



# **MRM Asset Allocation Group, Inc.**

SEC File No. 801-32996

## **Form ADV Part 2A Brochure**

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This brochure provides information about the qualifications and business practices of MRM Asset Allocation Group, Inc. If you have any questions about the contents of this brochure, please contact us at 800-233-1944 or [info@mrminv.com](mailto:info@mrminv.com). 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.

MRM is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training. The oral and written communications of an advisor provide you with information which you may use to determine to hire or retain your advisor.

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

## Item 2: Material Changes

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This Firm Brochure is our disclosure document prepared according to regulatory requirements and rules. Consistent with the rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## Item 4: Advisory Business

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### A. Description of Advisory Firm

MRM Asset Allocation Group, Inc. (“MRM” and/or “the firm”) is a Missouri corporation and an SEC-registered investment adviser. The firm is principally owned and managed by Robert Rafael, and has been providing investment advisory services since 1988.

### B. Description of Advisory Services Offered

Creating wealth is an important accomplishment. The assets you have accumulated provide comfort today and security for you and your family’s future. With the growing complexity of the financial markets and the plethora of investment options, you demand expertise from professionals. We believe MRM is truly unique in its approach to comprehensive equity management, as well as our strategies for compound growth. We welcome the opportunity to become your valued partner. Let us assist you in defining equity strategies for the 21<sup>st</sup> century.

Our discretionary asset management services are predicated on a quantitative (rules-based) and active approach to investing, based on analytical data. These are offered through the following four types of strategies, which are described in detail in Item 8:

- Dynamic Overlay
- Dynamic International
- Global Strategies
- All Domestic Equity

MRM manages accounts with the following types of investments:

- U.S. Equities
- Exchange Traded Funds (domestic and international)
- Variable Annuities
- Variable Life Insurance
- Mutual Funds

MRM also acts as a sub-advisor for independent investment adviser firms. Please see Item 10.C for additional information.

For its discretionary asset management services, MRM receives a limited power of attorney to effect securities transactions on behalf of its clients that include securities and strategies described in Item 8 of this brochure. In addition to providing MRM with information regarding their personal financial circumstances, investment objectives and tolerance for risk, clients are required to provide the firm with any reasonable investment restrictions that should be imposed on the management of their portfolio, and to promptly notify the firm of any changes in

such restrictions or in the client's personal financial circumstances, investment objectives, goals and tolerance for risk.

### C. Client-Tailored Services and Client-Imposed Restrictions

For clients who have not selected one of MRM's model portfolio strategies, such client's investment portfolio will be managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account—for example, restricting the type or amount of security to be purchased in the portfolio.

### D. Wrap Fee Programs

Although MRM does not sponsor any wrap fee programs, the firm acts as a portfolio manager to Morgan Stanley's IMS wrap fee program and Wells Fargo's Private Advisors wrap fee program. Further information is available in the respective programs' wrap fee brochures.

### E. Client Assets Under Management

As of March 10, 2014, MRM managed approximately \$75,560,574 in client assets. All assets are managed on a discretionary basis.

## Item 5: Fees and Compensation

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### A. Methods of Compensation and Fee Schedule

MRM is a fee-only firm, offering investment advisory services for a percentage of assets under management.

Fees are billed quarterly, in advance, based on the closing balance in the account at the end of the prior quarter or such other data in the quarter as determined by a fund with respect to fee deduction accounts. The initial fee charged at the time the account is established is computed on the opening balance in the account. The fee for subsequent periods is based on the market value of the account as of the close of each quarter. Fees are prorated with respect to amounts added to accounts during the quarter. On an exception basis client fees may be billed quarterly in arrears based on the end of the quarter balance or, for FOLIOfn accounts, on the average daily value of the account during the quarter, subject to mutual consent by the client and MRM.

For all of our platforms the maximum fee is .55% per quarter. MRM does negotiate fees. The fees charged by MRM may be higher than fees charged by other advisors for similar services.

MRM offers research to third-party broker-dealers and investment advisory firms for a fee. The fee is negotiated between MRM and in advance of distributing the research to such firms.

Clients enter into a written agreement with MRM at the time MRM's services are retained. The agreement may be terminated at any time upon written notification by MRM, client's advisor or the client. Prepaid fees will be prorated as of the date of termination with any unused portion being returned to the client.

## B. Client Payment of Fees

MRM requires clients to authorize the direct debit of fees from their accounts. Exceptions may be granted subject to the firm's consent for clients to be billed directly for our fees. For directly debited fees, the custodian's periodic statements will show each fee deduction from the account. Clients may withdraw this authorization for direct billing of these fees at any time by notifying us or their custodian in writing.

MRM will deduct advisory fees directly from the client's account provided that (i) the client provides written authorization to the qualified custodian, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account. The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation.

## C. Additional Client Fees Charged

All fees paid for investment advisory services are separate and distinct from the fees and expenses charged by exchange-traded funds, mutual funds, separate account managers, private placement, pooled investment vehicles, broker-dealers, and custodians retained by clients. Such fees and expenses are described in each exchange-traded fund and mutual fund's prospectus, each separate account manager's Form ADV and Brochure and Brochure Supplement or similar disclosure statement, each private placement or pooled investment vehicle's confidential offering memoranda, and by any broker-dealer or custodian retained by the client. Clients are advised to read these materials carefully before investing. If a mutual fund also imposes sales charges, a client may pay an initial or deferred sales charge as further described in the mutual fund's prospectus. A client using MRM may be precluded from using certain mutual funds or separate account managers because they may not be offered by the client's custodian.

Please refer to the Brokerage Practices section (Item 12) for additional information regarding the firm's brokerage practices.

## D. Prepayment of Client Fees

MRM generally requires fees to be prepaid on a quarterly basis. MRM's fees will either be paid directly by the client or disbursed to MRM by the qualified custodian of the client's investment accounts, subject to prior written consent of the client. The custodian will deliver directly to the client an account statement, at least quarterly, showing all investment and transaction activity for the period, including fee disbursements from the account.

The agreement may be terminated at any time upon written notification by MRM, client's advisor or the client. Prepaid fees will be prorated as of the date of termination with any unused portion being returned to the client. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

## E. External Compensation for the Sale of Securities to Clients

MRM advisory professionals are compensated solely through a salary and bonus structure. MRM is not paid any sales, service or administrative fees for the sale of mutual funds or any other investment products with respect to managed advisory assets.

## Item 6: Performance-Based Fees and Side-by-Side Management

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MRM does not charge any performance-based fees. MRM is not compensated on the basis of a direct share of capital gains or capital appreciation of a fund or any portion of the funds of the client.

## Item 7: Types of Clients

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MRM's clients generally consist of individuals, high net worth individuals, individual retirement accounts, trusts, estates, charitable organizations, corporations and other business entities. Each client's portfolio is managed on a discretionary basis according to the client's investment objectives and guidelines as stated on the client profile. Client relationships vary in scope and length of service.

The account minimum is typically \$100,000, but MRM will evaluate case by case.

## Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

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### A. Methods of Analysis and Investment Strategies

MRM uses a variety of sources of data to conduct its economic, investment and market analysis, such as financial newspapers and magazines, economic and market research materials prepared by others, conference calls hosted by mutual funds, corporate rating services, annual reports, prospectuses, and company press releases. It is important to keep in mind that there is no specific approach to investing that guarantees success or positive returns; investing in securities involves risk of loss that clients should be prepared to bear.

MRM is responsible for identifying and implementing the methods of analysis used in formulating investment recommendations to clients. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, technical analysis, and statistical and/or computer models utilizing long-term economic criteria.

- Optimization involves the use of mathematical algorithms to determine the appropriate mix of assets given the firm's current capital market rate assessment and a particular client's risk tolerance.
- Quantitative methods include analysis of historical data such as price and volume statistics, performance data, standard deviation and related risk metrics, how the security performs relative to the overall stock market, earnings data, price to earnings ratios, and related data.
- Technical analysis involves charting price and volume data as reported by the exchange where the security is traded to look for price trends.
- Computer models may be used to derive the future value of a security based on assumptions of various data categories such as earnings, cash flow, profit margins, sales, and a variety of other company specific metrics.

In addition, MRM reviews research material prepared by others, as well as corporate filings, corporate rating services, and a variety of financial publications. MRM may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

*Risk of Loss:* MRM investment strategies are subject to certain risks, and loss of principal can occur that clients should be prepared to bear. We do not offer any guarantees or promises that our clients' financial goals and objectives will be met. Past or hypothetical performance is no guarantee of future returns. Investors should consider the investment objectives, risks, charges, and expenses carefully prior to investing. Investors should not rely on charts and graphs alone when making decisions. Our strategies may involve frequent transactions which could increase transactions costs and, in taxable accounts, make gains subject to short-term instead of long-term tax treatment. MRM will manage client assets to the best of our ability; however, MRM cannot guarantee any level of performance or that

clients will not experience a loss of account assets. *MRM's investment platforms are suitable for long-term investors.*

### A.1. Investment Strategies

Our discretionary asset management services are offered through the following types of strategies, which are described in detail below:

- Dynamic Overlay
- Dynamic International
- Global Strategies
- All Domestic Equity

#### A.1.a. Dynamic Overlay

Dynamic Overlay is actively managed for long-term growth. It incorporates two specific portfolio enhancements (what to own and how much to own) that seek to lower volatility and provide higher returns. Investors don't have to decide how much to allocate to various market segments (i.e. small cap, large cap, precious metals, international, etc.) or cash and cash equivalents. MRM rotates and rebalances the portfolio as needed. It is 100% quantitative, meaning it is rules-based or formula driven.

The client's personal advisor designates the custodian for the account (i.e. brokerage firm, mutual fund family, variable annuity or other type of equity instrument). Based on our research, MRM then selects the individual ETF's, funds, sub-accounts or specific instruments, including cash or cash equivalents. The Dynamic Overlay universe is Exchange Traded Fund (ETF) sector funds.

#### A.1.b. Dynamic International

Dynamic International seeks to rotate investments among the country-specific and country blended Exchange Traded Funds (ETFs) that seeks to offer the potential for capital appreciation. Because they track a wide range of broad-market, sector-specific and country-specific indexes, in our opinion, ETFs are a good tool for improving portfolio balance and diversification in the global economy. The various market components are monitored for evidence of positive or negative characteristics and the portfolio is rebalanced as needed at MRM's sole discretion.

The filtering process seeks to address risk and reward. Since there are many international ETFs that are publicly traded in the United States, we think that to be effective today, it is necessary to take the general "pulse" of the global market environment through monitoring a broad spectrum of markets.

#### A.1.c. Global Strategies

Global Strategies seeks to capitalize on investment opportunities throughout the world through the adherence to a strict investment philosophy. This platform



utilizes approximately 50% domestic equity and approximately 50% MRM's Dynamic International ETFs.

The domestic equity portion of the platform will consist of several securities deemed to have the best opportunity for long-term growth. These securities will be selected by MRM. The equities will be monitored and rebalanced on a quarterly basis or more often, as needed. At times (at MRM's sole discretion) a portion of the account may be held in cash or cash equivalent if MRM deems the market conditions are unfavorable.

These stocks are monitored and reallocated as needed. Global Strategies is 100% quantitative, meaning it is rules-based or formula driven. Global Strategies involves additional risks, including currency risks, political, social and economic risks, as well as a number of other risks. Historically, investing in international is very volatile. *MRM's Global Strategies platform is suitable for long-term investors.*

#### A.1.d. All Domestic Equity

All Domestic Equity is a 100% domestic equity allocation platform. Our universe consists of hundreds of NYSE, ASE and OTC domestic equities that are screened often and seeks to select the top 20 equities that "scores" the highest. In some cases it may consist of more or less than 20 equities, depending on the scores generated by MRM.

The stocks are monitored and reallocated as needed. *MRM's All Domestic Equity is suitable for long-term investors.*

### A.2. Material Risks of Investment Instruments

MRM typically invests in the following types of securities:

- Equity securities
- Mutual fund securities
- Exchange-traded funds
- Variable annuities

#### A.2.a. Equity Securities

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, and the company's ability to create shareholder value (i.e., increase the value of the company's stock price). Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk and liquidity risk.

### A.2.b. Mutual Fund Securities

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund.

### A.2.c. Exchange-Traded Funds (“ETFs”)

ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs®, streetTRACKS®, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> (“QQQs<sup>SM</sup>”) iShares® and VIPERs®. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro-rata portion of the other investment company’s advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF’s underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

### A.2.d. Variable Annuities

Variable Annuities are long-term financial products designed for retirement purposes. In essence, annuities are contractual agreements in which payment(s) are made to an insurance company, which agrees to pay out an income or a lump sum amount at a later date. There are contract limitations and fees and charges associated with annuities, administrative fees, and charges for optional benefits. They also may carry early withdrawal penalties and surrender charges, and carry additional risks such as the insurance carrier’s ability to pay claims. Moreover, variable annuities carry investment risk similar to mutual funds. Investors should carefully review the terms of the variable annuity contract before investing.

## B. Investment Strategy and Method of Analysis Material Risks

For clients who have not selected one of MRM's model portfolio strategies, such client's investment portfolio is custom-tailored to the client's goals, investment objectives, risk tolerance, and personal and financial circumstances.

### B.1. Margin Leverage

Although MRM, as a general business practice, does not utilize leverage, there may be instances in which exchange-traded funds, other separate account managers and, in very limited circumstances, MRM will utilize leverage. In this regard please review the following:

The use of margin leverage enhances the overall risk of investment gain and loss to the client's investment portfolio. For example, investors are able to control \$2 of a security for \$1. So if the price of a security rises by \$1, the investor earns a 100% return on their investment. Conversely, if the security declines by \$.50, then the investor loses 50% of their investment.

The use of margin leverage entails borrowing, which results in additional interest costs to the investor.

Broker-dealers who carry customer accounts require a minimum equity requirement when clients utilize margin leverage. The minimum equity requirement is stated as a percentage of the value of the underlying collateral security with an absolute minimum dollar requirement. For example, if the price of a security declines in value to the point where the excess equity used to satisfy the minimum requirement dissipates, the broker-dealer will require the client to deposit additional collateral to the account in the form of cash or marketable securities. A deposit of securities to the account will require a larger deposit, as the security being deposited is included in the computation of the minimum equity requirement. In addition, when leverage is utilized and the client needs to withdraw cash, the client must sell a disproportionate amount of collateral securities to release enough cash to satisfy the withdrawal amount based upon similar reasoning as cited above.

Regulations concerning the use of margin leverage are established by the Federal Reserve Board and vary if the client's account is held at a broker-dealer versus a bank custodian. Broker-dealers and bank custodians may apply more stringent rules as they deem necessary.

### B.2. Short-Term Trading

Although MRM, as a general business practice, does not utilize short-term trading, there may be instances in which short-term trading may be necessary or an appropriate strategy. In this regard, please read the following:

There is an inherent risk for clients who trade frequently in that high-frequency trading creates substantial transaction costs that in the aggregate could negatively impact account performance.

### B.3. Technical Trading

Technical trading models are mathematically driven based upon historical data and trends of domestic and foreign market trading activity, including various industry and sector trading statistics within such markets. Technical trading models, through mathematical algorithms, attempt to identify when markets are likely to increase or decrease and identify appropriate entry and exit points. The primary risk of technical trading models is that historical trends and past performance cannot predict future trends and there is no assurance that the mathematical algorithms employed are designed properly, updated with new data, or can accurately predict future market, industry, and sector performance.

### C. Security-Specific Material Risks

There is an inherent risk for clients who have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, one type of investment instrument (equities versus fixed income). Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss. In some cases, all our platforms could be concentrated.

## Item 9: Disciplinary Information

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### A. Criminal or Civil Actions

There is nothing to report on this item.

### B. Administrative Enforcement Proceedings

There is nothing to report on this item.

### C. Self-Regulatory Organization Enforcement Proceedings

There is nothing to report on this item.

## Item 10: Other Financial Industry Activities and Affiliations

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### A. Dealer or Representative Registration

Neither MRM nor its affiliates are registered broker-dealers and do not have an application to register pending.

### B. Futures or Commodity Registration

Neither MRM nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator or commodity trading advisor and do not have an application to register pending.

### C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest

#### C.1. Provident Capital Management (“PCM”)

MRM and Provident Capital Management (“PCM”) are associated companies and have entered into a unique agreement where both companies have the right to use investment strategies developed by each company to manage and sub-manage accounts for investors. Although each company remains under separate ownership for the present time, MRM and PCM have agreed to share their respective investment systems with each other, to provide full statistical and logistical support for their respective systems, and to work together to develop further enhancements.

#### C.2. Envestnet Asset Management, Inc.

MRM is contracted as a sub-adviser to Envestnet Asset Management, Inc. (“EAM”). MRM uploads model portfolios to EAM, which EAM then makes available to other investment advisers who have subscribed to the EAM investment platform. MRM pays an initial technology set-up fee to establish MRM on the EAM platform. Beyond the initial set-up fee there is no additional remuneration paid by EAM to MRM or by MRM to EAM.

#### C.3. Placemark Investments, Inc.

MRM is contracted as a sub-adviser to Placemark Investments, Inc. (“Placemark”). MRM uploads model portfolios to Placemark, which Placemark then makes available to other investment advisers who have subscribed to the Placemark investment platform. MRM may pay an initial technology set-up fee to establish MRM on the Placemark platform. Beyond the initial set-up fee, if applicable, there is no additional remuneration paid by Placemark to MRM or by MRM to Placemark.

#### D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest

MRM does not recommend separate account managers or other investment products in which it receives any form of compensation from the separate account manager or investment product sponsor.

### Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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#### A. Code of Ethics

In accordance with the Advisers Act, MRM has adopted policies and procedures designed to detect and prevent insider trading. In addition, MRM has adopted a Code of Ethics (the "Code"). Among other things, the Code includes written procedures governing the conduct of MRM's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the chief compliance officer of MRM. MRM will send clients a copy of its Code of Ethics upon written request.

MRM has policies and procedures in place to ensure that the interests of its clients are given preference over those of MRM, its affiliates and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

#### B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

MRM does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, MRM does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

#### C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest

MRM, its affiliates, employees and their families, trusts, estates, charitable organizations and retirement plans established by it may purchase the same securities as are purchased for clients in accordance with its Code of Ethics policies and procedures. The personal securities transactions by advisory representatives and employees may raise potential conflicts of interest when they trade in a security that is:

- owned by the client, or
- considered for purchase or sale for the client.

Such conflict generally refers to the practice of front-running (trading ahead of the client), which MRM specifically prohibits. MRM has adopted policies and procedures that are intended to address these conflicts of interest. These policies and procedures:

- require our advisory representatives and employees to act in the client's best interest,
- prohibit front-running, and
- provide for the review of transactions to discover and correct any trades that result in an advisory representative or employee benefitting at the expense of a client.

Advisory representatives and employees must follow MRM's procedures when purchasing or selling the same securities purchased or sold for the client.

#### D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest

MRM, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other MRM clients. MRM will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.3 Order Aggregation). It is the policy of MRM to place the clients' interests above those of MRM and its employees.

## Item 12: Brokerage Practices

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### A. Factors Used to Select Broker-Dealers for Client Transactions

#### A.1. Custodian Recommendations

MRM generally markets to investment advisers who have established custodian platforms. We also have the ability to maintain advisory accounts with FOLIOfn, Schwab, and TD Ameritrade ("custodian"), FINRA registered broker-dealers, members SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although MRM may recommend that clients establish accounts at the custodian, it is the client's decision to custody assets with the custodian. MRM is independently owned and operated and not affiliated with custodian. For MRM



client accounts maintained in its custody, the custodian generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into custodian accounts.

MRM considers the financial strength, reputation, operational efficiency, cost, execution capability, level of customer service, and related factors in recommending broker-dealers or custodians to advisory clients.

In certain instances and subject to approval by MRM, we will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, and taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The final determination to engage a broker-dealer or custodian recommended by MRM will be made by and in the sole discretion of the client. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. Clients are responsible for assessing the commissions and other costs charged by broker-dealers and/or custodians.

#### A.1.a. How We Select Brokers/Custodians to Recommend

MRM seeks to recommend a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, the following:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear, and settle trades (buy and sell securities for client accounts)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below



#### A.1.b. Soft Dollar Arrangements

MRM does not utilize soft dollar arrangements. MRM does not direct brokerage transactions to executing brokers for research and brokerage services.

#### A.2. Brokerage for Client Referrals

MRM does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.

#### A.3. Directed Brokerage

##### A.3.a. MRM Recommendations

MRM generally markets to investment advisers who have established custodian platforms. We also have the ability to maintain advisory accounts with FOLIOfn, Schwab, and TD Ameritrade.

##### A.3.b. Client-Directed Brokerage

Occasionally, clients may direct MRM to use a particular broker-dealer to execute portfolio transactions for their account or request that certain types of securities not be purchased for their account. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage MRM derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer. MRM loses the ability to aggregate trades with other MRM advisory clients, potentially subjecting the client to inferior trade execution prices as well as higher commissions.

### B. Aggregating Securities Transactions for Client Accounts

#### B.1. Best Execution

MRM, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, and the amount of such securities. MRM recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. MRM will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any)
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance and settlement

- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, MRM seeks to ensure that clients receive best execution with respect to clients' transactions by blocking client trades to reduce commissions and transaction costs. To the best of MRM's knowledge, these custodians provide high-quality execution, and MRM's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, MRM believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## B.2. Security Allocation

Since MRM may be managing accounts with similar investment objectives, MRM may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by MRM in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts. MRM's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. MRM coordinates the recommended portfolio changes between managers to prevent having competing orders, which can have a detrimental effect.

MRM will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

MRM's advice to certain clients and entities and the action of MRM for those and other clients are frequently premised not only on the merits of a particular investment, but also on the suitability of that investment for the particular client in light of his or her applicable investment objective, guidelines and circumstances. Thus, any action of MRM with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of MRM to or on behalf of other clients.

### B.3. Order Aggregation

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, “strategy” trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if MRM believes that a larger size block trade would lead to best overall price for the security being transacted.

### B.4. Allocation of Trades

All allocations will be made prior to the close of business on the trade date. In the event an order is “partially filled,” the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client’s allocation, clients’ liquidity needs and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is “over-filled.”

MRM acts in accordance with its duty to seek best price and execution and will not continue any arrangements if MRM determines that such arrangements are no longer in the best interest of its clients.

## Item 13: Review of Accounts

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### A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved

All accounts are reviewed to determine that the portfolios are being managed in accordance with the particular strategy platforms of which they are a part. As necessary, mutual funds, variable annuities and other securities in which clients’ assets are invested are reviewed for performance, exchange procedures, asset size, MRM’s percentage of holdings and overall funds philosophy. Reviews are conducted by Robert Rafael (President/Owner) at least quarterly or more frequently as necessary on strategy circumstances and market conditions.

On a quarterly basis (or in some cases, more often) each client receives a market commentary (via email or U.S. mail) prepared by Mr. Rafael sharing their current views of the equity markets. In addition, this report typically shows the performance for Dynamic Overlay, Dynamic International, Global Strategies and All Domestic Equity and compares them to the appropriate benchmarks.

## **B. Review of Client Accounts on Non-Periodic Basis**

MRM may perform ad hoc reviews on an as-needed basis if there have been material changes in the client's investment objectives or risk tolerance, or a material change in how MRM formulates investment advice.

## **C. Content of Client-Provided Reports and Frequency**

The client's independent custodian provides account statements directly to the client no less frequently than quarterly. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by MRM.

On a quarterly basis (or in some cases, more often) each client receives a market commentary (via email or U.S. mail) prepared by Mr. Rafael sharing their current views of the equity markets. In addition, this report typically shows the performance for Dynamic Overlay, Dynamic International, Global Strategies and All Domestic Equity and compares them to the appropriate benchmarks.

# **Item 14: Client Referrals and Other Compensation**

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## **A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

MRM can offer for sale, to other broker-dealers or investment advisers, our research and portfolio moves of our various investment platforms. Such a sale can be for a flat fee, a periodic fixed fee, or a percentage of that adviser's fee charged to their clients. Such fee is negotiated between MRM and the broker-dealer and or investment adviser firm.

## **B. Advisory Firm Payments for Client Referrals**

MRM may enter into agreements with solicitors who will refer prospective advisory clients to MRM in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with MRM. The solicitor must provide the

client with a disclosure document describing the fees it receives from MRM, whether those fees represent an increase in fees that MRM would otherwise charge the client, and whether an affiliation exists between MRM and the solicitor.

### Item 15: Custody

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Clients will receive at least quarterly account statements directly from their custodian containing a description of all activity, cash balances and portfolio holdings in the client's account. Clients are urged to compare billing statements provided by MRM to the custodian statement for accuracy. Any discrepancies should be brought to the firm's attention. The custodian's statement is the official record of the account.

### Item 16: Investment Discretion

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Clients may grant a limited power of attorney to MRM respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, MRM will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

### Item 17: Voting Client Securities

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MRM does not take discretion with respect to voting proxies on behalf of its clients. MRM will endeavor to make recommendations to clients on voting proxies regarding shareholder vote, consent, election or similar actions solicited by, or with respect to, issuers of securities beneficially held as part of MRM supervised and/or managed assets. In no event will MRM take discretion with respect to voting proxies on behalf of its clients.

Except as required by applicable law, MRM will not be obligated to render advice or take any action on behalf of clients with respect to assets presently or formerly held

in their accounts that become the subject of any legal proceedings, including bankruptcies.

From time to time, securities held in the accounts of clients will be the subject of class action lawsuits. MRM has no obligation to determine if securities held by the client are subject to a pending or resolved class action lawsuit. MRM also has no duty to evaluate a client's eligibility or to submit a claim to participate in the proceeds of a securities class action settlement or verdict. Furthermore, MRM has no obligation or responsibility to initiate litigation to recover damages on behalf of clients who may have been injured as a result of actions, misconduct, or negligence by corporate management of issuers whose securities are held by clients.

Where MRM receives written or electronic notice of a class action lawsuit, settlement, or verdict affecting securities owned by a client, it will forward all notices, proof of claim forms, and other materials to the client. Electronic mail is acceptable where appropriate and where the client has authorized contact in this manner.

## Item 18: Financial Information

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### A. Balance Sheet

MRM does not require the prepayment of fees of \$1200 or more, six months or more in advance, and as such is not required to file a balance sheet.

### B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients

MRM does not have any financial issues that would impair its ability to provide services to clients.

### C. Bankruptcy Petitions During the Past Ten Years

There is nothing to report on this item.