

## Euclid Investment Advisory Form CRS Form ADV Part 3 - Client Relationship Summary

### Introduction

Euclid Investment Advisory is registered with the Securities and Exchange Commission (SEC) as an investment adviser.

Brokerage and investment advisory services and fees differ, and that it is important for you to understand these differences. Euclid charges fees based on the value of your account on the last day of the quarter. Euclid does not charge brokerage or any other fees. Custodians who hold your assets may charge fees for transactions and Euclid does not control these charges nor do we receive any of these funds.

Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

### Relationships and Services

#### **That investment services and advice can you provide me?**

Euclid offers investment advisory services primarily on a discretionary basis. The principal services, accounts, or investments the Firm makes available to investors are primarily focused on the Equity markets. Many of our clients are accumulating or have accumulated capital for their retirement and other life goals. They know that exposure to an unrelenting bear market can impair their capital for a long time, thus affecting their goals.

We find the general public focuses on returns and looks past risk. Successful investors focus on process over profit and risk over return. Our goal is to manage risk as the math of investing is against all of us. Indeed, a 25% loss requires a 34% gain to just get back to even, and the time lost is irrecoverable. Euclid invests based on Equity Growth, ETF and Equity Income models. Euclid's models were developed by our institutional managers to generate asymmetric up/down market capture or returns in excess of the S&P 500® during bull markets and protect capital in bear markets. Individuals and wealth advisers can use this strategy as a core holding or as an addition to existing portfolios. Asymmetric risk is the risk an investor faces when the gain realized from the move of an underlying asset in one direction is significantly different from the loss incurred from its move in the opposite direction. The Model combines experienced institutional portfolio management judgement with the rigor of computer-generated measurements and indicators. Not used are macro-economic forecasts, future earnings estimates or quantitative "quant" modeling. The overall strategy assesses market risk level, determines the appropriate capital commitment (% of assets for market exposure), and governs the investment selection and management process.

#### **Predefined Equity Investment Universe**

Stocks in the Model's investment universe meet minimum asset size, liquidity, trading volume, and expense ratio criteria. Exchange-traded Notes (ETNs), closed end funds (CEFs) and leveraged, inverse, and inverse leverage ETFs are not permitted.

#### **Investment Selection**

The Model's Equity universe and relevant indices are analyzed in multiple time frames. A relative strength ranking identifies Equities leading or lagging the benchmark. Cash and equivalents are an uncorrelated asset class and included in the ranking process.

These data aid the portfolio manager in adjusting the Model's holdings and market exposure. Equity and sector concentrations are limited by the Model's investment guidelines.

#### **Risk Environment Assessment**

The market or systemic risk environment is determined by inter-market analysis. This analysis evaluates diverse asset classes such as domestic and foreign equity, credit markets, currencies, gold, real estate, commodities and interest rates.

### Buy – Sell Discipline

The firm uses a well-defined money management processes. Model's cash level is a dynamic consequence of the buy-sell process: cash increases in down-trending markets as Equity holdings meet sell criteria. The opposite occurs in up-trending markets. The Model seeks to be fully invested consistent with market risk.

- (i) Monitoring: Models are monitored on a daily basis and changes are made when appropriate following the established guidelines with a client.
- (ii) Investment Authority: Discretionary authority is obtained from clients upon account inception. Euclid finds that non discretion causes delays that impede investment results. The advisor and client create a framework for investing and discretionary trades are within the agreed upon framework.
- (iii) Limited Investment Offerings: Euclid makes available and offers advice only with respect to reviewed or analyzed securities which are reviewed by our investment committee using the following Investment Guidelines.

The Strategies combine institutional portfolio management judgment with the rigor of computer-generated measurements and indicators. Not used are macro-economic forecasts, future earnings estimates or quantitative "quant" modeling. The overall strategy assesses market risk level, determines the appropriate capital commitment (% of assets for market exposure), and governs the investment selection and management process.

### Predefined Securities Investment Universe

Securities in the Firm's investment universe meet minimum asset size, liquidity, trading volume, and expense ratio criteria. Exchange-traded Notes (ETNs), closed end funds (CEFs) and leveraged, inverse, and inverse leverage ETFs are not permitted.

### Investment Selection

The Firm's Investment universe and relevant indices are analyzed in multiple time frames. A relative strength ranking identifies securities leading or lagging the benchmark. Cash and equivalents are an uncorrelated asset class and included in the ranking process.

These data aid the portfolio manager in adjusting the Model's holdings and market exposure. Security and sector concentrations are limited by the Model's investment guidelines.

### Risk Environment Assessment

The market or systemic risk environment is determined by inter-market analysis. This analysis evaluates diverse asset classes such domestic and foreign equity, credit markets, currencies, gold, real estate, commodities and interest rates.

### Buy – Sell Discipline

The firm uses a well-defined money management processes. Model's cash level is a dynamic consequence of the buy-sell process: cash increases in down-trending markets as Security holdings meet sell criteria. The opposite occurs in up-trending markets. The Model seeks to be fully invested consistent with market risk.

**Account Minimums and Other Requirements:** Minimum account size is \$50,000 based on a family relationship-spouses, children may have smaller accounts so long as the total assets in the family relationship are greater than \$50,000.

- Euclid only offers fee only service based on a percentage of the assets in your account.
- Euclid does not offer brokerage service.
- Euclid operates only with full discretion based on a pre-determined investment plan.
- Key Personnel

### Frederic M. Smoak CFA, MBA

Mr. Smoak attended and was graduated from Emory University in 1973 with a degree in Psychology. For the past 20 years, Mr. Smoak has served as principal, client advisor and portfolio manager for Euclid Investment Advisory. Prior to that he was a portfolio manager at American Security Bank in Washington, DC. He was Chief Investment Officer for a multi-billion dollar Taft-Hartley Plan and Managing Director of Fixed Income for Potomac Asset Management.

Mr. Smoak has worked in the financial services industry since 1982. He earned an MBA from American University in 1983 and earned the Chartered Financial Analyst (CFA).

### William H. Hoover, MA

Mr. Hoover serves as a Principal of Euclid and is responsible for corporate oversight and client development. Mr. Hoover has over 33 years' experience in the financial services industry building teams to drive product sales. He started his career as a Fixed Income Trader with Maxcor in New York and returned to Florida where he headed several statewide trust organizations including Chase Manhattan Bank and Midlantic National Bank and Trust of Florida. He has extensive experience working with the independent broker/dealer/advisor channel as head of the sales effort for Wilmington Trust's Brokerage Trust and Value Management Products. Prior to founding one of our predecessor firms, he headed the Private Banking sales and service effort for Fleet Boston Financials' Quick & Reilly Brokerage firm where he was responsible for the wholesaling effort for Investment Management, Private Banking and Fiduciary Services to the client base of the firm. Mr. Hoover has extensive experience in assisting advisors in finding the correct products to fulfill their fiduciary role. He is a graduate of Emory University, where he earned both a BA and MA in Economic History.

## Fees, Costs, Conflicts & Standard of Conduct

### What fees will I pay?

Principal fees are assessed to investors are charged at the end of each quarter based on the market value of the assets under management for investment advisory services. The more assets there are in a retail investor's advisory account, the more a retail investor will pay in fees. The Firm may therefore have an incentive to encourage the retail investor to increase the assets in his or her account. However the greater the performance and the increase in value of the account the closer the client is to reaching their agreed upon goal.

You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

### What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?

When we act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are

### How do your financial professionals make money?

The Firm's financial professionals are compensated as partners in the firm, receiving a percentage of the after cost revenues based on factors such as amount of client assets they service; time and complexity required to meet a client's needs.

## Disciplinary History

### Do you or your financial professionals have legal or disciplinary history?

No. You can visit [Investor.gov/CRS](http://Investor.gov/CRS) for a free and simple search tool to research our firm and our financial professionals.

## Fees, Costs, Conflicts & Standard of Conduct

### Additional Information

For additional information about our services, call 240-731-0083 or email [bhoover@euclidadvisory.com](mailto:bhoover@euclidadvisory.com).

### Is he or she a representative of an investment adviser or a broker-dealer?

None of our professionals are registered with a FINRA broker-dealer.

You can find additional information about our investment advisory services at [Investor.gov/CRS](http://Investor.gov/CRS). You may also request a printed copy of this Relationship Summary by contacting us at 240-731-0083 or email to [bhoover@euclidadvisory.com](mailto:bhoover@euclidadvisory.com).