

# **MATRIX CAPITAL GROUP, INC.**

## Non-Discretionary Consulting Services Brochure

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February 27, 2012

This Brochure provides information about the qualifications and business practices of Matrix Capital Group, Inc. If you have any questions about the contents of this Brochure, please contact us at (212) 732-4601. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the Securities and Exchange Commission does not imply any particular level of skill or training.

Additional information about Matrix Capital Group, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2 -- MATERIAL CHANGES

There are no material changes to this Brochure because it is the initial version.

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## ITEM 4 -- ADVISORY BUSINESS

Matrix Capital Group, Inc. (“Matrix” or “We”) registered with the SEC in 2002. As a Registered Investment Advisor, Matrix provides advisory services to separately managed client accounts. Matrix provides comprehensive investment consulting services to its clients and does not currently manage assets on a discretionary basis. Matrix is launching its non-discretionary institutional consulting practice contemporaneously with the filing of this Brochure, as a result of which, Matrix is not managing any assets as of the filing of this Brochure. The principal owner of Matrix Capital Group is Matrix 360 Holding, LLC. Our consulting practice is focused on serving two primary practice areas:

- High net worth families
- Non-profit organizations

We provide a comprehensive array of investment consulting services to our clients, including:

- Defining overall investment objectives
- Conducting asset allocation analysis
- Determining appropriate investment strategies
- Conducting investment manager searches
- Implementing an ongoing portfolio monitoring program
- Providing quarterly written performance reports
- Providing ongoing support services

Matrix evaluates the current investments of each client with respect to their risk tolerance levels and time horizons. Clients may also negotiate for other investment advisory services with the firm.

There can be no assurance that any particular strategy will be successful in achieving the client’s investment goals and objectives. Any investment in the securities markets involves risk, including the realization of investment loss.

## ITEM 5 -- FEES AND COMPENSATION

Fees for Investment Advisory Services are based upon a percentage of Assets Under Management (“AUM”) and generally range from 0.20% to 0.50%, annually. Fees are based on the account’s asset value as of the last business day of the prior calendar period, depending upon whether fees are paid monthly or quarterly. Fees are billed monthly or quarterly in arrears as stated in the client’s agreement. Fees are on a negotiated basis and depend on the degree of complexity associated with the client’s situation. Fees are provided in a schedule of disclosed fees in each client agreement.

**Additional Fees and Expenses.** Matrix fees are exclusive of any additional charges, commissions or fees imposed by custodians, brokers, third party investment managers and other third parties such as investment manager fees, custodial fees, deferred sales charges, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual Funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus, all of which are exclusive of and in addition to Matrix Capital Group's fee.

**Fees Offset By Commission and Other Fees.** Management personnel and other related persons of our firm are licensed as registered representatives of Matrix Capital Group, Inc., a broker-dealer (Please refer to Item 10, "Other Financial Industry Activities and Affiliations," for a detailed explanation of these relationships and important conflict of interest disclosures). This presents a potential conflict of interest, which gives such personnel and other related persons of the firm an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

In their separate capacity(ies), these individuals may earn separate and typical compensation, i.e., commissions, 12b-1 fees, "trailing fees" (compensation for allocating client assets to hedge funds) or other sales-related forms of compensation, for transactions in advisory accounts. As a matter of firm policy, Matrix takes the following steps with regard to any potential investment as to which either Matrix or its employees may receive compensation in the form of commissions, trailing fees, etc., in their capacity as licensed representatives of Matrix Capital Group, Inc. (a FINRA broker-dealer):

1. Matrix discloses the potential for the firm or its employees to earn such additional compensation in advance of the investment being made;
2. If the client then chooses to make the recommended investment, Matrix excludes all such assets from the Assets Under Management as to which Advisory Fees may be paid; and,
3. Matrix continuously highlights the existence of the excluded assets by showing them as non-billed assets on each subsequent billing statement.

In addition to these procedures, Clients always have the option to purchase investment products Matrix recommends through other brokers or agents that are not affiliated with Matrix.

All applicable and potentially applicable conflicts of interest of which Matrix is aware are fully disclosed to our clients. For detailed information about how Matrix addresses conflicts that arise, including procedures used for disclosing conflicts to clients, please refer to Item 10, "Other Financial Industry Activities and Affiliations."

**Fee Billing.** The specific manner in which fees are charged by Matrix is established in a client's agreement. Client's may elect to be billed directly for fees or to authorize Matrix to directly debit the Client's account for the amount of the total advisory fee and directly remit that management fee to Matrix in accordance with applicable custody rules.

**Prepayment of Fees.** Under no circumstances does Matrix require prepayment of fees.

## **ITEM 6 -- PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Matrix does not manage assets on a discretionary basis. However, in its capacity as registered representatives of a broker-dealer, Matrix's non-discretionary investment advisors may earn trailing compensation ("trailing fees") for allocating client assets to hedge funds.

Matrix has an incentive to favor accounts for which we receive a performance-based fee. However, Matrix endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment advisor. As part of this fiduciary duty, Matrix excludes the assets upon which it receives trailing fees from the calculation of Assets Under Management. For further information, including how Matrix addresses these conflicts, please refer to Item 5 and Item 10 of this Brochure.

## **ITEM 7 -- TYPES OF CLIENTS**

Our ideal clients include foundations and high net worth families and individuals and other institutional clients.

## **ITEM 8 -- METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Matrix designs and constructs investment portfolios to achieve optimal risk-adjusted returns within the context of each client's stated risk tolerance and investment time horizon. Matrix focuses on strategic asset allocation and portfolio construction. Portfolios are diversified to control the risk associated with traditional markets.

By constructing portfolios that contain non-correlated investments, Matrix seeks to reduce each portfolio's responsiveness to the directional trends of any given financial market. As such, portfolio construction, itself, can temper the characteristic volatility of global financial markets and facilitate the generation of investment returns.

Matrix utilizes both actively managed strategies and index-based investments in the implementation of client portfolio strategies, such as: separately managed accounts, institutional no-load mutual funds, limited partnerships, closed-end funds and exchange traded funds.

Underlying investment manager strategies may utilize long-term purchase, short-term purchase, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies). Clients should be aware that investing in securities involves a risk of loss, and that securities and fund investments are not guaranteed against loss.

Matrix believes that modern financial markets expose the investment process to a broad range of risks. A list of prominent risks would include:

- Concentration risk - An oversized allocation to a specific asset class or group of highly correlated asset classes.

- Interest-rate risk - The possibility that interest rates move meaningfully higher, thereby causing long-dated fixed income investments to fall in value.
- Inflation risk - The possibility that inflation rises meaningfully, thereby undermining the "real" return provided by an investment strategy.
- Correlation risk - The possibility that all portfolio components fall at the same time during a down-market cycle.
- Credit risk - The possibility that a specific issuer of fixed-income securities defaults on its obligations.
- Fraud risk - The possibility that a specific investment manager conducts its business fraudulently.
- Style-Drift risk - The possibility that an investment manager strays from his stated investment strategy and/or process.

Matrix addresses these risks proactively by conducting both quantitative and qualitative research and/or due diligence prior to any investment recommendation. Additionally, Matrix monitors these risks as they relate to any existing investment allocation.

Matrix emphasizes diversification, as well as risk-management, when evaluating investment manager strategies for inclusion in a client investment portfolio. Investment managers are also evaluated based upon relative performance such as peer group and market comparisons.

The research, due diligence, and portfolio-monitoring processes of Matrix utilize publicly available information believed to be accurate and reliable. In particular, Matrix relies on the disclosures that may be filed with the Securities and Exchange Commission or, in some cases, with securities regulators in foreign jurisdictions.

However, in addition to publicly available information sources, Matrix utilizes a specialized suite of databases, research services and portfolio analytics programs. Other valuable sources of information include investment conferences, face-to-face meetings with prospective and existing investment managers, site visits and background checks.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations with the client. The client may change these objectives at any time. Matrix completes an Investment Policy Statement for each client that documents their objectives and their desired investment strategy.

Matrix compiles specific client information from bank, custodian, and brokerage statements and utilizes this information as a component of client analysis in the preparation of charts and graphs to assist in the account review process with clients. Investing directly in securities or investment managers that invest in securities involves risk of loss that clients should be prepared to bear. We ask that you work with us to help us understand your tolerance for risk.

## ITEM 9 -- DISCIPLINARY INFORMATION

In 2008, in its capacity as a registered Broker-Dealer, there was a single consent to a settlement by Matrix Capital Group, Inc. FINRA found that Matrix failed to transmit Reportable Order Events (ROES) to the Order Audit Trail System (OATS) that broker-dealers are required to transmit. The Firm transmitted route reports to OATS with an incorrect destination code. The Firm failed to provide documentary evidence that it performed the supervisory reviews set forth in its written supervisory procedures concerning OATS reporting. Without admitting or denying the findings, the Firm consented to the described sanctions and to the entry of findings, therefore the Firm was censured and fined \$10,000. More information on this item can be found on FINRA's BrokerCheck (<http://brokercheck.finra.org>).

## ITEM 10 -- OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

In addition to Matrix being a Registered Investment Advisor, our firm is registered as a FINRA member broker-dealer. In that capacity, Matrix's principal business is as a securities broker-dealer which is registered with the Securities and Exchange Commission (SEC) and a member of the Financial Industry Regulatory Authority (FINRA). Matrix is a broker-dealer offering various types of products including equities, options, fixed income securities, mutual funds, and insurance products on a full-time basis in all 50 states, including DC and Puerto Rico.

In their capacity as registered representatives, associated persons of the Advisor may recommend securities or other products and receive normal transactions commission or other compensation. Clients should be aware that the receipt of additional compensation by Matrix and its management personnel or employees may create a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations.

Matrix endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment advisor. In that regard, we take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- As to any Investment where we may receive compensation in another form (commissions, trailing fees, etc.) or in another capacity (such as a registered representative of a broker-dealer), we take the following additional steps:
  - Matrix discloses the potential for the firm or its employees to earn such additional compensation in advance of the investment being made;
  - If the client then chooses to make the investment, Matrix excludes all such assets from the Assets Under Management as to which Advisory Fees may be paid; and,
  - Matrix continuously highlights the existence of the excluded assets by showing them as non-billed assets on each subsequent billing statement.

- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interest in such activities are properly addressed;
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **ITEM 11 -- CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Pursuant to SEC rule 204A-1, we have adopted a Code of Ethics ("COE") to establish rules of conduct for all supervised persons. Supervised persons are individuals that are associated with our firm who are involved with offering or providing advisory services. Supervised persons may also include our home office employees. Your investment advisor representative (IAR) is a supervised person. The COE recognizes our IAR's fiduciary responsibility to clients. The COE instructs our IARs to conduct their affairs in such a manner as to avoid:

- Serving their own interests ahead of clients' interests
- Taking inappropriate advantage of their position
- Engaging in actual or potential conflicts of interest

A copy of our COE is available upon request by calling our Compliance Department at (212) 732-4601 or emailing your request to [compliance@matrixcapitalgroup.com](mailto:compliance@matrixcapitalgroup.com).

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Our firm and/or individuals associated with our firm may buy or sell for their personal account securities identical to or different from those recommended to our clients. However, it is the express policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.



As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **ITEM 12 -- BROKERAGE PRACTICES**

Soft Dollar Benefits. Some firms in the financial services industry receive benefits in exchange for delivering business to a broker-dealer or other third-party. These benefits are known as “soft dollars.” Soft dollar benefits are generally defined as benefits (besides normal fees) received from a firm in exchange for doing business with the firm. These benefits may include access to software, hardware, research, and/or office space. Matrix does not receive any soft dollar benefits from choosing the broker-dealer through which we effect trades.

Directed Brokerage. Matrix may recommend that Clients establish custodial accounts with Matrix Capital Group, Inc. (a FINRA registered broker-dealer). However, neither Matrix nor its investment advisor representatives exercise discretion to secure any broker. A brokerage firm carries client accounts on its records, processes transactions ordered by Matrix Representatives (where applicable), provides computer access to Matrix for Client positions and provides quotes and data needed by Matrix for its reports to clients. Although a client is not obligated to utilize the services of these firms, Matrix believes that the use of them is a convenient means for obtaining efficient transaction executions, and account reference and reporting services for mutual fund and other positions. However, receipt of such services by Matrix also creates an inducement and conflict of interest for Matrix since referring clients to any other firm may result in higher reporting and overhead costs to Matrix.

Aggregation of Client Trades. Investment consulting clients of Matrix, in their sole capacity, shall authorize trades for their own respective accounts in accordance with their individual investment objectives. As such, investment consulting clients shall authorize quantity and timing of trades for their accounts without regard to the investment activities of any other consulting client.

## **ITEM 13 -- REVIEW OF ACCOUNTS**

For those clients to whom the firm’s Investment Advisor Representatives (IARs) directly provide investment management services, Matrix monitors those portfolios as part of an ongoing process while regular account reviews are conducted as desired by the client (but no less often than once per year), and may be more frequent due to volatile market conditions and the changing financial objectives of the client.

Such reviews are conducted by the IAR continuously as part of their fiduciary duty. Reviews include, but are not necessarily limited to, suitability, performance, asset allocation, change in investment objectives and risk tolerance and concentrations. These reviews may be oral and/or in writing. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the IAR and to keep Matrix informed of any changes thereto. The IAR shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact

resulting from any changes in the client's financial situation and/or investment objective. Additional monitoring of accounts is provided by compliance and sales management.

At least quarterly, clients receive a brokerage statement from their brokerage firm. The brokerage statement contains the cash balance, type, and an amount of each security, the current market value of each security, account activity for the period and when available, the unrealized gain or loss of each security. The client also receives a confirmation of each transaction from the brokerage firm. If available and elected by the client, a monthly or quarterly performance report will be sent to the client by Matrix.

## **ITEM 14 -- CLIENT REFERRALS AND OTHER COMPENSATION**

We do not directly or indirectly compensate any person for client referrals. Except for possible additional compensation discussed in Item 5, above, and in compliance with the conflict of interest procedures described in Item 10, above. We do not currently accept any direct or indirect compensation from investment managers on products that we recommend or consider for recommendation.

## **ITEM 15 -- CUSTODY**

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm may directly debit advisory fees from client accounts with the authorization of the client.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact Matrix directly if they believe there may be an error in their statement.

Our firm does not have actual or constructive custody of any client accounts.

## **ITEM 16 -- INVESTMENT DISCRETION**

We do not have discretionary authority over client assets.

## **ITEM 17 -- VOTING CLIENT SECURITIES**

We do not have authority to vote proxies on behalf of advisory clients nor do we provide advice on how to vote proxies. Clients may retain proxy voting responsibility or may engage an outside third party to assume this responsibility.

## **ITEM 18 -- FINANCIAL INFORMATION**

We do not believe there is any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.