

**Matrix Capital Advisors, LLC**

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

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This brochure provides information about the qualifications and business practices of Matrix Capital Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 312-612-6100 or [klundgren@matrixcapital.com](mailto:klundgren@matrixcapital.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.

Additional information about Matrix Capital Advisors, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by entering a unique identifying number, known as a CRD number. Our firm's CRD number is 109523.

## **Item 2    Material Changes**

This Firm Brochure, dated March 25, 2015, provides you with a summary of Matrix Capital Advisors, LLC's, advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our current clients with a summary of new and/or updated information. Depending on the type of revision, we will inform clients of revision(s) as follows:

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE, or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership, control, or location; disciplinary proceedings; or significant changes to our advisory services or advisory affiliates – in short, any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated October 20, 2014:

As of January 2015, Matrix Capital Advisors determined that it has custody under Rule 206(4)-2 of the Investment Advisers act of 1940. The Custody Rule states that an adviser has custody of client funds and securities if it has possession of client funds or securities, even briefly, and when it has authority to withdraw funds or securities from a client's account. Matrix is able to accept client funds for the purpose of depositing them into the client's account at a qualified custodian, and it has Standing Letters of Authorization in place with clients. As such, the custody rule requires our firm to retain an independent accountant registered with the Public Company Accounting Oversight Board (PCAOB) to conduct surprise annual examinations of our clients' accounts.

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## Item 4    **Advisory Business**

Matrix Capital Advisors, LLC (“Matrix”), is an SEC-registered investment adviser founded in 2000 by its principals, Christopher J. Burke (Managing Director) and Michael D. Wik (Managing Director). Matrix is based in Chicago, Illinois.

Matrix offers two types of investment advisory services to its clients: **Discretionary Investment Advisory Services and Consulting Services or Non-Discretionary Investment Advisory Services**. As of December 31, 2014, Matrix manages \$337.6 million of clients’ assets on a discretionary basis and \$232.9 million of clients’ assets on a non-discretionary basis.

### ***Discretionary Investment Advisory Services***

Matrix recognizes each client has a unique set of circumstances that need to be carefully considered at the outset of the advisory relationship. This process is initiated through a series of personal meetings whose purpose is to develop an intimate understanding of the client’s investment objectives, including prior investment experience, time horizon, risk tolerance, and liquidity needs. These elements are reviewed in the context of the client’s tax and estate planning, as well as family composition and background. Through these interactions we are able to create a written personal investment policy statement that guides portfolio construction and the ongoing investment process.

From the investment policy statement Matrix develops an asset allocation recommendation, which is the road map for the implementation of a client’s objectives. Matrix typically allocates a client’s assets over a broad spectrum of asset classes and categories, and may recommend outside managers as sub-advisors to implement allocations within each asset class. These sub-advisors may choose to use a variety of legal structures to execute a particular investment strategy or strategies, including open-end and closed-end mutual funds, public and private real estate investment trusts (“REITs”), separately managed accounts (“SMAs”), exchange traded funds (“ETFs”), and pooled investment partnerships.

Matrix is wholly owned by the principals of the firm and our investment recommendations are not limited to any specific product or service offered by a broker-dealer, insurance company, or financial institution. Depending on the client’s investment objectives and investment policy statement, Matrix client portfolios may include the following:

- Interests in partnerships investing in public and private securities and funds (e.g., “hedge funds” and “fund-of-hedge-funds”)
- Private equity investment funds
- Exchange-listed securities

- Exchange traded funds ("ETFs")
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper, certificates of deposit, municipal securities
- United States governmental securities
- Options contracts on securities
- Interests in partnerships investing in real estate
- Interests in partnerships investing in oil and gas interests

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.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

### ***Consulting Services (Non-Discretionary Investment Advisory Services)***

Consulting Services consist of Investment Advisory services delivered to clients whose assets we do not manage. Consulting services may include advice on one aspect of the investment process, such as asset allocation, manager selection, performance measurement, or a single asset class like real estate. Consulting Services may or may not include implementation of the recommendation or advice.

Matrix provides consulting services to a number of high net worth clients as well as the management of Brauvn Net Capital, LLC (BNC) and Brauvn Net Lease, Inc. (BNL). BNC is a limited liability company, BNL is a private real estate investment trust ("REIT"). Each specializes in the acquisition, ownership, and management of triple net leased real estate properties throughout the United States. BNC and BNL are closed to new investment. Some Matrix investment advisory clients are investors in BNC and BNL.

## **Item 5 Fees and Compensation**

### ***Discretionary Investment Advisory Services Fees***

Fees are determined based on factors such as the size of the client's account, complexity of the client's account, and scope of services performed. Matrix fees for Discretionary Investment Advisory Services are typically expressed as a percentage of assets under advisement. Annual fees range from 0.30% to 1.25% of assets. The specific annual fee schedule is identified in the Investment Advisory Agreement between the advisor and each client. Occasionally, Matrix may establish a fixed fee arrangement. Matrix does not accept any prepaid fees. Advisory fees are billed quarterly in arrears and can either be directly debited from client accounts or paid separately by the client. Most clients give Matrix authorization to directly debit their accounts when they sign Matrix Capital Advisors' Investment Advisory Agreement.

Although Matrix has established the aforementioned fee structure, we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances, and needs are considered in determining the fee schedule. These may include the complexity of the client, assets to be placed under management, anticipated future additional assets, related accounts, portfolio style, account composition, and reporting needs. Senior management reviews client fees on an annual basis. As client needs and circumstances change over time, Senior Management may determine that a fee schedule change may be necessary. If this is the case, a meeting/call will be scheduled with the client and once a fee change is agreed upon, a form will be signed by both parties.

A minimum net worth of \$3,000,000 is required for a client to initiate an advisory relationship with Matrix. This minimum net worth amount may be negotiable under certain circumstances. Matrix may group certain related client accounts for the purposes of achieving the minimum account size and determining the annual fee.

Matrix may discount fees in special situations, including clients who are family members or friends of employees or principals of our firm.

### ***Consulting Services Fees (Non-Discretionary Investment Advisory Services)***

Matrix's Consulting Services fee is determined based on the nature and scope of the services provided. All consulting fees are agreed upon prior to entering into a contract with any client. Consulting clients are billed at the end of each quarter.

Matrix provides consulting services to a number of high net worth clients as well as the management of Brauvin Net Capital, LLC ("BNC") and Brauvin Net Lease, Inc. ("BNL"). BNC is a limited liability company, BNL is a private real estate investment trust ("REIT"). Each specializes in the acquisition, ownership, and

management of triple net leased real estate properties throughout the United States. BNC and BNL are closed to new investment. Some Matrix investment advisory clients are investors in BNC and BNL.

Matrix owns a 10% interest in the manager of BNC, Brauvn Net Capital Manager LLC, through which it receives 10% of performance fees calculated as 20% of net profits after investors receive an 11% preferred return. Matrix also owns a 10% interest in the manager of BNL, Brauvn Net Lease Manager LLC, through which it receives 10% of the performance fees calculated as 20% of net profits after return of capital and a 10% cumulative preferred return to the investors.

### ***General Fees-Related Information***

*Termination of the Advisory or Relationship:* A client agreement may be canceled at any time, by either party, for any reason upon written notice. Upon termination of any account, Matrix shall be entitled to charge advisory fees earned for the current quarter based on the number of days for which it provided services to the client in that quarter.

*Mutual Fund Fees:* All fees paid to Matrix for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs 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 possibly distribution fees. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client may invest in a mutual 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 mutual 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, hedge fund managers, Separately Managed Account managers, private equity managers, and broker-dealers, including, but not limited to, any transaction charges imposed by a broker-dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" on page 14 of this document for additional information.

*ERISA Accounts:* Matrix is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in

prohibited transactions, Matrix may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees.

*Prepayment of Fees:* Under no circumstances do we require or solicit payment of fees in advance of services rendered.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

### ***Performance-Based Fees***

As we disclosed on page 6 of this Brochure, Matrix is eligible to receive a service fee in connection with its consulting work for Brauvn Net Capital, LLC (BNC) and Brauvn Net Lease, Inc (BNL). Matrix receives performance-based fees for Brauvn Net Investments, Inc. (BNI), Matrix B-Cash, LLC and Connorex-Lucinda LLC (Conrex).

Matrix owns a 9.87% interest in the manager of Brauvn Net Investments, LLC (BNI), a private real estate investment trust (REIT), through which it receives 9.87% of performance fees calculated as 20% of net profits after return of capital and an 8% cumulative preferred return to the investors.

Matrix is a Class B Member of Matrix B-Cash LLC, an entity created to make an investment in Principal Plus Group LLC ("PPG"). PPG owns a 99.9% interest in Vivalia, SA de CV SOFMOM, a privately-held consumer finance company that provides personal loans to employed individuals in Mexico. As a Class B Member, Matrix is entitled to 15% of all distributable cash once the Class A Members have received a 100% return of capital and a 15% cumulative compounded rate of return. Some Matrix Investment Advisory clients are Class A Members of Matrix B-Cash LLC.

Matrix shares a profit participation with Connorex-Lucinda LLC, the "Manager" of Conrex Residential Property Group 2013 – 1, LLC (the "Operating Company"). The Operating Company is a member in Conrex Residential Property REIT, Inc., a non-listed private REIT (the "REIT") created to purchase foreclosed single-family residences in attractive growing geographies for renovation and placement in the rental market. The REIT contributed substantially all of its assets to the Operating Company. Some Matrix Investment Advisory clients are members of the REIT. Based on the amount of matrix client capital contributed to the REIT, the Manager will pay to Matrix an amount equal to 15% of the Carried Interest received by the Manager.

Clients should be aware that performance-based fee arrangements may create an incentive for us to recommend investments that may be riskier or more speculative than those which would be recommended under a different fee arrangement.



## **Item 7    Types of Clients**

Matrix provides advisory services to the following types of clients:

- High net worth individuals
- Trusts and estates
- Individuals (other than high net worth individuals)

As previously disclosed in this document, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided.

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

### ***Methods of Analysis***

Matrix employs fundamental, quantitative, and qualitative analysis in determining asset allocation and portfolio construction.

Fundamental analysis drives our top-down global markets perspective, which in turn drives how we formulate asset allocation. By using multiple sources for research and analysis, which may include financial journals, newspapers and magazines, outside research prepared by others, fund manager reports, annual reports, on- and off-site interviews, prospectuses, and SEC filings, we are able to gauge the relative value and attractiveness of global markets. Emphasis is placed on economic growth, interest rate environment, inflation, and the relative values of the asset classes and sectors we target. Our goal is to make near-term and long-term assessments of the markets and where we do or do not want exposure.

We use quantitative analysis in the portfolio construction and manager evaluation process. Quantitative analysis is a mathematical way of measuring investment characteristics like risk, volatility, and correlation. In the manager evaluation process, we use quantitative analysis to evaluate multiple managers against a benchmark, to compare their volatility relative to their return, or to evaluate how their respective performance might differ in up and down markets. Quantitative analysis of a manager can help us understand how a manager or strategy might perform relative to another asset class or manager. In the portfolio construction process, we use quantitative analysis to understand how a portfolio of managers might perform in different market scenarios, or how the expected volatility of a portfolio matches with client objectives. Quantitative analysis at the portfolio level also gives us a tool to test the diversification of a multi-asset class portfolio and understand the performance attribution of the individual managers to the overall portfolio.

Qualitative analysis is used primarily for manager evaluation and selection. When we perform due diligence on a manager, we collect the data needed to make qualitative assessments of the manager and their organization. Information gathered may include regulatory history, background checks, client endorsements, audited financials, transparency reporting, and technology assessments. These qualitative aspects of the manager evaluation process many times are the most illuminating.

### ***Investment Strategies***

Matrix is wholly owned by its Principals and has no affiliation with any other financial institution. As such, Matrix is not restricted in any way in the consideration of investment strategies on behalf of its clients. Matrix uses a variety of strategies in managing client accounts, each considered in the context of what is appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizon.

*Long-term purchases.* Generally, we invest in funds, securities, and strategies with the intent of holding them in the client's account for a year or longer. Typically, we employ this strategy when we consider the security or asset class to be undervalued 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 sharply in value before we make the decision to sell.

*Short-term purchases.* We may purchase funds, securities, or strategies with the intention 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 those securities.

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.

*Trading.* We may invest in funds that purchase securities with the intention of selling them very quickly, typically within 30 days or less. We would consider this strategy only with a manager that is an experienced short-term trader.

*Short sales.* We may borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. 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 price does go down, the client account realizes a profit.

*Margin transactions.* We may purchase funds, securities, or strategies with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. At Matrix, we typically use margin to cover a client's short-term cash needs.

*Option writing.* We may use options as an investment strategy or as a hedging technique. 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 us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We could potentially use options to capitalize on the possibility of a sharp price swing. We may also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside or downside of a security we have purchased for your portfolio.

We may use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed upon price.

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.

### ***Risk of Loss***

Securities and fund 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**

Matrix and its employees have not been involved in any legal or disciplinary events since the inception of the firm that would be material to a client's or prospective client's evaluation of the firm or its personnel.

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

Management personnel of Matrix are not involved in any other industry activities or affiliations that may create a conflict of interest that could impair the objectivity of our firm and these individuals when making advisory recommendations to clients. We take the following steps to ensure that no conflicts occur:

- 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. If you would like a copy of Matrix Capital Advisors' Code of Ethics, a copy is available on the Firm's Sharefile website.

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

Our firm has adopted a Code of Ethics that sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [klundgren@matrixcapital.com](mailto:klundgren@matrixcapital.com) or by calling us at (312) 612-6100.

Matrix and our personnel owe a duty of loyalty, fairness, and good faith toward 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.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's covered persons.

Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Matrix's Code of Ethics further 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 is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with making decisions in the best interest of advisory clients and implementing such decisions, while at the same time allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

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 and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client.

- No principal or employee of our firm may buy or sell 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.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("covered person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer.
- We have established procedures for the maintenance of all required books and records.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each covered person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

Charles Schwab is Matrix's preferred brokerage of choice. A client may choose a different broker to execute trades with a notification to Matrix in writing.

Matrix may use 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, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute trades in a timelier, more equitable manner, at an average share price. Matrix will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Matrix'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 Matrix, 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 benefit, and will enable Matrix 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 hindsight. 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, a written order ticket must be completed, identifying 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 share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 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) Matrix'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) No client or account will be favored over another.

Matrix recommends that clients establish brokerage accounts with Schwab Institutional, a division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision whether to custody assets with Schwab. Matrix is independently owned and operated and not affiliated with Schwab.

Schwab provides Matrix with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Institutional. These services are contingent upon our firm committing to Schwab a specific amount of business (e.g., assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Schwab generally does not charge separately for custody of our client accounts, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Institutional also makes available to our firm other products and services that benefit Matrix but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts may include software and other technology that

- provide access to client account data (such as trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide research, pricing, and other market data;
- facilitate payment of our fees from clients' accounts; and



- assist with back-office functions, recordkeeping, and client reporting.

Schwab Institutional also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Matrix. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

## **Item 13    Review of Accounts**

### ***Discretionary Investment Advisory Services***

*Reviews:* While the underlying securities and managers within Discretionary Investment Advisory Services clients' accounts are continually monitored, these accounts are reviewed by one or both Managing Directors monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines annually. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, the market, or the political or economic environment.

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

### ***Consulting Services or Non-Discretionary Investment Advisory Services***

*Reviews:* While reviews may occur at different stages depending on the nature and terms of the specific engagement, reviews will be conducted with Consulting Services clients at least quarterly, and may

include items such as asset allocation, liquidity and manager selection. Such reviews will be conducted by one or both of Matrix's Principals.

*Reports:* The content and frequency of reports for consulting services clients is determined at the inception of the engagement.

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

### ***Client Referrals***

The Company 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 (our 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.

### ***Other Compensation***

It is Matrix's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

As of January 2015, Matrix Capital Advisors determined that it has custody under Rule 206(4)-2 of the Investment Advisers act of 1940. The Custody Rule states that an adviser has custody of client funds and securities if it has possession of client funds or securities, even briefly, and when it has authority to withdraw funds or securities from a client's account. Matrix is able to accept client funds for the purpose of depositing them into the client's account at a qualified custodian, and it has Standing Letters of Authorization in place with clients. As such, the custody rule requires our firm to retain an

independent accountant registered with the Public Company Accounting Oversight Board (PCAOB) to conduct surprise annual examinations of our clients' accounts.

We previously disclosed in the "Fees and Compensation" section of this Brochure that our firm directly debits advisory fees from most 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 statements to our clients on a monthly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

Discretionary Investment Advisory Clients hire us to provide discretionary asset management services, which means we may place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

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
- Determine the price at which to buy or sell a security
- Retain sub-advisors who have the same type of discretionary authority for the Funds that they manage in which our clients are invested

Clients give us discretionary authority when they sign our Investment Advisory Agreement, and may limit this authority by written instruction. Clients may also change/amend such limitations by written instruction.

## **Item 17    Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings, or other types of events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Sub-advisors may retain proxy voting responsibility for those securities held within the investment funds that they manage and in which Matrix clients are invested.

We may offer consulting assistance regarding proxy issues to clients if asked to do so.

## **Item 18    Financial Information**

Under no circumstances do we require or solicit pre-payment of fees. Therefore, we are not required to include a financial statement.

Matrix has not been the subject of a bankruptcy petition at any time and is not aware of any financial condition that is expected to affect its ability to manage its Advisory Business.