VALUES-ALIGNED DIRECT INDEX SOLUTION

Direct indexing, built around *what each client cares about.*

In Latin, *vadis* means "where are you going." VADIS builds a portfolio of individual securities that is designed to track a chosen benchmark while reflecting the client's own values, holding by holding — and manages the tax consequences through tax-aware trading and tax-loss harvesting when eligible.



36 bps	**$25,000**	**150+**	**200+**
Formative management fee, tiering down with account size and applied to the entire account	Investment minimum at Schwab and Apex	Values metrics across five key issue areas	Holdings optimized to track the selected benchmark

The management fee covers Formative's investment management. Underlying fund expenses on the fixed income sleeve, and custodian and platform charges, are additional and are set by the fund or the custodian. Built with our partner YourStake. Formative is the investment manager.

WHAT THE CLIENT OWNS

Individual securities, not a fund that holds them.

That single difference is where everything else in VADIS comes from — the values screens, the tax control, the cost, and the vote.

What it does

- Builds the portfolio from **individual securities** rather than funds, so values screens apply at the level of the company.
- Applies the client's **Values Persona** across 150+ metrics, with specific inclusion or exclusion tickers layered on.
- Manages gains and losses **security by security**, which a fund cannot do.
- Carries **no fund expense ratio** on the direct index equity holdings and **no third-party manager fee** on top of Formative's.

BEST SUITED TO

- Clients who want values expressed at the level of the individual security.
- Clients holding concentrated positions who need to diversify with tax awareness.
- Clients whose transition into the portfolio requires gains to be managed deliberately.
- Households with more than one account.

WHAT OWNERSHIP CARRIES

the votes and the engagement belong to the account

Proxy voting

Formative votes the proxies on the companies held in the account, to its own proprietary Proxy Voting Guidelines.

Shareholder engagement

Formative engages directly with companies held in client portfolios.

Class action monitoring

Client accounts are monitored for securities class action settlements through an outside firm. Accounts are enrolled by default and clients may opt out. Formative receives no share of any settlement.

HOW VADIS IS BUILT

four steps, from values to stewardship

01

Discover

The client's Values Persona is established through the Values Questionnaire, with specific inclusion or exclusion tickers layered on.

02

Assess risk

A risk questionnaire determines the appropriate benchmark for the client's financial objectives.

03

Optimize

Portfolio construction, trading and rebalancing tools build a tax-managed portfolio of 200+ holdings optimized to track that benchmark.

04

Steward

Monitoring, rebalancing, tax-loss harvesting, proxy voting and engagement. Reporting covers holdings, trading activity, fees and impact.

TAX MANAGEMENT

Your client's accounts are separate. Their taxes are not.

Because VADIS holds individual securities, gains and losses can be managed position by position rather than at the level of a fund. Three things follow from that.

Tax-loss harvesting

Positions trading below cost can be sold to realize a loss and replaced with securities that keep the portfolio tracking its benchmark.

Householding

A family's accounts are managed as one portfolio: losses in one account can offset gains in another, bonds can sit where they are taxed least, and risk is measured across the household.

Transition management

Clients arriving with embedded gains can be transitioned into the portfolio over time rather than all at once.

WHO QUALIFIES *thresholds by capability*

$25,000	$250,000	$1,000,000
Investment minimum at Schwab and Apex	Account size at which tax-loss harvesting is offered	Account size at which householding is offered

> *Aggregation is a report. Householding is a decision about where the tax lands.*

What householding coordinates

- **Tax** — harvesting in one account against gains in another, on the household's combined return.
- **Asset location** — holding income-producing assets where they are taxed least.
- **Risk** — measured across every registration at once, not summed after the fact.
- **Values and restrictions** — applied consistently across every account in the household.

THE HONEST LIMIT

Wash-sale rules reach every account a taxpayer and their spouse control, including accounts held away from Formative and self-directed IRAs. Formative coordinates the accounts it manages at the same custodian; held-away accounts are disclosed to the client rather than monitored. A purchase in an account we cannot see can undo a harvest in one we can.

Below those thresholds, tax management is applied at the annual re-optimization. Householding coordinates accounts held at the same custodian and managed together as a household; household reporting alone does not coordinate wash sales. Tax-loss harvesting results depend on each client's own tax circumstances and are not guaranteed. Formative does not provide tax or legal advice; clients should consult their own tax professional.

GETTING STARTED

Three steps to put a client into a VADIS account.

01

Talk it through

Bring us the account and the circumstances. We will tell you whether VADIS is the right fit, including when it is not.

02

Connect

A selling agreement or sub-advisory services agreement with Formative gives you access to VADIS.

03

Open the account

VADIS is available at Schwab and Apex. Custodian charges are set by the custodian; Apex charges 3 bps (as of August 2026).

Formative

Values-aligned direct indexing, holding by holding.

FIRM

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Investing involves risk, including possible loss of principal. Diversification does not ensure a profit or protect against loss. Direct indexing and tax-loss harvesting involve risk, including tracking error relative to a benchmark. Values screens may cause a portfolio to perform differently than a broad market index. Formative does not provide tax or legal advice; clients should consult their own tax professional. Tax-loss harvesting is offered on accounts of $250,000 or more and householding on accounts of $1,000,000 or more; below those thresholds, tax management is applied at the annual re-optimization. These eligibility thresholds are current and in effect. Fees shown are current as of the date of this document and are subject to change; the Formative management fee is shown at the entry level and tiers down as account size rises. Custodian and platform charges are additional and are set by the custodian.

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Formative's compensation differs by strategy. Strategy recommendations are made subject to Formative's fiduciary duty, and its conflicts of interest are described in its Form ADV Part 2A. VADIS was built with Formative's partner YourStake, whose platform powers the values questionnaire and impact reporting; Formative is the investment manager. The opinions and concepts presented are based on data believed to be reliable; however, no assurance can be made as to their accuracy. Past performance is never a guarantee of future results. The views expressed herein are those of First Affirmative, doing business as Formative, and may not be consistent with the views of individual investment advisors or Broker-Dealers or RIA firms doing business with First Affirmative. First Affirmative's ADV Disclosure Brochure is available at any time; please write, call, or visit formativefinancial.com/about-us.

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