



## **DIRECT INDEXING RISKS AND DISCLOSURES**

Please read this disclosure carefully before opening a Direct Indexing account with Titan Global Capital Management USA LLC (“Titan”), an SEC-registered investment adviser. This document describes key features, limitations, risks, and tax considerations of Titan's Direct Indexing product offering. It does not constitute tax, legal, or accounting advice. Clients should consult their own tax and legal advisors regarding their specific circumstances.

### **PRODUCT OVERVIEW**

Titan's Direct Indexing ("DI") product is a separately managed account ("SMA") strategy that holds individual equity securities designed to track the performance of a designated benchmark index. Because clients own individual securities rather than a pooled fund, the strategy creates opportunities for systematic tax-loss harvesting that are generally not available in ETF or mutual fund structures. The portfolio is managed by Titan and executed through Apex Clearing's Ascend platform.

The tax-loss harvesting optimizer used in this strategy calibrates the aggressiveness of loss harvesting based on each client's individual federal and state income tax rates. Accurate tax rate inputs are essential to the proper functioning of the strategy. Providing inaccurate tax rate information, or failing to update it as circumstances change, can materially affect the performance of the strategy. It is your responsibility to provide accurate tax rate information at account opening and to notify your Titan advisor if your tax situation changes materially. Titan does not independently verify tax rates and is not responsible for suboptimal outcomes arising from inaccurate client-provided inputs.

### **CURRENT PRODUCT SCOPE AND LIMITATIONS**

As of launch, the Direct Indexing product operates within the following defined parameters. These limitations reflect the initial release scope and may be expanded in future versions.

#### **Index Limitation**

The Direct Indexing product is designed to track a single index, the S&P 500 (the “Benchmark Index”), using the iShares Core S&P 500 ETF (IVV) as a proxy. No index customization, ESG screens, sector exclusions or individual security exclusions are currently available.

#### **Account Eligibility**

The Direct Indexing product is available in individual taxable brokerage accounts only. Joint accounts, trust accounts (when available), and all retirement or tax-advantaged accounts (including IRAs and Roth IRAs) are not eligible. Please note that tax-advantaged accounts are excluded by design. The primary benefit of Direct Indexing is tax-loss harvesting, which provides no benefit inside tax-deferred or tax-exempt accounts.

## **Funding**

Direct Indexing accounts can only be funded by ACH transfer. ACAT transfers and the ability to move funds between Titan accounts to fund Direct Indexing will be available in the future, but will not be available at the time of launch.

## **Account Opening**

A new account with a new account number must be opened to access Direct Indexing. This account is separate from any other existing Titan account. Additional information may be required before the account can be approved, regardless of whether you have another account with Titan. A new account agreement and applicable disclosures from Titan, its affiliated introducing broker-dealer Titan Global Technologies LLC (“TGT”), and the custodian, Apex Clearing Corporation, will be provided at account opening.

## **Investment Minimum**

The minimum amount required to open a Direct Indexing account is \$20,000. This threshold reflects the minimum at which meaningful tax-loss harvesting opportunities are achievable and represents the amount that an advisor would need you to invest in order to recommend Direct Indexing over Titan's automated strategies.

Recurring contributions can meaningfully expand your tax-loss harvesting opportunities, and the minimum for a recurring deposit within your Direct Indexing account is \$500. Clients who make a one-time contribution and do not add to the account over time should expect the magnitude of tax-loss harvesting opportunities to diminish as securities appreciate.

## **Advisory Fee**

The annual advisory fee for Direct Indexing is 0.40%, charged on assets under management in the Direct Indexing account. You should independently evaluate the net benefit of the strategy, including the expected tax alpha relative to the advisory fee before opening a Direct Indexing account.

You will be required to hold a minimum allocation of cash in your Direct Indexing account that will be used to pay your Advisory Fee and any other fees and expenses. For more information regarding cash reserve requirements, please refer to Titan's [Program Brochure](#).

## **Account Management**

All harvesting opportunities and trades will be advisor-initiated and advisor-managed. You will not have self-directed access to open accounts or generate tax-loss harvesting proposals.

## **INVESTMENT RISKS**

All investing involves risk. The following risks are particularly relevant to the Direct Indexing strategy.

### **Market Risk**

The value of individual securities held in your Direct Indexing account may decline. Titan cannot guarantee a profit or protect against loss. Direct Indexing is a long-only equity strategy and is subject to the same general market risks as the Benchmark Index.

## **Tracking Error**

Your Direct Indexing portfolio may hold all or a subset of the securities in the S&P 500 index depending on your account size and is subject to tracking error, meaning its returns may materially deviate from the Benchmark Index. Tracking error can arise from cash flows, portfolio rebalancing, tax-loss harvesting activity, securities sampling, and changes in index composition. The primary purpose of this strategy is tax efficiency, and some degree of tracking error is an inherent and expected feature of that objective.

## **Wash Sale Risk**

Tax-loss harvesting is subject to IRS wash sale rules, which disallow a loss deduction if the same or a substantially identical security is purchased within 30 days before or after the sale. Titan's portfolio management system is designed to minimize unintended wash sales within your Direct Indexing account. However, please be advised that:

- Wash sales can occur inadvertently if you hold substantially identical securities in other accounts (including employer retirement plans, IRAs, or other brokerage accounts) that are not coordinated with your Direct Indexing account.
- Titan does not have visibility into positions held outside of accounts managed by Titan. You are responsible for ensuring that trading activity in external accounts does not trigger wash sales that would disallow losses harvested in your Direct Indexing account.
- Titan does not coordinate trading activity across your Direct Indexing account and your other Titan-managed accounts. Trades executed in those other accounts may inadvertently trigger wash sales that disallow losses harvested in your Direct Indexing account. Clients who hold both a Direct Indexing account and other Titan-managed accounts should be aware of this limitation and consult a tax advisor regarding cross-account wash sale exposure.

## **Tax Benefit Uncertainty**

Tax-loss harvesting is not guaranteed to reduce your tax liability in any given year. The availability and magnitude of harvesting opportunities depends on market conditions, portfolio composition, your individual cost basis, and the timing and size of contributions. Key limitations include:

- In sustained bull markets with limited drawdowns, there may be few or no loss-harvesting opportunities in a given period.
- Tax benefits are generally front-loaded: the most significant harvesting opportunities tend to occur shortly after initial funding or new contributions, when securities have recently established a cost basis.
- **Tax deferral, not elimination:** harvested losses defer taxes rather than eliminate them. Gains will eventually be realized upon liquidation, and the tax liability is deferred to a future period. The long-term net benefit depends on your tax rates at the time of eventual sale, the time value of the deferral, and any step-up in basis that may apply.
- Harvested losses that exceed your realized capital gains in a given year can only offset up to \$3,000 of ordinary income annually (or \$1,500 if married filing separately). Losses in excess of this amount are carried forward to future tax years until death (consult a tax advisor regarding whether remaining carryforward losses could be passed to beneficiaries).

## **Tax Law Risk**

Tax laws are complex and subject to change. Changes in legislation, IRS interpretation, or your personal tax situation could affect the value of the strategy. Titan does not provide tax, legal, or accounting advice. Clients should consult qualified tax professionals regarding the consequences of investing through Direct Indexing given their specific circumstances.

## **Complexity and Cost Basis**

Holding individual securities in a Direct Indexing account creates tax reporting complexity. Your account will generate a 1099-B reflecting individual security-level gains and losses, which may be substantially more detailed than the reporting associated with a single ETF position. Coordinating this information across your broader tax picture — including offsetting gains in other accounts — may require additional effort from you and your tax advisor.

## **Liquidation and Exit Risk**

If and when you close or transfer your Direct Indexing account, the liquidation of individual securities may trigger significant capital gains taxes on appreciated positions. The embedded gains in a mature Direct Indexing portfolio can create a meaningful "exit cost" that partially offsets any cumulative tax alpha generated over the life of the account. Clients should discuss exit planning with their financial and tax advisors before liquidating a Direct Indexing account.

## **OTHER DISCLOSURES**

Any tax alpha, projected benefit, or estimated savings presented in connection with this product is based on hypothetical or backtested analysis. Hypothetical results have inherent limitations: they do not reflect actual trading, are prepared with the benefit of hindsight, and do not account for the impact of material economic or market factors that may have affected the outcome had the strategy actually been executed during the period shown. Past performance, including backtested performance, does not guarantee future results.

Titan does not provide tax, accounting, legal, or estate planning advice. Nothing in this disclosure, in any proposal, or in any tax savings estimate provided in connection with the Direct Indexing product constitutes tax or legal advice, or a recommendation to buy or sell any securities. All descriptions of tax treatment are based on general principles of current law and are provided for informational purposes only.

Clients are strongly encouraged to consult with a qualified tax professional, CPA, or tax attorney before opening a Direct Indexing account and on an ongoing basis as the account is managed. The tax consequences of this strategy are complex and will vary based on each client's individual circumstances.

This disclosure is provided for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to buy any security. Direct Indexing is a discretionary investment management service. Clients should read all account documents, including the applicable Investment Advisory Agreement and Form ADV, before opening an account.

For more information, see [additional disclosures](#) and our [Program Brochure](#).