

**Part 2A of Form ADV: *Firm Brochure***

**MCALVANY WEALTH MANAGEMENT, LLC**

858 Main Avenue, Suite 201

Durango CO 81301

Telephone: (866) 211-8970

Email: [frihauf@mwealthm.com](mailto:frihauf@mwealthm.com)

Web Address: <http://mwealthm.com>

03/10/2014

**This brochure provides information about the qualifications and business practices of McAlvany Wealth Management, LLC (“MWM”). If you have any questions about the contents of this brochure, please contact us at (866) 211-8970 or [frihauf@mwealthm.com](mailto:frihauf@mwealthm.com). 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. Registration as an investment adviser does not imply a certain level of skill or training.**

**Additional information about MWM is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 146021.**

## **Item 2. Material Changes**

**There have been no material changes to this document during 2012.**

### Item 3. Table of Contents

Item	Section	Page
1.	Cover Page	1
2.	Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	7
6.	Performance-Based Fees and Side-by-Side Management	10
7.	Types of Clients	11
8.	Methods of Analysis, Investment Strategies and Risk of Loss	11
9.	Disciplinary Information	16
10.	Other Financial Industry Activities and Affiliations	16
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	17
12.	Brokerage Practices	20
13.	Review of Accounts	23
14.	Client Referrals and Other Compensation	24
15.	Custody	25
16.	Investment Discretion	25
17.	Voting Client Securities	26
18.	Financial Information	26

## **Item 4. Advisory Business**

MWM is a SEC-registered investment adviser with its principal place of business located in Durango, Colorado. MWM began conducting business as a registered investment adviser in 2008.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company):

- David S. McAlvany, General Partner
- David S. McAlvany Irrevocable Trust, Limited Partner

MWM offers Individual Portfolio Management, Financial Planning, Money Manager Search and Monitoring services to its advisory clients. MWM also sponsors educational seminars that are open to clients and the general public. Please see the disclosure below in this Item for additional information regarding these services.

As of 12/31/2014, we were actively managing \$91,357,845 of client assets on a discretionary basis. MWM does not manage accounts on a non-discretionary basis.

### **INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm offers portfolio management services to its advisory clients. We will provide continuous advice to a client regarding the investment of client funds based on the client's individual needs. Through personal discussions with our clients, we develop a client's personal investment policy. We then create and manage a portfolio based on that policy. During this data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

We currently offer our portfolio management services on a discretionary basis only. Account supervision is guided by the client's stated objectives (e.g., growth, income or a balance between growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company. Our client portfolios will consist primarily of the following: stocks, bonds and other fixed income securities, exchange-traded funds ("ETFs"), and no-load mutual funds. Client portfolios may also include limited partnerships, private placement partnerships, and precious metals. Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

### FINANCIAL PLANNING

We also provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients receiving this service receive a written report that provides the client with a detailed financial plan designed to help achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- PERSONAL: We review family records, budgeting, personal liability, estate information and financial goals.
- TAX & CASH FLOW: We analyze the client's income tax and spending for past, current and future years and illustrate the impact of various investments on the client's current income tax and future tax liability.
- INVESTMENTS: We analyze investment alternatives and their effect on the client's portfolio.
- RETIREMENT: We analyze current strategies and investment plans to help the client achieve his or her retirement goals.

We gather relevant information through in-depth personal interviews. Information gathered typically includes a client's current financial status, tax status, future goals, return objectives and attitudes towards risk. We carefully review any documents supplied by the client and prepare a written report.

Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, and other advisers. Implementation of financial plan recommendations is entirely at the client's discretion.

Typically the financial plan is presented to the client within six months of the initial meeting, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

### MONEY MANAGER SEARCH AND MONITORING

We may also perform management searches of various independent registered investment advisers, on behalf of a client. Based on a client's individual circumstances and needs, we will determine which independent adviser's portfolio management is appropriate for that client. Factors considered in making this determination include account size, risk tolerance, the opinion of each client and the investment philosophy of the independent adviser. Clients should refer to the independent adviser's Firm Brochure (Form ADV Part 2) for a full description of the services offered.

We will meet with the client at least annually to review the account. If we believe that a particular independent adviser is performing inadequately, or if we believe that a different manager is more suitable for a client's particular needs, then we will suggest that the client contract with a different adviser. Under this scenario, we will assist the client in selecting a new adviser, and then monitor that adviser's performance. However, any move to a new manager is solely at the discretion of the client.

### SEMINARS

MWM sponsors educational seminars on various investment topics including technical portfolio analysis. The investment information provided under this service does not purport to meet the objectives or needs of each individual client. The seminars will provide participants with discussions on asset allocation strategies, estate and retirement planning, and general educational topics. Our seminars are open to the public.

## **Item 5. Fees and Compensation**

### FEES FOR INDIVIDUAL PORTFOLIO MANAGEMENT

The annual fee for our individual portfolio management service is charged as a percentage of assets under management with MWM according to the following schedules:

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
0 - \$749,999	1.75%
\$750,000 - \$1,249,999	1.50%
\$1,250,000 - \$3,499,999	1.25%
\$3,500,000 - \$5,999,999	0.95%
\$6,000,000 - \$10,000,000	0.85%
Over \$10,000,000	Negotiable

Our management fees are assessed quarterly, in advance, at the beginning of each quarter. Thus, clients are charged  $\frac{1}{4}$  of their annual advisory fee each three month period. The fee is based upon the value (market value or fair market value in the absence of market value), of the client's account on the last day of the previous three month period. Clients will be invoiced or have their fees debited from their account in accordance with client authorization.

A minimum of \$350,000 of assets under management is required to open an individual portfolio management account with MWM. This minimum account size may be negotiable under certain circumstances. We may group certain related client accounts for the purposes of achieving the minimum account value requirement. Once an account is accepted, there are no specific minimum account requirements for maintaining an account. Further, there are no minimum fee requirements.

### FEES FOR FINANCIAL PLANNING

MWM's Financial Planning fee will be determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with the client.

The fees for such services are charged on an hourly basis, at a rate of \$350 per hour, and are negotiated directly with the client. We may request a retainer

upon completion of our initial fact-finding session with the client; however, advance payment will never exceed \$1,200 for work that will not be completed within six months. The balance is due upon completion of the service. We reserve the discretion to reduce or waive a client's fee if the client chooses to engage us for our portfolio management services.

A minimum fee of \$350 is required for this service. This minimum fee may be negotiable under certain circumstances.

#### FEES FOR MONEY MANAGER SEARCH AND MONITORING

We are not compensated for this service. It is provided as a courtesy to our Individual Portfolio Management and Financial Planning clients.

#### FEES FOR SEMINARS

Our seminars are open to the public and are free of charge.

#### GENERAL FEE INFORMATION

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. We may also group certain related client accounts for the purposes of determining the annualized fee. Further, we may waive or discount fees for family members and friends of the owners and employees of our firm. These fee waivers or discounts are not generally available to all advisory clients of MWM.

***Grandfathering of Fees and Fee Billing Arrangements:*** Pre-existing advisory clients may be subject to MWM's advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's fees and billing arrangements will differ among clients.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees may be paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any unpaid fees will be due and payable. In calculating



a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

***Fund Fees:*** All fees paid to MWM for investment advisory services are separate and distinct from the fees and expenses charged by ETFs, mutual funds, variable life sub-accounts, and variable annuity sub-accounts (each a "Fund" and, collectively, the "Funds") to their shareholders. These fees and expenses are described in each Fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If a Fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a Fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which Fund or Funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the Funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. Please refer to Item 12 of this Brochure for additional information about our brokerage practices.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

***Compensation for the Sale Insurance and Insurance-related Investment Products:*** Certain management persons and other employees of MWM are separately licensed as insurance agents for one or more insurance companies. In their separate capacities as insurance agents, they will be able to purchase insurance and insurance-related investment products for clients, for which they will receive separate and additional compensation. Our clients are not under any obligation to engage these individuals when considering implementation of investment recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by MWM's management persons or employees creates a conflict of interest and gives these individuals an incentive to recommend insurance and investment products based on the compensation received, rather than on a client's needs. MWM endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- MWM discloses to clients the existence of all material conflicts of interest, including the potential for its employees to earn compensation from advisory clients in addition to MWM's advisory fees;
- MWM discloses to clients that they are not obligated to purchase recommended investment products from MWM's employees;
- MWM collects, maintains and documents accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- MWM'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;
- MWM requires that its employees seek prior approval of any outside employment activity so that MWM may ensure that any conflicts of interests in such activities are properly addressed;
- MWM periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by MWM; and
- MWM educates its 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 6. Performance-Based Fees and Side-By-Side Management**

We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

## **Item 7. Types of Clients**

We provide our advisory services, where appropriate, to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements based on the nature of the services being provided. For a more detailed understanding of those requirements, please review the disclosures provided for each applicable service.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to gauge the intrinsic value of securities, industries, sectors, regions and asset classes by looking at economic and financial factors (including traditional measures of valuation, the overall economy, industry conditions, and financial conditions) to determine if a security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate general market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating a security.

***Technical Analysis.*** Technical analysis involves the analysis of past market movements and the application of that analysis to the present in an attempt to recognize recurring patterns of investor behavior and to predict future price movement.

Charting and cyclical analysis are types of technical analysis that we use. Charting involves the review of charts of market and security activity in an

attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse. Cyclical analysis involves measuring the movements of a particular security relative to the overall market in an attempt to predict the price movement of the security.

Technical analysis does not consider the underlying financial conditions of a security. This presents a risk in that a poorly-managed or financially unsound investment may underperform regardless of market movement.

***Fund analysis.*** We look at the experience and track record of the manager of an ETF, mutual fund, variable life sub-account, or variable annuity sub-accounts (each a “Fund” and, collectively, the “Funds”) in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a Fund in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client’s portfolio. We also monitor the Funds in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of Fund analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a Fund, managers of different Funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the Fund, which could make the holding(s) less suitable for the client’s portfolio.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the

client's investment objectives, risk tolerance, and time horizons, among other considerations:

***Long-term purchases.*** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline in value before we make the decision to sell.

***Short-term purchases.*** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

***Asset Allocation.*** In implementing our clients' investment strategy, we begin by attempting to identify an appropriate ratio of equities, fixed-income, commodities, currencies, and cash (i.e. "asset allocation") suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Options<sup>1</sup>.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are “calls” and “puts.” A call gives a client the right to buy an asset at a certain price within a specific period of time. We will buy a call if we think that the stock will increase substantially before the option expires. A put gives a client the right to sell an asset at a certain price within a specific period of time. We will buy a put if we think that the price of the stock will fall before the option expires.

We may use options to “hedge” a purchase of the underlying security; in other words, we may use an option purchase to limit the potential upside and downside of a security in our client’s portfolios.

We also may use “covered calls”, in which we sell an option on a security held in our client’s portfolios. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price.

In addition, we may use a “spreading strategy”, in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

Clients should note that an option holder risks losing the entire amount paid for the option in a relatively short period of time. This reflects the fact that an option becomes worthless when it expires. An option holder who neither sells his option nor exercises it prior to expiration will lose the entire investment in the option. If the price of the underlying asset does not change in the anticipated direction before the option expires (to an extent sufficient to cover the cost of the option), the option holder may lose all or a significant part of the investment in the option.

---

<sup>1</sup> For more information regarding options, you may refer to The Options Industry Council website: <http://www.888options.com/basics/default.jsp>

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss. A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

**Short sales.** We may use this strategy if we believe a certain security will decrease in price. In these circumstances, we will borrow shares of a security for your portfolio from someone who owns the security (e.g., a broker-dealer) on a promise to replace those shares on a future date at a certain price. We then sell the shares we have borrowed for your account. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock has gone down since we sold the shares borrowed from the original owner, you will keep the difference between that sale price and the price we paid for the shares we returned to the original owner.

Short selling results in some unique risks:

- *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
- *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
- *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place (i.e., being right too soon). Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
- *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

## RISK OF LOSS

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### **Item 9. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

### **Item 10. Other Financial Industry Activities and Affiliations**

As disclosed above in Item 5 of this Brochure, the management persons and other employees of MWM may also be insurance agents for various insurance companies. Please see this disclosure for information regarding these relationships, the applicable conflicts of interest, and how MWM manages these conflicts.

MWM is under common control and ownership with International Collectors Associates ("ICA"), a McAlvany family-owned full-service precious metals dealer. In addition, the management persons and other employees of MWM may also be officers and employees of ICA. ICA deals only with the sale of actual precious metals. No securities-related commodity business is transacted by ICA and the employees of ICA are not required to be licensed to sell these products.

MWM and its management persons and other employees may recommend the services of ICA, where appropriate, to its advisory clients. Conversely, ICA may recommend the advisory services of MWM to its customers. The services of ICA are separate and distinct from MWM's advisory services, and are provided for separate and typical compensation. No MWM client is obligated to use the precious metals services of ICA. The implementation of any or all recommendations is solely at the discretion of the client.



Clients should be aware that the receipt of additional compensation by our management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. MWM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; 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 management persons, employees and related companies to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or related 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 interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- 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 in Client Transactions and Personal Trading**

### **CODE OF ETHICS**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. MWM and our personnel owe a duty of

loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

MWM's Code of Ethics includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics requires that anyone associated with this advisory practice with access to advisory recommendations, client holdings or other specified information ("access persons") provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to the firm's designated officer. These reports are made available to an appropriate regulatory agency upon request and will be reviewed on a regular basis by the Chief Compliance Officer of MWM, or his designee, to supervise compliance with the firm's Code of Ethics.

Our Code also contains oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to [frihauf@mwealthm.com](mailto:frihauf@mwealthm.com), or by telephone at (866) 211-8970.

#### SUMMARY OF PERSONAL TRADING POLICY

Our firm, management persons and other employees may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients. In addition, the firm and these individuals may have an interest or position in a security which may also be recommended to a client. As these situations represent actual or potential conflicts of interest with our clients, we have taken the following steps to assure that (i) the personal securities transactions of our firm and employees will not interfere with making and implementing decisions in the best interest of our advisory clients; (ii) our firm complies with its regulatory obligations; and (iii) we provide our clients with full and fair disclosure of such conflicts of interest:

1. Prohibiting the firm, its management persons and employees from:
  - a. Putting their own interest above the interest of an advisory client.
  - b. Buying or selling securities for their personal portfolio(s) where their decision is a result of information received as a result of his or

her employment unless the information is also available to the investing public.

- c. Purchasing or selling any security immediately prior to a transaction(s) in the same securities being implemented for an advisory account.
2. Our firm requires prior approval for any IPO or private placement investments by an access person of the firm.
3. We maintain a list of all reportable securities holdings for our firm and our employees who are access persons. These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer, or his designee, to verify compliance with this personal trading policy.
4. We have established procedures for the maintenance of all required books and records.
5. We require all of our management persons and other employees to act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. We provide each employee of our firm with a copy of our Code of Ethics on an annual basis.
7. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
8. Any individual who violates any of the above restrictions may be subject to termination.

#### AGGREGATION OF EMPLOYEE TRADES WITH CLIENT TRANSACTIONS

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. Transaction costs will be charged a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's agreement with the applicable custodian/broker). In the instances where there is a partial fill of a particular batched order, we will allocate all shares pro-rata, with each account paying the average price. Our employee accounts will typically not be included in this pro-rata allocation.

Please review the disclosures in Item 12 of this Brochure for a more detailed understanding of the firm's trade aggregation policies and procedures.

## PRINICIPAL TRANSACTIONS

MWM and individuals associated with our firm are prohibited from engaging in principal transactions. A principal transaction is a transaction where MWM or a person associated with MWM, as principal, buys securities from, or sells securities to, an MWM client.

### **Item 12. Brokerage Practices**

#### INDIVIDUAL PORTFOLIO MANAGEMENT SERVICES

As our firm does not have the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid, clients must direct MWM as to the broker-dealer to be used. We request that clients direct us to place trades through National Financial Services LLC and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity"). MWM has evaluated Fidelity and believes that it will provide our clients with a blend of execution services, commission costs and professionalism that will assist our firm in meeting our fiduciary obligations to clients.

Clients should note that we have an arrangement with Fidelity through which Fidelity provides MWM access to their Fidelity Institutional Wealth Services "platform" ("FIWS"). FIWS is offered to independent investment advisers by Fidelity. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like MWM in conducting business and in serving the best interests of our clients but that may also benefit us.

Fidelity charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity enables MWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, Fidelity also makes available to our firm, at no additional charge to us, certain research and

brokerage services, including research services obtained by Fidelity directly from independent research companies. MWM has no formal or informal arrangements with Fidelity to provide MWM with any specific research or brokerage services other than what is otherwise made available by Fidelity to the investment advisers that use its platform services.

As a result of receiving such services for no additional cost, we may have an incentive to continue to use or expand the use of Fidelity's services. We examined this potential conflict of interest when we chose to enter into the relationship with Fidelity and have determined that the relationship is in the best interests of MWM clients and satisfies our client obligations, including our duty to seek best execution.

MWM reserves the right to decline acceptance of any client account for which the client directs the use of a broker other than Fidelity if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account. In directing the use of Fidelity, it should be understood that MWM will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker). Clients should note, while MWM has a reasonable belief that Fidelity is able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers.

#### SUMMARY OF TRADE AGGREGATION POLICY

MWM will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. MWM will typically aggregate trades among clients whose accounts can be traded at a given broker. MWM's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with MWM, or our firm's order allocation policy.
2. The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent

with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

3. The portfolio manager must reasonably believe that the order aggregation will enable MWM to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, barring unusual circumstances related to timing and security price, a written list is completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must equitably share in the commissions and transaction costs. Transaction costs may be charged as a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's agreement with the applicable custodian/broker).
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. MWM's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
9. Funds and securities for aggregated orders are clearly identified on MWM's records and to the broker-dealers or other intermediaries

- handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

### **Item 13. Review of Accounts**

#### INDIVIDUAL PORTFOLIO MANAGEMENT

**Reviews:** While the underlying securities within Individual Portfolio Management accounts are continually monitored, these accounts are reviewed on at least a quarterly basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by David S. McAlvany, General Partner; Donald S. McAlvany, Limited Partner; David H. Burgess, Vice President; or Benjamin C. Frihauf, Vice President and Chief Compliance Officer.

**Reports:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer/custodian, we provide semi-annual reports summarizing account performance, balances and holdings.

#### FINANCIAL PLANNING

**Reviews:** This plan will be reviewed as contracted for at the inception of the advisory relationship.

**Reports:** Clients will receive a completed financial plan.

#### MONEY MANAGER SEARCH AND MONITORING

**Reviews:** These client accounts should refer to the independent investment adviser's disclosure document for information regarding the nature and frequency of reviews provided by that independent investment adviser. MWM will review these client accounts at least annually.

These accounts are reviewed by David S. McAlvany, General Partner; Donald S. McAlvany, Limited Partner; David H. Burgess, Vice President; or Benjamin C. Frihauf, Vice President and Chief Compliance Officer.

**Reports:** These client accounts should refer to the independent investment adviser's disclosure document for information regarding the nature and frequency of reports provided by that independent registered investment adviser. MWM will provide clients with reports for this service upon request.

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

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (Part 2A of Form ADV: *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

As insurance agents, our management persons and other employees are eligible to receive incentive awards (including prizes such as trips or bonuses) for recommending certain types of insurance policies or other investment products. While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. We address this conflict by reviewing recommendations made to our clients to determine that all recommendations are consistent with the best interests of our clients. Please see the disclosure at Item 5 of this Brochure for additional information about how we manage this conflict of interest.



## **Item 15. Custody**

We previously disclosed in Item 5 of this Brochure that our firm directly debits advisory fees from client accounts. 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 us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account reports directly to our clients on a semi-annual basis. We urge our clients to carefully compare the information provided on these reports to the custodian's statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16. Investment Discretion**

Clients may hire us to provide discretionary portfolio management services. Where we have been provided investment discretion, we place trades in a client's account without obtaining specific client permission prior to each trade. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary advisory agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17. Voting Client Securities**

MWM does not vote client securities. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore, MWM and/or the client shall instruct each custodian of the applicable assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

MWM will provide advice to clients regarding the clients' voting of securities upon request.

## **Item 18. Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. MWM has no additional financial circumstances to report and has never been the subject of a bankruptcy petition.