



**MEMBERS Capital Advisors, Inc.**

**5910 Mineral Point Road  
Madison, WI 53705**

**MEMBERSCAPITALADVISORS.COM**

**March 30, 2012**

This brochure provides information about the qualifications and business practices of MEMBERS Capital Advisors, Inc. ("MCA", "we", "our" or "us"). If you have any questions about the contents of this brochure, please contact us at (608) 232-6111. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about us is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material Changes**

The following describes material changes in our advisory business since the last annual updating amendment of this brochure effective March 31, 2012:

1. We updated references to CUNA Mutual Insurance Society to CMFG Life Insurance Company to reflect CUNA Mutual Insurance Society's structural and name changes associated with our reorganization to a mutual holding company structure.
2. The "Advisory Business" section was revised to include disclosure that we may act as an ERISA Section 3(21) Investment Advisor or Section 3(38) investment manager.
3. The "Methods of Analysis, Investment Strategies and Risk of Loss" section was further revised to include Defined Contribution Programs and Defined Benefit Plans.
4. The "Review of Accounts" section was further revised to include disclosure language for certain defined benefit retirement plans.
5. The "Investment Discretion" section was revised to include disclosure language for certain defined benefit retirement plans.
6. The "Brochure Supplement" was updated to include John R. Fields.

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## **Advisory Business**

Founded in 1982, MCA is an Iowa corporation with a principal place of business located at 5910 Mineral Point Road, Madison, WI 53705. We are wholly owned by CUNA Mutual Investment Corporation, which in turn is wholly owned by CMFG Life Insurance Company (f/k/a CUNA Mutual Insurance Society). Our principal business is to provide investment management and supervisory services to our affiliated companies, other institutions and pension and profit sharing plans. All of our advisory accounts are managed to the specific investment policy and guidelines provided by the client. Accounts for most unaffiliated clients are managed on a non-discretionary basis.

We offer advice regarding a number of investment opportunities, including public and private domestic and foreign equities, warrants, public and private corporate debt, certificates of deposit, municipal securities, investment companies, U.S. Government securities, option contracts (securities and commodities), futures contracts (tangibles and intangibles), partnerships (real estate, oil and gas interest), limited partnerships investing in mezzanine debt, bank loans and other debt instruments, commercial mortgage loans, structured notes, collateralized loan obligations, collateralized bond obligations, asset-backed securities, mortgage-backed securities, commercial mortgage-backed securities and hedge funds.

We may act as a ERISA Section 3(21) Investment Advisor or Section 3(38) investment manager to qualified retirement plans, providing investment services to these plans that include selecting, monitoring and, as appropriate, changing asset classes, selecting, monitoring and, when appropriate, changing investments and investment managers; and developing, monitoring and, as appropriate, changing asset allocation arrays.

As of December 31, 2011, we managed client assets in the amount of \$10,505,455,863 on a discretionary basis and \$894,654,502 on a non-discretionary basis.

## **Fees and Compensation**

We receive negotiable fees for (a) most unaffiliated clients, based on the amount of assets under management, which fees generally range from .10% to 1.00% annually of the market value of assets managed and (b) affiliated clients, based on an internal cost allocation. For unaffiliated clients, among the factors affecting the level of fees are the account size, the composition of assets, other relationships the client may have with us or our affiliates and the complexity of the preferences and objectives of the client. Fees for investment supervisory services are generally billed quarterly in arrears and are typically non-refundable.

Clients are responsible for other expenses of operating their investment portfolio, including custodial fees, brokerage expenses and investment-related costs (e.g., mutual fund expenses). All brokerage transactions are effected through broker/dealers that are not affiliated with us; and we receive no compensation in connection with the brokerage transactions we effect for client accounts. See the Brokerage Practices section of this brochure for additional information on brokerage.

In addition, fees associated with the qualified retirement plans may be computed as a percentage of the qualified plan assets. The fees are payable at such time and manner as agreed upon by us and the client as specified in the service letter.

### **Performance-Based Fees and Side-by-Side Management**

Neither we nor any of our supervised persons accepts any performance-based fees (e.g., fees based on a share of capital gains on or capital appreciation of the assets of a client).

### **Types of Clients**

Our principal business is to provide investment management and supervisory services to our affiliated companies, other institutions and pension and profit sharing plans.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

#### Credit Union Investment Advisory Services

In providing advice to clients, we use fundamental and/or technical strategies. In conducting our analysis, we principally use third-party research reports, financial newspapers and magazines, inspection of corporate activities, corporate rating services, annual reports, prospectuses, filings with the SEC, company press releases and databases of historical corporate financial and securities price information purchased from third party vendors.

We principally employ the following investment strategies: long-term purchases (securities held at least a year), short-term purchases (securities sold within a year), option writing (including covered options, uncovered options or spreading strategies) and various hedging strategies utilizing interest rate and index futures contracts where permitted by the applicable client investment policy and guidelines and where such tactics are deemed to be more effective or efficient than cash transactions.

Our client portfolios are principally subject to one or more of the following investment risks, depending on the specific investment allocation:

- That a rise in interest rates causes a decline in the market value of income-bearing securities;
- That issuers of debt securities are unable to meet their interest or principal payment obligations when due;
- That a rise or fall in interest rates reduces/extends the life of a mortgage-backed security by increasing/decreasing mortgage prepayments, typically reducing the portfolio's return;
- That the value of an investment fluctuates in response to stock market movements;
- When investing in derivative instruments, that the counterparty to a derivative transaction is unable to honor its financial obligation; the derivative instrument does not fully offset the underlying positions it is intended to hedge; the derivative instrument cannot be sold because of an illiquid secondary market and, when hedging, the intended risk management purpose of the derivative instrument is not achieved, and produces losses or missed opportunities;
- That the value of foreign holdings are adversely affected by changes in the rate of currency exchange and/or adverse legal, regulatory or political environments; and
- That the allocation of the portfolio's holdings among the various asset classes, individual holdings and market segments underperforms other investment portfolios with similar objectives but different allocations.

When investing, clients risk the loss of both principal and appreciation/gains.

### Defined Contribution Programs

Initial work involves the creation and adoption of an Investment Policy Statement (IPS). The IPS will contain details regarding the asset classes that may be offered by the plan, the structure of the investment menu, and the specific criteria that will be utilized during selection and periodic monitoring of each investment. Criteria could include general characteristics such as manager tenure, fund history, and fees; risk characteristics such as beta, standard deviation, and semideviation; risk-adjusted return measures such as Sharpe and Treynor ratios; investment strategy; duration; style consistency; and performance history versus the investment's benchmark and, when relevant, peer averages.

After an IPS has been adopted by the plan's investment committee, suitable investments for each asset class will be identified based on the universe available on the recordkeeper's platform and the IPS selection criteria. In most cases, alternatives will be profiled and presented to the plan's investment committee for review and final selection.

Standard mean/variance optimization is referenced when developing or recommending age- or risk-based asset allocation models. For age-based models, the plan's investment committee will be asked to specify whether models are to run "to" or "through" the participants' retirement date.

When we serve as a 3(38) investment manager, we will at our discretion select, replace, or remove investments based on the criteria described in a standardized IPS. The terms of the IPS are developed in advance and must be adopted by the plan's investment committee.

### Defined Benefit Plans

Initial work involves creation and adoption of an Investment Policy Statement (IPS) that articulates the plan's investment strategy and investment selection and monitoring criteria. Investment advice given to clients will be based on the plan sponsor's investment strategy, objectives, financial condition, risk tolerance, asset class preferences, time horizon, liquidity needs, and risk/return expectations. Actuarial considerations such as the plan's funding ratio, structure of emerging and longer-term liabilities, and return assumptions serve as important inputs. Current and forecast economic conditions can also influence the investment advice provided or an investment strategy's implementation timeline.

Recommended investment strategies can include stable value reserving, total return, liability-driven investing, and other strategies that are expected to meet the plan's objectives.

Mean/variance optimization is often used to guide the investment committee's asset allocation decisions when a total return strategy is adopted. A policy portfolio allocation that is expected to meet the plan's long-term objectives and minimum/maximum allocation constraints for each major asset class will be determined and enshrined in the plan's IPS. Tactical adjustments away from the policy portfolio allocation may be recommended from time to time as conditions warrant, but no adjustment may result in an allocation to any single asset class outside of the minimum/ maximum constraint range expressed in the IPS.

Analysis of the structure of a plan's liabilities will be referenced when a liability-driven investment strategy is adopted by the plan's investment committee. Plan assets are allocated to a range of duration buckets based on weights determined by analysis of the plan's liabilities.

The IPS will also contain details regarding the asset classes that may be used by the plan and the specific criteria that will be utilized during selection and periodic monitoring of each investment. Criteria could include general characteristics such as manager, tenure, fund history, and fees; risk characteristics such as beta, standard deviation, and semideviation; risk-adjusted return measures such

as Sharpe and Treynor ratios; investment strategy; duration; style consistency; and performance history versus the investment's benchmark and, when relevant, peer averages.

### **Disciplinary Information**

During the years 2003 through 2007, MCA provided investment advisory services to Illinois residents without having filed required notice documents with the Illinois Secretary of State. On November 3, 2008, MCA paid \$12,500 in prior years' filing fees, a fine and costs of the investigation.

### **Other Financial Industry Activities and Affiliations**

We manage the investment portfolios of our affiliated companies, among which may include insurance companies, an insurance agency, a broker/dealer, investment advisor, and qualified retirement plans. We may recommend the same or different investments and/or investment strategies to our affiliated and unaffiliated clients, depending on each client's specific investment policy and guidelines. Where we recommend and execute the purchase of the same investment, the purchase for multiple accounts may be aggregated (also known as a "block trade"). We have adopted procedures intended to ensure that investment opportunities are fairly allocated to all of our clients and that block trades do not disadvantage our clients.

CMFG Life Insurance Company (formerly known as CUNA Mutual Insurance Society), as our ultimate parent, provides various clerical, administrative and other services and resources to us, for which it is reimbursed by us.

In addition, Scott Powell, Vice President of MCA, is also a registered representative and investment advisory representative of CUNA Brokerage Services, Inc., a registered broker/dealer and investment advisor affiliated with MCA. However, CUNA Brokerage Services, Inc. does not provide any services in connection with our advisory accounts.

### **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

We have adopted a code of ethics expressing our commitment to ethical conduct. Our code of ethics is based on the principle that our personnel shall place the interests of clients first at all times and conduct all personal securities transactions consistently with the code of ethics and in such a manner as to avoid, where practical, and disclose where not practical, any actual or potential conflicts of interest. All individuals covered by our code of ethics must act in accordance with all applicable federal and state regulations governing registered investment advisory practices. In addition, the code of ethics prohibits the use of material non-public information. Any violation of the code of ethics may subject

the individual to sanctions which may include, among other things, termination of employment. A copy of our code of ethics is available to clients upon request.

Our personnel also invest for their own and affiliated persons' accounts, and may invest in the same securities that are recommended to our clients. We have adopted personal trading restrictions, pre-approval and reporting procedures intended to ensure that this activity does not disadvantage our clients.

### **Brokerage Practices**

We do not receive any research or other products or services other than execution from a broker/dealer or a third party in connection with our client securities transactions (sometimes called "soft dollars"). We do not consider, in selecting or recommending broker-dealers, whether we or an affiliate receives client referrals from a broker-dealer or third party. We do not routinely recommend, request or require that a client direct us to execute transactions through a specific broker-dealer, but will consider directed brokerage requests made by clients. If we execute transactions with a broker/dealer at the instruction of a client, the client may not receive the most favorable execution and the costs of those transactions may be higher than if they were executed through another broker/dealer, both because there may be lower commissions or spreads available from another broker/dealer and because the account may not be able to participate in block trades that can reduce transaction costs.

### **Review of Accounts**

Each client portfolio is reviewed on a regular basis by the assigned portfolio manager, who is generally a senior investment professional of MCA. The review includes holdings, aggregate statistical composition of factors such as sector weightings, and comparison to any relevant benchmarks and investment policies. Triggering factors could be major market moves, new information regarding specific holdings, or the passage of time. Reviews occur at least weekly, but can occur more frequently as new information becomes available. Investment strategy meetings usually occur each quarter. These meetings generally include a review of factors such as economic conditions, government policy, sector valuations, and other factors which might be expected to affect portfolio performance. Portfolios are then reviewed for any changes that might be needed due to strategy shifts developed in the investment strategy meeting. The participants in this process include portfolio managers, research analysts and MCA senior management.

Review of investments funding, ERISA plans follows a similar format and timeline. When conducting an investment review, we rely on information obtained directly from investment managers (fund prospectus, fact sheets, commentaries, and conference calls (and on data bases available through Morningstar, Lipper or any other recognized provider. We utilize Morningstar Direct, PrimaGuide, and

Zephyr for detailed charting and analysis. Reporting on investments occurs at least on a calendar-quarter basis.

We provide written and/or oral reports to clients as reasonably requested by them.

### **Client Referrals and Other Compensation**

We have no client referral arrangements nor are we compensated for our services to clients by a third party.

### **Custody**

We do not maintain custody of any client funds nor do we provide client account statements. Clients must retain a third-party custodian in connection with engaging our services to manage an investment portfolio; and obtain account statements from that custodian.

### **Investment Discretion**

We do not accept discretionary authority to manage advisory accounts, except with respect to our affiliated clients and certain pension plans. For certain participant-directed and defined benefit retirement plans, we may act as an ERISA section 3(38) investment manager.

### **Voting Client Securities**

For non-discretionary client accounts, we do not accept authority to provide voting instructions in a proxy solicitation. We anticipate non-discretionary clients will receive information regarding proxy solicitations from their custodian. Upon request, we will provide advice to client's on the voting decision. Clients may contact us at the telephone number provided on the cover of this brochure for this purpose.

For discretionary clients, we will provide proxy voting services. In that regard, we have adopted proxy voting guidelines that include centralized review, recommendation and voting procedures, guidelines for voting on proxy issues, as well as a description of recordkeeping and disclosure mechanisms related to our proxy voting responsibilities.

It is our policy to make voting decisions in light of the anticipated impact of the vote on the desirability of maintaining an investment in the portfolio company from the viewpoint of the client. As a matter of policy, we determine not to be influenced by outside sources whose interest's may conflict with the interests of our clients, and to resolve any conflict of interest in the interests of our clients.

Nearly all proxies and related material received by us are transmitted electronically by a third-party vendor. Those materials are then reviewed by one of our research analysts and/or portfolio managers and proxy voting instructions are placed consistent with our proxy voting guidelines. We generally give significant weight and consideration to the recommendations on particular proxy matters covered in the Institutional Shareholder Services Guidelines when determining our voting recommendation on similar matters. Clients may call or write to us at the telephone number or address, respectively, set forth on the cover page of this brochure to obtain a copy of our proxy voting policies and procedures.

### **Financial Information**

No financial information is provided, because we do not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. We are not aware of any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients. We have not been the subject of a bankruptcy petition at any time during the past ten years.



**Edward J. Meier**

**MEMBERS Capital Advisors, Inc.  
5910 Mineral Point Road  
Madison, WI 53705  
608.232.6111**

**March 30, 2012**

This brochure supplement provides information about Mr. Meier that supplements the MEMBERS Capital Advisors, Inc. ("MCA", "we", "our" or "us") brochure. You should have received a copy of that Brochure. Please contact Mr. Meier if you did not receive MCA's brochure or if you have any questions about the contents of this supplement.

### **Educational Background and Business Experience**

Mr. Meier (1968) received a Masters of Business Administration from DePaul University of Chicago-Illinois in 2002 and a Bachelor of Arts/Economics from the Indiana University of Bloomington-Indiana in 1991. Mr. Meier has been with MCA since 2005 and is currently Director-Fixed Income.

### **Disciplinary Information**

Mr. Meier has not been subject to any disciplinary actions.

### **Other Business Activities**

Mr. Meier has no other business activities.

### **Additional Compensation**

Mr. Meier is not paid by anyone other MCA or an affiliate in connection with providing advisory services to clients nor does he receive any bonus or other incentive that is based in whole or in part of the number or amount of sales, client referrals or new accounts.

## **Supervision**

John R. Fields, Sr. Managing Director – Public Investments of MCA supervises Mr. Meier. Mr. Fields reviews daily client transactions, monthly and year-to-date client performance as well as have regularly scheduled meetings and informal sessions to review advisory client account objectives, strategies and results with Mr. Meier. As all advisory client investment advice is delivered on a non-discretionary basis, each client principal must provide authorization before any investment buy or sell transaction is conducted. Mr. Fields may be reached at 608.665.7503.



**Scott R. Powell, CFA®**

**MEMBERS Capital Advisors, Inc.  
5910 Mineral Point Road  
Madison, WI 53705  
608.232.6111**

**March 30, 2012**

This brochure Supplement provides information about Mr. Powell that supplements the MEMBERS Capital Advisors, Inc. ("MCA", "we", "our" or "us") brochure. You should have received a copy of that brochure. Please contact Mr. Meier if you did not receive MCA's brochure or if you have any questions about the contents of this brochure Supplement.

Additional information about Mr. Powell is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Educational Background and Business Experience**

Mr. Powell (1962) received a Masters of Business Administration from the University of Wisconsin- Madison in 1989 and a Bachelor of Science from the University of Wisconsin-Madison in 1984. Mr. Powell has been with MCA since 2006 and is currently Sr. Managing Director – Private Investments. He had previously worked for CMFG Life Insurance Company / MCA from 1989 – 1996 and 1997 – 1999. From 2003 to 2006, Mr. Powell was a Partner, Director of Investments at Virchow Krause Wealth Management, LLC in Milwaukee, WI. From 1999 – 2003 he was Vice President – Investments for Heartland Advisors and Jacobus Wealth Management, also located in Milwaukee.

Mr. Powell has the Chartered Financial Analyst ("CFA") designation. The basic requirements for participation in the CFA Program include holding or being in the final year of a university degree (or equivalent as assessed by CFA Institute), or having four years of qualified, professional work experience in an investment decision-making process. To obtain the charter, however, a candidate must have completed a university degree (or equivalent) and four years of qualified, professional work experience, in addition to passing the three exams that test the academic portion of the CFA program. Candidates generally take one exam per year over three years (assuming a pass on the first attempt). All three levels have a strong emphasis on ethics. The material differences among the exams are: 1) The Level I study program emphasizes tools and inputs, and includes an introduction to asset valuation, financial reporting and analysis, and portfolio management techniques; 2) The Level II study program emphasizes asset

valuation, and includes applications of the tools and inputs (including economics, financial reporting and analysis, and quantitative methods) in asset valuation; and The Level III study program emphasizes portfolio management, and includes strategies for applying the tools, inputs, and asset valuation models in managing equity, fixed income, and derivative investments for individuals and institutions.

### **Disciplinary Information**

Mr. Powell has not been subject to any disciplinary actions.

### **Other Business Activities**

Mr. Powell is also an investment advisor representative and registered representative of CUNA Brokerage Services, Inc., a registered investment advisor and broker/dealer. Mr. Powell does not receive any commissions, bonuses or other compensation based on the sale of securities or other investment products.

### **Additional Compensation**

Mr. Powell is not paid by anyone other than MCA or an affiliate in connection with providing advisory services to clients nor does he receive any bonus or other incentive that is based in whole or in part of the number or amount of sales, client referrals or new accounts.

### **Supervision**

Mr. Powell reports directly to David P. Marks, Chief Investment Officer and President of MCA. Mr. Marks reviews and supervises Mr. Powell's general account and client strategies, directives and activities through ongoing monitoring of daily and monthly transaction and asset allocation reports, through updates at monthly Office of the Chief Investment Officer team meetings and Asset Liability Committee meetings, as well as monthly one on one individual meetings and regular dialogue. Mr. Marks may be reached at 608.231.7104.



**John R. Fields**

**MEMBERS Capital Advisors, Inc.  
5910 Mineral Point Road  
Madison, WI 53705  
608.232.6111**

**April 2, 2012**

This brochure Supplement provides information about Mr. Fields that supplements the MEMBERS Capital Advisors, Inc. ("MCA", "we", "our" or "us") brochure. You should have received a copy of that brochure. Please contact Mr. Meier if you did not receive MCA's brochure or if you have any questions about the contents of this brochure Supplement.

Additional information about Mr. Fields is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### **Educational Background and Business Experience**

Mr. Fields attended the University of Chicago Graduate School of Business in Chicago, IL and received a Bachelor of Arts, Economics/Business from the Gordon College in Wehnhams, MA. Mr. Fields joined MCA on April 2, 2012 as Sr. Managing Director – Public Investments. From 1991 to 2011, Mr. Fields was Senior Portfolio Manager and Assistant Treasurer at Allianz of America, Inc. in Westport, CT. From 2000-2005 he was Executive Vice President at Pimco Specialty Markets in Westport, CT. From 1984 to 1991 he was Managing Director, Limited Partner/Associate Director and Vice President at Bear Stearns & Company, Inc., New York, NY. From 1981 to 1984 he was Vice President and Mortgage Investment Analyst at Reilly Mortgage Group, Inc., in Washington, D.C.

### **Disciplinary Information**

Mr. Fields has not been subject to any disciplinary actions.

### **Other Business Activities**

Mr. Fields has no other business activities.

**Additional Compensation**

Mr. Fields is not paid by anyone other than MCA or an affiliate in connection with providing advisory services to clients nor does he receive any bonus or other incentive that is based in whole or in part of the number or amount of sales, client referrals or new accounts.

**Supervision**

Mr. Fields reports directly to David P. Marks, Chief Investment Officer and President of MCA. Mr. Marks reviews and supervises Mr. Field's general account and client strategies, directives and activities through ongoing monitoring of daily and monthly transaction and asset allocation reports, through updates at monthly Office of the Chief Investment Officer team meetings and Asset Liability Committee meetings, as well as monthly one on one individual meetings and regular dialogue. Mr. Marks may be reached at 608.231.7104.