



## Sleeve-Traded Solutions (STS) Series

### Overview

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 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 with a more stable investment experience

The goals of our 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.

### STS

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. Investment minimum is \$50,000.

STS Portfolio	Strategic Allocation	Tactical Allocation	Max Equity	Min Equity
<b>STS Conservative</b>	50% CAP Conservative	50% TAA Conservative	47.5%	17.5%
<b>STS Moderate</b>	50% CAP Moderate	50% TAA Moderate	80.0%	30.0%
<b>STS Growth</b>	50% CAP Growth	50% TAA Growth	90.0%	40.0%

### STS Premium

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. Aimed towards higher net worth clients and/or clients looking to own individual stocks, the STS Premium series utilizes three programs to round out the allocations. Clarus offers three STS Premium portfolio risk levels: Conservative, Moderate, and Growth. Investment minimum is \$250,000.

STS Premium Portfolio	Strategic	Tactical	Individual Equity	Max Equity	Min Equity
<b>STS Premium Conservative</b>	50% CAP Conservative	35% TAA Conservative	15% Dividend Equity	55.0%	32.5%
<b>STS Premium Moderate</b>	50% CAP Moderate	30% TAA Moderate	20% Equity Leaders	80.0%	40.0%
<b>STS Premium Growth</b>	34% CAP Growth	33% TAA Growth	33% Equity Leaders	93.3%	46.6%

## Programs Involved in STS & STS Premium Portfolios

### **CAP Portfolios**

The Capital Allocation Plus (CAP) portfolios are strategic asset allocation portfolios designed to deliver a mix of capital growth and income. The portfolios utilize mutual fund and ETF investments to deliver diversified allocations to domestic equity, international equity, and fixed income, adding alpha through mutual fund selection and asset allocation tilting. There are three CAP Portfolio risk levels offered in the STS and STS Premium portfolios: Conservative (35% Equity | 65% Fixed Income), Moderate (60% Equity | 40% Fixed Income), and Growth (80% Equity | 20% Fixed Income).

### **TAA Portfolios**

The Tactical Asset Allocation (TAA) portfolios are risk-managed, tactical portfolios designed to provide an appropriate asset allocation to current market conditions, adjusting accordingly as market environments evolve. The portfolios aim to long equity in positive environments, in cash in negative environments, and hold 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. There are three TAA portfolio risk levels offered in the STS and STS Premium portfolios: Conservative, Moderate, and Growth. See below for typical allocations:

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

### **Dividend Equity (STS Premium Conservative Only)**

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 (STS Premium Moderate & Growth Only)**

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: 40% - 100% Equity.

---

#### **Summary - STS**

*Investment Styles:* Strategic, Tactical  
*Methodology:* Multiple  
*Asset Category:* Mutual Funds & ETFs  
*Risk Level:* Varied  
*# of Holdings:* 13-19  
*Investment Time Frame:* 3-5 Years  
*Portfolio Minimum:* \$50,000

#### **Summary – STS Premium**

*Investment Styles:* Strategic, Tactical, Equity  
*Methodology:* Multiple  
*Asset Category:* Mutual Fund, ETF, Stocks  
*Risk Level:* Varied  
*# of Holdings:* 33-49  
*Investment Time Frame:* 5-7 Years  
*Portfolio Minimum:* \$250,000