TAA / Equity Blend)
See Minimums and Pricing Below Manager: Ken Hartley (Climate); Don Moenning	\$50,000 Minimum Manager: Don Moenning	\$250,000 Minimum Manager: Don Moenning
Climate Portfolio (\$250k Min)	STS Conservative	STS Premium Conservative
Dividend Equity (\$100k Min)	STS Moderate	STS Premium Moderate
Equity Leaders (\$100k Min)	STS Growth	STS Premium Growth

CLARUS DFA MUTUAL FUND PORTFOLIOS	
Qualified Clarus DFA Portfolios	Non-Qualified Clarus DFA Portfolios
\$50,000 Minimum	\$50,000 Minimum
Manager: Mike Sherman	
DFA Foundation Qualified	DFA Foundation Tax-Managed
DFA Conservative Qualified	DFA Conservative Tax-Managed
DFA Balanced Qualified	DFA Balanced Tax-Managed
DFA Growth Qualified	DFA Growth Tax-Managed
DFA Aggressive Qualified	DFA Aggressive Tax-Managed

Investment advisory services offered through Clarus Wealth Advisors LLC, a SEC Registered Investment Advisor.

# **Clarus Portfolio Descriptions & Information**

## **Clarus ETF Portfolio Series**

**Strategic ETF Portfolios | Minimum: \$50,000 | Manager: Ken Hartley**

### **Clarus ETF Portfolios | Qualified & Non-Qualified**

The objective of the Clarus ETF Portfolios is to seek positive, risk-adjusted returns by determining how asset classes are valued relative to each other. The portfolios are constructed using an asset allocation process that seeks positive, risk-adjusted total returns. **Clarus offers three risk levels: Income, Balanced, and Growth for both Qualified and Non-Qualified accounts, depending on the client account type.**

All asset classes are utilized through Exchange Traded Funds (ETF's) and a few, highly-rated mutual funds that replicate a particular asset class. ETF's provide a true asset class match without the "style-drift" of mutual funds and are generally a less expensive asset to use in portfolio construction. ETF's are also tradable throughout the day, in the event market volatility creates opportunity.

Based on market volatility, the portfolio will typically be rebalanced quarterly. Tax sensitivity will be considered in individual accounts but will not override the decision to rebalance. The portfolios may manage risk through the use of trailing stops on each position, individually. Trailing stops are employed on a discretionary basis given the market environment.

### **Sectors Portfolio**

The objective of the Clarus Sectors Portfolio is to seek positive, risk-adjusted returns by determining how asset classes are valued relative to each other. The portfolio is constructed using an asset allocation process that seeks market sectors that are out of favor or have underperformed relative to other sectors. The portfolio will be constructed to anticipate market rotation to the sectors that were previously mispriced.

All asset classes are utilized through Exchange Traded Funds (ETF's) that replicate the particular asset class. ETF's provide a true asset class match without the "style-drift" of mutual funds and are generally a less expensive asset to use in portfolio construction. ETF's are also tradable throughout the day, in the event market volatility creates opportunity.

Based on market volatility, the portfolio will typically be rebalanced quarterly. Tax sensitivity will be considered in individual accounts but will not override the decision to rebalance. The portfolio may manage risk through the use of trailing stops on each position, individually. Trailing stops are employed on a discretionary basis given the market environment.

### **50/50 Growth/Sectors Portfolio**

A 50% / 50% blended portfolio of the Clarus Growth ETF Portfolio and Clarus Sectors ETF Portfolio.

## Clarus Tactical Asset Allocation (TAA) Portfolio Series

Tactical ETF Portfolios | Minimum: \$5,000 | Manager: Don Moenning | [Info Sheet \(PDF\)](#)

### TAA Conservative

The Tactical Asset Allocation (TAA) Conservative portfolio is a risk-managed, tactical portfolio designed to provide an appropriate asset allocation to current market conditions, adjusting accordingly as market environments evolve. The portfolio aims to be long equity in positive environments, in cash in negative environments, and hold a balanced mix of equity and fixed income in neutral environments. Environments are determined by a proprietary rules-driven model. The portfolio utilizes low-cost equity and fixed income index ETFs and/or open-ended fixed income mutual funds to fill out its exposures. The TAA Conservative normally holds 40% fixed income regardless of the market environment to provide a conservative risk profile. Risk level is considered to be moderately conservative. *Typical allocation: 60% Equity / 40% Fixed Income; 30% Equity / 40% Fixed Income / 30% Money Market; 40% Fixed Income / 60% Money Market.*

### TAA Moderate

The Tactical Asset Allocation (TAA) Moderate portfolio is a risk-managed, tactical portfolio designed to provide an appropriate asset allocation to current market conditions, adjusting accordingly as market environments evolve. The portfolio aims to be long equity in positive environments, in cash in negative environments, and hold a balanced mix of equity and fixed income in neutral environments. Environments are determined by a proprietary rules-driven model. The portfolio utilizes low-cost equity and fixed income index ETFs to fill out its exposures. Risk level is considered to be moderately aggressive. *Typical allocation: 100% Equity; 80% Equity / 20% Fixed Income; 60% Equity / 40% Fixed Income; 100% Money Market.*

### TAA Growth

The Tactical Asset Allocation (TAA) Growth portfolio is a risk-managed, tactical portfolio designed to provide an appropriate asset allocation to current market conditions, adjusting accordingly as market environments evolve. The portfolio aims to be long equity in positive environments, in cash in negative environments, and hold a balanced mix of equity and fixed income in neutral environments. Environments are determined by a proprietary rules-driven model. The portfolio utilizes low-cost equity and fixed income index ETFs to fill out its exposures. Risk level is considered to be aggressive. *Typical allocation: 100% Equity; 60% Equity / 40% Fixed Income; 100% Money Market.*

TAA Portfolio	Negative Market Allocation Target	Neutral Market Allocation Target	Positive Market Allocation Target	Risk Level
TAA Conservative	60% Cash / 40% Bonds	30% Equity / 40% Bonds	60% Equity / 40% Bonds	Conservative
TAA Moderate	100% Cash	60% Equity / 40% Bonds	80% Equity / 20% Bonds*	Mod Aggressive
TAA Growth	100% Cash	60% Equity / 40% Bonds	100% Equity	Aggressive

*\* Though the normal target in a positive market condition is 80%/20%, TAA Moderate has the ability to go 100% long equity in positive market environments if certain proprietary market model conditions are met.*

## **Clarus Equity Portfolios**

### **Climate Portfolio**

**Minimum: \$250,000 | Manager: Ken Hartley**

The objective of the Clarus Climate Portfolio is to seek positive, risk-adjusted returns by investing in companies that may be impacted by changing weather trends, globally. The portfolio will utilize third-party research, specializing in oceanographic temperature changes and the impact on global weather patterns. The portfolio seeks to invest ahead of major, sustainable changes to regional and global weather patterns. The portfolio focuses in four areas:

Agriculture, Energy (carbon based and alternative), Consumer Behavior, Major Regional Impact.

The portfolio is market capitalization agnostic. The portfolio can have both long and short positions at any time. The portfolio turnover will tend to be low except in periods of extreme market volatility or adverse weather anomalies. *Typical Allocation: 100% Equity.*

### **Dividend Equity**

**Minimum: \$100,000 | Manager: Don Moenning | [Info Sheet \(PDF\)](#)**

The Dividend Equity portfolio is a large-cap, individual equity/ETF portfolio designed to own dividend-paying stocks. The portfolio strives to provide long-term capital appreciation with a modest degree of income. The Dividend Equity portfolio targets dividend paying stocks, primarily those that have increased their annual dividend payouts over long-term (5+ year) periods, have experienced notable earnings growth, and/or have attractive technical and fundamental setups. In addition to holding individual dividend-paying stocks, the portfolio holds 20% of its total exposure in Dividend ETFs, which may provide more predictable returns and less performance variance. Risk level is considered to be moderately aggressive. *Typical allocation: 100% Equity.*

### **Equity Leaders**

**Minimum: \$100,000 | Manager: Don Moenning | [Info Sheet \(PDF\)](#)**

The Equity Leaders portfolio is a risk-managed, individual equity/ETF portfolio designed to own the top-rated (as defined by a proprietary measure of company/industry performance and earnings strength) stocks in each S&P 500 sector while overweighting exposure to leading sectors and underweighting exposure to lagging sectors. Equity Leaders owns a mix of top-rated individual equities, sector ETFs, and sub-industry ETFs. Allocations and sector weightings are discretionary, though decisions are guided by a proprietary sector ranking system. The portfolio is risk-managed, with the ability to raise cash in severely negative market conditions. Risk level is considered to be aggressive. *Typical allocation: 60% - 100% Equity.*

## **Clarus Capital Allocation Plus (CAP) Portfolio Series**

**Strategic Asset Allocation Portfolios | Minimum: \$25,000 | Manager: Don Moenning | [Info Sheet \(PDF\)](#)**

### **CAP Bond**

The Capital Allocation Plus (CAP) Bond portfolio is a strategic asset allocation portfolio designed to deliver fixed income exposure and produce current income. The portfolio utilizes ETF and mutual fund investments to deliver diversified allocation to fixed income, adding alpha through mutual fund selection and asset allocation tilting. Risk level is considered to be very conservative. *Typical allocation: 100% Fixed Income.*

### **CAP Conservative**

The Capital Allocation Plus (CAP) Conservative portfolio is a strategic asset allocation portfolio designed to deliver modest capital growth and moderate income. The portfolio utilizes ETF and mutual fund investments to deliver diversified allocations to domestic equity, international equity, and fixed income, adding alpha through mutual fund selection and asset allocation tilting. Risk level is considered to be conservative. *Typical allocation: 40% Equity | 60% Fixed Income.*

### **CAP Moderate**

The Capital Allocation Plus (CAP) Moderate portfolio is a strategic asset allocation portfolio designed to deliver moderate capital growth and modest income. The portfolio utilizes ETF and mutual fund investments to deliver diversified allocations to domestic equity, international equity, and fixed income, adding alpha through mutual fund selection and asset allocation tilting. Risk level is considered to be moderate. *Typical allocation: 60% Equity | 40% Fixed Income.*

### **CAP Growth**

The Capital Allocation Plus (CAP) Growth portfolio is a strategic asset allocation portfolio designed to deliver long-term capital growth. The portfolio utilizes ETF and mutual fund investments to deliver diversified allocations to domestic equity, international equity, and fixed income, adding alpha through mutual fund selection and asset allocation tilting. Risk level is considered to be moderately aggressive. *Typical allocation: 80% Equity | 20% Fixed Income.*

### **CAP Global Growth**

The Capital Allocation Plus (CAP) Global Growth portfolio is a strategic asset allocation portfolio designed to deliver long-term capital growth with a focus on international equity. The portfolio utilizes ETF and mutual fund investments to deliver diversified allocations to domestic equity, international equity, and fixed income, adding alpha through mutual fund selection and asset allocation tilting. Risk level is considered to be moderately aggressive. *Typical allocation: 80% Equity | 20% Fixed Income.*

## **Clarus Multi-Strategy Blended Solutions (STS & STS Premium)**

In times of market stress, correlations between asset classes tend to rise significantly. No matter how an asset allocation portfolio is positioned, rising correlations can wreak havoc on performance. Thus, instead of diversifying by asset class alone, we believe that a more modernized approach to portfolio diversification is necessary.

The Clarus Sleeve-Traded Solutions (STS) blend together programs that span different investment methodologies, styles, time-frames, and asset classes. No single program works all the time as market environments change, but we believe a multi-strategy approach may help smooth the ride and provide clients a more stable investment experience.

The goals of the STS portfolios are simple: 1) Adapt to changing market environments. 2) Focus on market leadership. 3) Help manage the risk of the market. With these three basic tenets in mind, we've created two levels of multi-strategy programs in which clients can participate: STS and STS Premium.

### **Clarus STS Portfolio Series**

**CAP/TAA Blended Portfolios | \$50,000 Minimum | Manager: Don Moenning | [Info Sheet \(PDF\)](#)**

The STS portfolio series blends the CAP and TAA models together at a 50% / 50% blend to create a portfolio consisting of strategic and tactical investment styles. The primary benefit of this approach is to allow participation in the market at a targeted risk level while simultaneously striving to preserve capital in bear market environments, all at a relatively low investment minimum. Clarus offers three STS portfolio risk levels: **Conservative**, **Moderate**, and **Growth**.

The goals of the STS portfolios are: 1) Adapt to changing market environments. 2) Focus on market leadership. 3) Help manage the risk of the market. No single program works at all times, especially as market environments change. However, we believe a multi-strategy approach may reduce portfolio variance, effectively helping to "smooth the ride" and provide clients a more stable investment experience.

### **Clarus STS Premium Portfolio Series**

**CAP/TAA/Equity Blended Portfolios | \$250,000 Minimum | Manager: Don Moenning | [Info Sheet \(PDF\)](#)**

The STS Premium series carries a higher investment minimum than the STS series, as it takes diversification one step further with the inclusion of individual equity programs in the existing CAP and TAA blends. The result is a multi-strategy portfolio with three programs blended together, providing strategic, tactical, and equity investment styles. The STS Premium series is aimed towards higher net worth clients and/or clients looking to own individual stocks along with a blended allocation of broad-market exposure programs. Clarus offers three STS Premium portfolio risk levels: **Conservative**, **Moderate**, and **Growth**.

The goals of the STS Premium portfolios are: 1) Adapt to changing market environments. 2) Focus on market leadership. 3) Help manage the risk of the market. No single program works at all times, especially as market environments change. However, we believe a multi-strategy approach may reduce portfolio variance, effectively helping to "smooth the ride" and provide clients a more stable investment experience.

## **Clarus DFA Mutual Fund Portfolio Series**

**Strategic Mutual Fund Portfolios – DFA Funds | Minimum: \$50,000 | Manager: Mike Sherman**

**Additional Information: [DFA Article 1 \(PDF\)](#) | [DFA Article 2 \(PDF\)](#)**

*Dimensional Fund Advisors (DFA) is a leading global investment firm that has been translating academic research into practical investment solutions since 1981. Guided by a strong belief in markets, they work to implement compelling ideas in finance for the benefit of investors. DFA believes that security prices reflect all publicly available information as intense competition among market participants drive prices toward fair value. They use the information in market prices, combined with fundamental data, to systemically identify differences in expected returns among securities. DFA seeks to add value by building portfolios that target higher expected returns in a cost-effective manner. Through a dynamic investment process that integrates research, portfolio management, and trading, they manage the tradeoffs that matter for performance - balancing the competing premiums, diversification, and costs. For more information on Dimensional Funds, please visit [www.us.dimensional.com](http://www.us.dimensional.com).*

### **DFA Foundation | Qualified and Tax Managed**

The Clarus DFA Foundation portfolio is designed for investors who are risk averse with a short-term investment time horizon, though looking to supplement portfolio income with a small amount of capital growth. The primary objectives of the portfolio are to reduce exposure to market volatility, and to generate income. *The target asset allocation of this portfolio is 20% equity / 80% fixed income.* The 80% allocation to fixed income aims to significantly reduce portfolio volatility, with only a small portion of remaining assets exposed to equity market fluctuations. Risk level is considered to be conservative. Options available for qualified and non-qualified accounts.

### **DFA Conservative | Qualified and Tax Managed**

The Clarus DFA Conservative portfolio is designed for the investors with a relatively low risk tolerance and a shorter-term investment time horizon. The primary objectives of the portfolio are modest capital growth and moderate income. *The target asset allocation of this portfolio is 40% equity / 60% fixed income.* The 60% allocation to fixed income aims to moderately reduce overall portfolio volatility. Risk level is considered to be moderately conservative. Options available for qualified and non-qualified accounts.

### **DFA Balanced | Qualified and Tax Managed**

The Clarus DFA Balanced portfolio is designed investors with a moderate risk tolerance seeking relatively stable growth. The primary objectives of the portfolio are moderate capital growth and income. *The target asset allocation of this portfolio is 60% equity / 40% fixed income.* The 40% allocation to fixed aims to modestly reduce the overall portfolio volatility. Risk level is considered to be moderate. Options available for qualified and non-qualified accounts.

### **DFA Growth | Qualified and Tax Managed**

The Clarus DFA Growth portfolio is designed for investors with a relatively high risk tolerance and a long-term investment time horizon. The primary objective of the portfolio is capital growth, though a 20% allocation to fixed income aims to reduce overall portfolio volatility modestly. *The target asset allocation of this portfolio is 80% equity / 20% fixed income.* Risk level is considered to be moderately aggressive. Options available for qualified and non-qualified accounts.

### **DFA Aggressive | Qualified and Tax Managed**

The Clarus DFA Aggressive portfolio is designed for investors with a high risk tolerance and a long-term investment time horizon. The primary objective of the portfolio is significant capital growth, resulting in only a minimal amount of dividends from the mutual funds. *The target asset allocation of this portfolio is 100% equity / 0% fixed income.* Risk level is considered to be aggressive. Options available for qualified and non-qualified accounts.

## 2021 Managed Portfolio Reference Sheet

CAP Portfolios									
Portfolio	Style	Methodology	Risk Level	Allocation Target	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
CAP Bond	Strategic	Asset Allocation, ETFs & MFs	Very Cons	0 / 100	No	6	2.63%	0.30%	\$ 25,000
CAP Conservative	Strategic	Asset Allocation, ETFs & MFs	Mod Cons	40 / 60	No	13	1.81%	0.26%	\$ 25,000
CAP Moderate	Strategic	Asset Allocation, ETFs & MFs	Mod	65 / 35	No	13	1.54%	0.22%	\$ 25,000
CAP Growth	Strategic	Asset Allocation, ETFs & MFs	Mod Agg	85 / 15	No	13	1.32%	0.19%	\$ 25,000
CAP Global Growth	Strategic	Asset Allocation, ETFs & MFs	Mod Agg	85 / 15	No	13	1.25%	0.30%	\$ 25,000
Clarus ETF Portfolios									
Portfolio	Style	Methodology	Risk Level	Allocation Target	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
Clarus Income Portfolio (Q/NQ)	Strategic	Asset Allocation, ETFs	Mod Cons	40 / 60	Stops	7	2.67%	0.73%	\$ 50,000
Clarus Balanced Portfolio (Q/NQ)	Strategic	Asset Allocation, ETFs	Mod	60 / 40	Stops	6	2.00%	0.56%	\$ 50,000
Clarus Growth Portfolio (Q/NQ)	Strategic	Asset Allocation, ETFs	Agg	100 / 0	Stops	7	1.01%	0.13%	\$ 50,000
Sectors Portfolio	Strategic	Asset Allocation, Leadership	Agg	100 / 0	Stops	12	1.31%	0.24%	\$ 50,000
50%/50% Sectors/Growth	Strategic	Asset Allocation, Leadership	Agg	100 / 0	Stops	17	1.16%	0.19%	\$ 50,000
DFA Portfolios									
Portfolio	Style	Methodology	Risk Level	Allocation Target	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
DFA Foundation (Q/TM)	Strategic	Asset Allocation, DFA Funds	Cons	20 / 80	No	13	1.46%	0.23%	\$ 50,000
DFA Conservative (Q/TM)	Strategic	Asset Allocation, DFA Funds	Mod Cons	40 / 60	No	14	1.50%	0.25%	\$ 50,000
DFA Balanced (Q/TM)	Strategic	Asset Allocation, DFA Funds	Mod	60 / 40	No	14	1.58%	0.28%	\$ 50,000
DFA Growth (Q/TM)	Strategic	Asset Allocation, DFA Funds	Mod Agg	80 / 20	No	14	1.66%	0.31%	\$ 50,000
DFA Aggressive (Q/TM)	Strategic	Asset Allocation, DFA Funds	Agg	100 / 0	No	11	1.70%	0.34%	\$ 50,000
TAA Portfolios									
Portfolio	Style	Methodology	Risk Level	Allocation Target	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
TAA Conservative	Tactical	Graduated Exposure	Mod Cons	Variable	Yes	2-3	Variable	0.03%	\$ 5,000
TAA Moderate	Tactical	Graduated Exposure	Mod Agg	Variable	Yes	2-3	Variable	0.05%	\$ 5,000
TAA Growth	Tactical	Graduated Exposure	Agg	Variable	Yes	2-4	Variable	0.08%	\$ 5,000
Equity Portfolios									
Portfolio	Style	Methodology	Risk Level	Cap Size & Style	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
Equity Leaders	Equity	Leadership, Momentum	Agg	Large Core/Growth	Yes	30	1.33%	0.20%	\$ 100,000
Dividend Equity	Equity	Dividend-Payers	Agg	Mid & Large Core/Value	No	24	2.02%	0.39%	\$ 100,000
Climate Portfolio	Equity	Mid-Cap, Weather Strategy	Agg	Mid-Cap	No	20	1.85%	0.00%	\$ 250,000
STS Portfolios									
Portfolio	Style	Program Blend	Risk Level	Client Fit	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
STS Conservative	Strategic / Tactical	50% CAP Cons / 50% TAA Cons	Mod Cons	Cons client, diversification, multi-strat, risk mgmt	Yes	15	1.75%	0.15%	\$ 50,000
STS Moderate	Strategic / Tactical	50% CAP Mod / 50% TAA Mod	Mod	Mod client, diversification, multi-strat, risk mgmt	Yes	17	1.56%	0.14%	\$ 50,000
STS Growth	Strategic / Tactical	50% CAP Gro / 50% TAA Gro	Mod Agg	Grow client, diversification, multi-strat, risk mgmt	Yes	16	1.40%	0.14%	\$ 50,000
STS Premium Portfolios									
Portfolio	Style	Program Blend	Risk Level	Client Fit	Risk Mgmt	# Hdgs	12-mo Yield	Exp Ratio	Minimum
STS Premium Conservative	Strategic / Tactical / Equity	50% CAP Cons / 35% TAA Cons / 15% Dividend Equity	Mod Cons	Cons client, high net worth, div, multi-strat, risk mgmt	Yes	39	1.80%	0.18%	\$ 250,000
STS Premium Moderate	Strategic / Tactical / Equity	50% CAP Mod / 30% TAA Mod / 20% Equity Leaders	Mod	Mod client, high net worth, div, multi-strat, risk mgmt	Yes	47	1.47%	0.16%	\$ 250,000
STS Premium Growth	Strategic / Tactical / Equity	34% CAP Gro / 33% TAA Gro / 33% Equity Leaders	Mod Agg	Gro client, high net worth, div, multi-strat, risk mgmt	Yes	46	1.32%	0.15%	\$ 250,000

Note: Statistics for the number of holdings, 12-month yield, and expense ratio are as of 1/31/21. Yield and Expense Ratio data was retrieved from Morningstar.

# Morningstar Target Risk Series Benchmarks

## Benchmark Selection & Philosophy

The majority of our managed portfolio solutions compete against the “Morningstar Target Risk Series Benchmarks.” These benchmarks were built to represent professionally managed, diversified asset allocation portfolios spanning various risk profiles. Morningstar is a widely recognized brand in our industry and a standard for both data and indexing. Thus, by comparing our portfolios to these benchmarks, we are illustrating how much value our Clarus portfolio management strategies add versus competitive allocations with similar risk profiles built by a widely recognized and well-respected firm focused on data, accuracy, and transparency.

The Morningstar Target Risk Series includes benchmarks spanning five risk levels: Morningstar Conservative Target Risk, Morningstar Moderately Conservative Target Risk, Morningstar Moderate Target Risk, Morningstar Moderately Aggressive Target Risk, and Morningstar Aggressive Target Risk.

Benefits of Utilizing the Morningstar Target Risk Series Benchmarks
Morningstar is an industry-standard brand and widely recognizable.
Closely representative of how Clarus portfolios are designed and invested; appropriate comparisons.
Diversified equity exposure across all cap-sizes, styles, and regions.
Diversified fixed income exposure across various classes, maturities, and quality.
Conservative, Moderately Conservative, and Moderate benchmarks have built in cash positions.
Aggressive benchmark contains 5% fixed income exposure.
Rebalanced annually, built from various Morningstar indexes.

## Asset Allocation Targets, Methodology, & Research

Below are the general asset allocation targets for each Morningstar Target Risk Series Benchmark:

Morningstar Target Risk Benchmark	Target (Equity/Bond)
Morningstar Conservative Target Risk	20% / 80%
Morningstar Moderately Conservative Target Risk	40% / 60%
Morningstar Moderate Target Risk	60% / 40%
Morningstar Moderately Aggressive Target Risk	80% / 20%
Morningstar Aggressive Target Risk	95% / 5%

**Detailed Asset Allocation Targets:** [Morningstar Target Risk Series Benchmark Detailed Asset Allocation \(PDF\)](#).

**Detailed Methodology:** [Morningstar Target Risk Series Benchmark Construction Rules & Methodology \(PDF\)](#).

**Research:** To view up-to-date quotes, performance, and information regarding the Morningstar Target Risk Series Benchmarks, please navigate to [www.morningstar.com](http://www.morningstar.com) and use the following tickers in the search bar:

Morningstar Target Risk Benchmark	Ticker
Morningstar Conservative Target Risk	MSAAMCNR
Morningstar Moderately Conservative Target Risk	MSAAMMC
Morningstar Moderate Target Risk	MSAAMMO
Morningstar Moderately Aggressive Target Risk	MSAAMMAR
Morningstar Aggressive Target Risk	MSAAMAGR

## Benchmark Assignments for Clarus Portfolios

The majority of our portfolios compete against the Morningstar Target Risk Series Benchmarks outlined on the previous page. However, there are a handful of portfolios on our platform that compete against different benchmarks. While the Morningstar Target Risk Series is an appropriate comparison for strategies that employ a strategic/asset allocation methodology, our lineup does have strategies with different methodologies which require different benchmarks to make an apt comparison. Thus, our equity portfolios and tactical portfolios benchmark to different indexes that are more relevant to the methodology employed.

Below is a complete list of our managed portfolio solutions, and the benchmarks they compete against. If you have any questions or would like more information regarding these benchmarks, please see the Contact Us section at the end of this document.

Benchmark Assignments		
Clarus Portfolio	Benchmark	Manager
Clarus Income Q   NQ	Morningstar Moderately Conservative Target Risk	Ken Hartley
Clarus Balanced Q   NQ	Morningstar Moderate Target Risk	Ken Hartley
Clarus Growth Q   NQ	Morningstar Moderately Aggressive Target Risk	Ken Hartley
Sectors Portfolio	Morningstar Aggressive Target Risk	Ken Hartley
Climate Portfolio	S&P Midcap 400	Ken Hartley
50/50 Growth/Sectors	Morningstar Moderately Aggressive Target Risk	Ken Hartley
CAP Bond	Bloomberg Barclays US Agg Bond	Don Moenning
CAP Conservative	Morningstar Moderately Conservative Target Risk	Don Moenning
CAP Moderate	Morningstar Moderate Target Risk	Don Moenning
CAP Growth	Morningstar Moderately Aggressive Target Risk	Don Moenning
CAP Global Growth	Morningstar Moderately Aggressive Target Risk	Don Moenning
TAA Conservative	60% MS Tactical / 40% BBgBarc US Agg Bond	Don Moenning
TAA Moderate	80% MS Tactical / 20% BBgBarc US Agg Bond	Don Moenning
TAA Growth	Morningstar Tactical Allocation	Don Moenning
Equity Leaders	Morningstar Aggressive Target Risk	Don Moenning
Dividend Equity	Russell 1000 Value	Don Moenning
STS Conservative	Morningstar Moderately Conservative Target Risk	Don Moenning
STS Premium Conservative	Morningstar Moderately Conservative Target Risk	Don Moenning
STS Moderate	Morningstar Moderate Target Risk	Don Moenning
STS Premium Moderate	Morningstar Moderate Target Risk	Don Moenning
STS Growth	Morningstar Moderately Aggressive Target Risk	Don Moenning
STS Premium Growth	Morningstar Moderately Aggressive Target Risk	Don Moenning
DFA Foundation - Q   Tax-Managed	Morningstar Conservative Target Risk	Mike Sherman
DFA Conservative - Q   Tax-Managed	Morningstar Moderately Conservative Target Risk	Mike Sherman
DFA Balanced - Q   Tax-Managed	Morningstar Moderate Target Risk	Mike Sherman
DFA Growth - Q   Tax-Managed	Morningstar Moderately Aggressive Target Risk	Mike Sherman
DFA Aggressive - Q   Tax-Managed	Morningstar Aggressive Target Risk	Mike Sherman

# Portfolio Risk Level

## A Word About Portfolio Risk Level

Terms like “Conservative” or “Growth” are commonly attached to portfolio names, but tend to be vague, meaning different things to different managers. For example, the “ABC Conservative Portfolio” at Firm A may carry a much higher equity allocation than the “XYZ Conservative Portfolio” at Firm B, and thus more inherent portfolio risk. While it is generally helpful to use these traditional naming conventions to help describe the overall targeted risk level of a portfolio, modern technology allows for more detailed metrics to be utilized in terms of describing portfolio risk. In an effort to simplify how we communicate the risk level of our portfolios, we utilize FinMason risk scores, a risk evaluation tool integrated into TD Ameritrade that provides real-time risk analysis for our model portfolios.

## FinMason Risk Scores

On the following page, we associate our portfolios with a “FinMason Score” to provide a snapshot of the general risk level of our portfolios beyond simple naming conventions. The technology analyzes the current holdings of a model portfolio and provides a snapshot “risk score” - a metric that aims to simplify the general risk/reward relationship of a portfolio in a singular score metric. Risk scores are assigned from 0 to 100, where 0 is “risk averse” or “as defensive as possible” and 100 is “maximum risk” or “as aggressive as possible.” We associate FinMason Scores with the following portfolio risk levels:

FinMason Score	Risk Level
0 - 20	Conservative
20 - 40	Moderately Conservative
40 - 60	Moderate
60 - 80	Moderately Aggressive
80 - 100	Aggressive

## Risk Scoring in Active Portfolios

It is important to note that we view FinMason Scores as a tool to help describe risk, not a defining metric. We do identify that there are certainly limitations to assigning a singular risk metric to a portfolio. For example, the FinMason Score may be a very appropriate metric for asset allocation strategies that do not alter their holdings frequently. However, actively managed or tactical portfolios tend to change holdings and exposures often, making “current snapshot” metrics such as this less useful and in some cases, inappropriate. To navigate around this issue, we have provided score ranges for dynamic portfolios in order to display the potential scores as the portfolio shifts its allocation over time.

## Benchmarking & Risk Scores

Some portfolios benchmark differently than their FinMason score would suggest based on the associations displayed above. For example, a “Growth” portfolio may have a score of 90, indicating it is aggressive by FinMason score standards. However, that portfolio may also be assigned to the “Morningstar Moderately Aggressive Target Risk Benchmark,” which is *moderately* aggressive. We benchmark our portfolios to what we view as the most typical *target* asset allocation and risk level. As managers, we often tilt portfolios more aggressively or conservatively to take advantage of opportunities in the market. As allocations change, scores will change too. We recommend using FinMason scores as a tool to describe the risk of the *current* allocation given circumstances of the current market.



## CURRENT FINMASON RISK SCORES FOR CLARUS PORTFOLIOS (6/30/20)

0 (Risk Averse) - 100 (Maximum Risk)

0-20: Conservative / 20-40: Moderately Conservative / 40-60: Moderate / 60-80: Moderately Aggressive / 80-100: Aggressive

Clarus ETF Portfolios		Tactical Asset Allocation (TAA)		Capital Allocation Plus (CAP)	
Portfolio Name	FinMason Score	Portfolio Name	FinMason Range	Portfolio Name	FinMason Score
Income Portfolio	32	TAA Conservative	0-60	CAP Bond	30
Balanced Portfolio	56	TAA Moderate	0-80	CAP Conservative	51
Growth Portfolio	97	TAA Growth	0-100	CAP Moderate	70
Sectors Portfolio	97			CAP Growth	90
50/50 Growth/Sectors	97			CAP Global Growth	91

Equity Portfolios		STS Portfolios (CAP/TAA Blend)		STS Premium (CAP/TAA/Equity Blend)	
Portfolio Name	FinMason Score	Portfolio Name	FinMason Range	Portfolio Name	FinMason Range
Climate Portfolio	97	STS Conservative	15-45	STS Premium Conservative	28-50
Dividend Equity	96	STS Moderate	25-70	STS Premium Moderate	35-76
Equity Leaders	97	STS Growth	38-95	STS Premium Growth	50-97

Qualified Clarus DFA Portfolios		Non-Qualified Clarus DFA Portfolios	
Portfolio Name	FinMason Score	Portfolio Name	FinMason Score
DFA Foundation Qualified	7	DFA Foundation Tax Managed	7
DFA Conservative Qualified	32	DFA Conservative Tax Managed	32
DFA Balanced Qualified	60	DFA Balanced Tax Managed	59
DFA Growth Qualified	89	DFA Growth Tax Managed	89
DFA Aggressive Qualified	97	DFA Aggressive Tax Managed	97

### Notes on FinMason Scores

- Scores are based on current portfolio allocations as of 1/31/21. Scores are subject to change as allocations are adjusted.

- Portfolios with "FinMason Range" scores represent active allocations with scores that can vary significantly as market environments change. The "FinMason Range" represents a minimum / maximum score range for possible allocations of the portfolio at any time.

- Clarus ETF Portfolios are available in "Qualified" and "Non-Qualified" models. Clients are assigned based on the client account type. FinMason scores listed in this table are for Qualified models.

- "FinMason Score Range" for TAA, STS, and STS premium portfolios are based on Negative / Neutral / Positive market environment allocations. Typically, negative environment allocations represent the lowest risk score, while positive market environment allocations represent the highest risk score.

## About Our Portfolio Managers



**Ken Hartley, CFA**

[khartley@claruswealthadvisors.com](mailto:khartley@claruswealthadvisors.com)

Mr. Hartley has managed investments for individuals and institutions for over 30 years. He brings a deep knowledge, both academic and practical, to client relationships. Mr. Hartley has the ability to listen, understand and guide a client's investment needs through any market condition. He combines experience as an executive in the private banking industry with the entrepreneurial vision of founding multiple investment advisory firms. Mr. Hartley has an MBA from Western Michigan University and is a Chartered Financial Analyst (CFA) charter holder from the CFA Institute. At Clarus Wealth Advisors, he is responsible for the following portfolios: Clarus Growth Portfolio, Clarus Balanced Portfolio, Clarus Income Portfolio, Clarus Sectors Portfolio and the Clarus Climate Portfolio. Information about any of the portfolios are available upon request.



**Don Moenning**

[dmoenning@claruswealthadvisors.com](mailto:dmoenning@claruswealthadvisors.com)

Don graduated from the University of Puget Sound with degrees in both Economics and Business Leadership. For over a decade, Don has been working for independent RIAs, conducting equity analysis, market research, and managing model portfolios across varying investment styles and methodologies. Don specializes in risk-managed approaches and is a firm believer of incorporating downside mitigation in client portfolios. He also has extensive experience building institutional-styled asset allocation models. At Clarus Wealth Advisors, he is responsible for managing the following portfolios: CAP Portfolio Series, TAA Portfolio Series, Dividend Equity, Equity Leaders, STS Series, and STS Premium Series. Information about any of the portfolios are available upon request. Don holds a Series 65 securities license and aims to help individuals better understand the investment management space and feel secure with their financial future.



**Michael A. Sherman, CFP, CIMA**

[msherman@claruswealthadvisors.com](mailto:msherman@claruswealthadvisors.com)

Mike graduated from Brown University with a Bachelor of Arts degree in economics in 1977 and has spent his entire business life in finance and investing. He received his Certified Investment Management Analyst (CIMA) designation in 1993 from Investment Management Consultants Association through their affiliation with the University of Pennsylvania's Wharton School. He received his Certified Financial Planner (CFP) designation in 2007. Having spent over 34 years helping clients set and reach their financial goals has given Mike experience through many business and market cycles. Mike uses Dimensional Fund Advisors (DFA) mutual funds to create portfolios for his clients.

## **Contact Us**

For additional information regarding Clarus managed account portfolio solutions, please call us at (623) 583-6840, or email us at [info@claruswealthadvisors.com](mailto:info@claruswealthadvisors.com).

If you'd prefer to contact the managers directly, you can utilize the contact information below to schedule a meeting or request more information:

**Ken Hartley, CFA**

Portfolios: Clarus ETF Series, Climate Portfolio

Email: [khartley@claruswealthadvisors.com](mailto:khartley@claruswealthadvisors.com)

**Don Moenning**

Portfolios: CAP Series, TAA Series, Dividend Equity, Equity Leaders, STS Series, STS Premium Series

Email: [dmoenning@claruswealthadvisors.com](mailto:dmoenning@claruswealthadvisors.com)

**Mike Sherman, CFP, CIMA**

Portfolios: DFA Mutual Fund Portfolios

Email: [msherman@claruswealthadvisors.com](mailto:msherman@claruswealthadvisors.com)

## **Disclosures**

Clarus Wealth Advisors, LLC is a registered Investment Advisor with the Securities Exchange Commission.

Investments are not FDIC-insured, nor are they deposits of or guaranteed by a bank or any other entity, so they may lose value.

Risk scores and other ranking data are provided solely as an evaluation tool and not meant to be an indication of future performance or suitability.

Investors should consider all risks before investing. Some risks to consider are:

**Equity Market Risk:** Economic, market, political, and issuer-specific conditions and events will cause the value of equity securities to rise or fall. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.

**Value Investment Risk:** Value stocks may perform differently from the market as a whole and following a value-oriented investment strategy may cause a portfolio to underperform equity funds that use other investment strategies.

**Small Company Risk:** Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources.

**Tax Advantage Strategy Risk:** An investment strategy that considers the tax implications of investment decisions may alter the construction of portfolios and affect portfolio holdings, when compared to those of non-tax managed. The Clarus Wealth Advisors anticipates that performance of a tax-managed portfolio may deviate from that of non-tax managed portfolios.

**Cyber Security Risk:** Clarus Wealth Advisor's use of internet, technology and information systems may expose the Portfolio to potential risks linked to cyber security breaches of those technological or information systems. Cyber security breaches, among other things, could allow an unauthorized party to gain access to proprietary information, customer data, or fund assets, or cause a portfolio and/or its service providers to suffer data corruption or lose operational functionality.

Investors should carefully consider investment objectives, risks, charges and expenses before investing.

Portfolios are subject to change at any time and are under the sole discretion of Clarus Wealth Advisors, LLC.