



## MarketGrader Capital, LLC



## Form ADV Part 2A and 2B

156 Almeria Avenue Suite 201  
Coral Gables, Florida 33134  
(786) 472-9017

# TABLE OF CONTENTS

## Item 3 – Table of Contents

Introduction _____	1
Item 2 - Material Changes _____	2
Item 4 – Advisory Services _____	3
Item 5 – Fees and Compensation _____	15
Item 6 – Performance Based Fees and Side-By-Side Management _____	18
Item 7 – Types of Clients _____	19
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss _____	20
Item 9 - Disciplinary Information _____	25
Item 10 – Other Financial Activities and Affiliates _____	26
Item 11 – Code of Ethics, Participation or Interest in Client transactions and personal trading_	27
Item 12 – Brokerage Practices _____	33
Item 13 – Review of Accounts _____	34
Item 14 – Client Referrals and Other Compensation _____	35
Item 15 – Custody _____	36
Item 16 – Investment Discretion _____	37
Item 17 – Voting Client Securities _____	38
Item 18 – Financial Information _____	39
Item 19 – Requirements for State-Registered Advisers _____	40
Part 2B – Brochure Supplement Information _____	42
Carlos Diez, Executive Managing Director _____	43
David C.M. Lucterhand – Managing Director/Chief Compliance Officer _____	45
Brady Lipp, Managing Director _____	47

# INTRODUCTION

## Introduction

This Brochure provides information about the qualifications and business practices of MarketGrader Capital, LLC. If you have any questions about the contents of this Brochure, please contact us at telephone number (786) 472-9017 and/or by email at [dlucterhand@marketgrader.com](mailto:dlucterhand@marketgrader.com).

The information in this Brochure has not been approved or verified by any state or federal securities authority.

Registration of an investment adviser does not imply any level of skill or training. The oral and written communications received from an investment adviser provide you with information about which to utilize in determining to hire or retain an investment adviser.

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

**MarketGrader Capital, LLC**

156 Almeria Avenue Suite 201

Coral Gables, Florida 33134

T: (786) 472-9017

E-mail: [dlucterhand@marketgrader.com](mailto:dlucterhand@marketgrader.com)

December 2015

## ITEM 2 - MATERIAL CHANGES

### Item 2 - Material Changes

MarketGrader Capital, LLC ("MGC" or the "Adviser") has not yet filed an annual updating amendment using the ADV Form 2A. Therefore there are no material changes to report.

You will receive a summary of any material changes to this and subsequent Brochures within 120 days of the ` Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting us at phone number (786) 472-9017 and/or by email at [dlucterhand@marketgrader.com](mailto:dlucterhand@marketgrader.com).

Additional information about MGC is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with MGC who are registered, or are required to be registered, as Investment Adviser Representatives ("IARs") of Adviser.

## ITEM 4 – ADVISORY SERVICES

### Item 4 – Advisory Services

#### *General*

MGC is a limited liability corporation formed in the State of Florida on January 28, 2011.

#### *Description of Advisory Services*

MGC provides investment advisory, asset management, research, and other financial services to collective investment trust, institutional clients, pooled investment vehicles and separately managed accounts and individuals located domestically and abroad.

MGC's investment advisory services are provided through various types of discretionary and non-discretionary accounts (the "Accounts") in accordance with each client's investment objectives and pursuant to the terms outlined in its investment advisory agreement. The Adviser's discretionary and non-discretionary investment management services include the design, structure, and implementation of investment strategies for managed Accounts. Investment activities focus on investments in various kinds of assets and securities in a variety of markets that are intended to fit within the client's objectives, strategies and risk profile as described by each client.

MGC's core investment process and portfolio methodologies are driven via utilization of various principles and information produced through its affiliate stock research investment company, MarketGrader.com ("MarketGrader").<sup>1</sup> The overall advisory services offered by MGC fall within the following broad based categories:

#### ➤ *Customized Discretionary Portfolios*

MGC's investment strategies are primarily based upon MarketGrader's individual stock analysis and various market index methodologies. In an effort to develop portfolios in line with MarketGrader indices, MGC has developed customized discretionary portfolios targeted at replicating, as closely as possible, before the deduction of expenses, the performance and characteristics of each respective index. MGC utilizes 22 individual indices developed by MarketGrader, which fall within the following five (5) geographical sub-categories: North America,

---

<sup>1</sup> MarketGrader.com is a stock research company that uses technology extensively in the analysis of public companies' financial statements and presents the results to investors in a user-friendly format. Marketgrader.com is under common ownership with MGC. [www.marketgrader.com](http://www.marketgrader.com)

## ITEM 4 – ADVISORY SERVICES

Latin America, Europe, Asia and Global sectors. MGC maintains the following customized portfolio programs:

### North America - Portfolio Programs

#### ***Core Programs***

##### ➤ **MG-B400 Portfolio**

The B400 portfolio was developed based upon the principles of the Barron's 400 Index, which is an index jointly developed by Barron's and MarketGrader in 2007.<sup>2</sup> The components of the portfolio are selected on the basis of their fundamental strength as measured by MarketGrader's overall grade. This grade is based on 24 fundamental indicators across growth, value, profitability and cash flow, each measured by six unique factors, in many cases industry or sector-specific indicators. The result from all 24 indicators is a single numerical score--or overall grade--from zero to 100, which ultimately determines the stocks selected to the Barron's 400. The portfolio's 400 index components are equally weighted in the index at each semi-annual rebalance. Securities comprising this portfolio are selected among MarketGrader's research coverage universe of 6,000 stocks, which are graded and ranked as outlined above. A series of screens are applied during the stock selection process to ensure the securities comprising the portfolio are diversified across sectors, market cap segments and are liquid and large enough to be part of an investment portfolio that closely replicates the index. The number of entries from any single sector is capped at 80, or 20% of the index, while REITs are altogether ineligible. All stocks must have a minimum float-adjusted market cap of \$250 million while at least 25% of the components must have a market cap of \$3 billion. And to ensure liquidity, all stocks must have a minimum three-month average dollar-trading volume of \$2 million. Every six months, on the third Friday of March and September, the B400 portfolio is rebalanced using this rules based process. This results in a reconstituted B400 Index.

##### ➤ **MG-40 - Portfolio**

The MG-40 portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's North American coverage universe (excluding

---

<sup>2</sup> MGC is the publisher of the Barron's 400 Index. Since its inception in 2007, the B400 has generally outperformed other major U.S. stock indexes. In 2013, ALPS Advisors, Inc. filed with the SEC seeking permission to create a passively managed ETF based on the Barron's 400 Index. The "Barron's 400 IndexSM" is calculated by NYSE Euronext or its affiliates and published by MarketGrader. "Barron's®," "Barron's 400SM" and "Barron's 400 IndexSM" are trademarks or service marks of Dow Jones & Company, Inc. or its affiliates and have been licensed to MarketGrader in connection with the Barron's 400 Index.

## ITEM 4 – ADVISORY SERVICES

Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$10 billion (10 companies). No more than 25% of all selections may have a market cap below \$1 billion and the number of selections in the same sector cannot exceed 30% of the index (12 companies). The number of selections in the same industry cannot exceed 15% of the index (six companies). No Real Estate Investment Trusts (REITs) or Utilities are eligible for selection to the MG-40 portfolio program. In addition, all stock selections must meet or exceeded their consensus estimate in their most recent earnings report, reported quarterly or annual results within the last six months, as well as maintaining a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG-100 - Portfolio**

The MG-100 portfolio program is based upon a 100-company index, which is equally weighted and comprised of companies within MarketGrader's North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$10 billion (25 companies). No more than 25% of all selections may have a market cap below \$1 billion and the number of selections in the same sector cannot exceed 25% of the index (25 companies). The number of selections in the same industry cannot exceed 12% of the index (12 companies). No Real Estate Investment Trusts (REITs) or Utilities are eligible for selection to the portfolio. All portfolio selections must have met or exceeded their consensus estimate in their most recent earnings report, reported quarterly or annual results within the last six months, as well as maintaining a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February and August.

### ➤ **MG-200 – Portfolio**

The MG-200 portfolio program is based upon a 200-company index, which is equally weighted and comprised of companies within MarketGrader's North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$250 million and at least 25% of all selections must have a market cap above \$3 billion (50 companies). The number of selections in the same sector cannot exceed 20% of the index (40 companies). No Real Estate Investment Trusts (REITs) or Utilities are eligible for selection to the portfolio. All index selections must have reported quarterly or annual results within the last six months, as well as maintaining a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of March and September.

## ITEM 4 – ADVISORY SERVICES

### ***Market Capitalization Programs***

#### **➤ MG - Large Cap Portfolio**

The MG Large Cap portfolio program is based upon a 100-company index, which is equally weighted and comprised of companies within MarketGrader's North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$4 billion. The number of selections in the same sector cannot exceed 25% of the index (25 companies) and must have reported quarterly or annual results within the last six months. In addition, the portfolio selections must have a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of March and September.

#### **➤ MG - Mid Cap Portfolio**

The MG Mid Cap portfolio program is based upon a 100-company index, which is equally weighted and comprised of companies within MarketGrader's North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$1 billion, maximum total market cap of \$10 billion and a public float of at least 50% of all common shares outstanding. The number of selections in the same sector cannot exceed 25% of the index (25 companies) and must have reported quarterly or annual results within the last six months. All selections must have a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of March and September.

#### **➤ MG - Small Cap Portfolio**

The MG Small Cap portfolio program is based upon a 100-company index, which is equally weighted and comprised of companies within MarketGrader's North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$250 million and a maximum total market cap of \$2 billion, as well as a public float of at least 50% of all common shares outstanding. The number of selections in the same sector cannot exceed 25% of the index (25 companies). No Real Estate Investment Trusts (REITs) or Utilities are eligible for selection to the index. All index selections must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of March and September.

### ***Sector Programs***

#### **➤ MG - Consumer Discretionary Portfolio**



## ITEM 4 – ADVISORY SERVICES

The MG Consumer Discretionary portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Consumer Discretionary North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million. At least 25% of all selections must have a market cap above \$3 billion (10 companies). All companies must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG - Consumer Staples Portfolio**

The MG Consumer Staples portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Consumer Staples North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG - Energy Portfolio**

The MG Energy portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Energy North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG – Financials Portfolio**

The MG Financials portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Financials North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must

## ITEM 4 – ADVISORY SERVICES

have reported quarterly or annual results within the last six months and maintained a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG – Healthcare Portfolio**

The MG Health Care portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Financials North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG – Industrials Portfolio**

The MG Industrials portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Industrials North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG - Materials Portfolio**

The MG Materials portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Basic Materials North American coverage universe (excluding Canada) selected based on the ranking the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must have reported quarterly or annual results within the last six months and maintain a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### ➤ **MG – Technology Portfolio**

## ITEM 4 – ADVISORY SERVICES

The MG Technology portfolio program is based upon a 40-company index, which is equally weighted and comprised of companies within MarketGrader's Technology North American coverage universe (excluding Canada) selected based on the ranking of the underlying companies' fundamentals. All companies must have a minimum total market cap of \$100 million and at least 25% of all selections must have a market cap above \$3 billion (10 companies). All selections must have reported quarterly or annual results within the last six months and maintained a minimum 3-month avg. daily trading dollar value of \$2 million. The portfolio rebalances in line with the underlying index on the third Friday of February, May, August and November.

### MarketGrader Global – Portfolio Programs

In 2014, MarketGrader Capital introduced seven global indexes - all designed with the same methodology of its U.S. indexes. They are all equally weighted, rebalanced twice a year and follow a clearly defined and transparent set of rules to ensure their underlying constituents are liquid and that the portfolio isn't unduly tilted to any particular sector or market cap segment. The Indexes are merit-based selections of the best companies in a given country or region, designed within a passive structure in order to give investors the best chance at long term capital appreciation on a global scale.

### Latin America - Portfolio Programs

#### ➤ **MG - Brazil 40 Portfolio**

The MG - Brazil 40 portfolio program is based upon MarketGrader's Brazil 40 Index which seeks to follow the most fundamentally sound companies with the best growth prospects in Brazil. Since its constituents are equally weighted the portfolio gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It was designed to offer investors who follow market cap weighted benchmarks an alternative way to capture the growth in one of the world's most important emerging markets. The underlying universe is comprised of 40 Brazilian domiciled companies listed on Brazilian and U.S. exchanges. The 40 companies comprising the portfolio have: Minimum Market Cap: USD \$100 million; Minimum Daily Liquidity (3 Mos.) USD \$2 million; Sector Limit: 20% (8 companies); and Large Cap Minimum: 25% (10 companies) above USD \$3 billion. All portfolio components are selected based on their overall MarketGrader Grade. Built on a scale between 0 and 100, the overall grade is based on our 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All of MarketGrader's indicators and our overall grades are calculated daily for all companies under coverage. All portfolio constituents are equally weighted every time the index is rebalanced. No weight modifications or adjustments are made to the portfolio between rebalance periods. The portfolio rebalances semi-annually in line with the index on the third Friday of March and September.

## ITEM 4 – ADVISORY SERVICES

### Europe - Portfolio Programs

#### ➤ **MG – Europe 100 Portfolio**

The MG - Europe 100 portfolio program is based upon MarketGrader's Europe 100 Index which seeks to follow the most fundamentally sound companies with the best growth prospects in the European Union. Since its constituents are equally weighted the index gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It was designed to offer investors who follow market cap weighted benchmarks an alternative way to capture the growth in one of the developed world's largest economies.

The program is similar to the index in that all components are selected based on their overall MarketGrader Grade. Built on a scale between 0 and 100, the overall grade is based on MarketGrader's 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All of MarketGrader's indicators and the overall grades are calculated daily for all companies under coverage. All program constituents are equally weighted every time the index is rebalanced. No weight modifications or adjustments are made to the portfolio between rebalance periods. All program constituents must have a minimum total market cap of USD \$200 million and a minimum 3-month daily traded value of USD \$2 million. At least 25% of all index components must have a market cap of at least USD \$3 billion. No more than 20% of the portfolio (20 companies) may belong to the same economic sector. No more than 20% of the index (20 companies) may be domiciled in the same country. The portfolio is rebalanced twice a year in line with the index on the third Friday of March and September.

#### ➤ **MG – United Kingdom 100 Portfolio**

The MG - United Kingdom 100 portfolio program is based upon MarketGrader's United Kingdom 100 Index seeks to follow the most fundamentally sound companies with the best growth prospects in the United Kingdom. Since its constituents are equally weighted the program/index gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It was designed to offer investors who follow market cap weighted benchmarks an alternative way to capture the growth in one of the developed world's largest economies and one of its broadest and deepest financial markets. All program/index components are selected based on their overall MarketGrader Grade. Built on a scale between 0 and 100, the overall grade is based on our 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All of MarketGrader's indicators and our overall grades are calculated daily for all companies under coverage. All program/index constituents are equally weighted every time the index is rebalanced.

## ITEM 4 – ADVISORY SERVICES

No weight modifications or adjustments are made to the portfolio between rebalance periods. All program constituents must have a minimum total market cap of USD \$100 million and a minimum 3-month daily traded value of USD \$2 million. At least 25% of all index components must have a market cap of at least USD \$3 billion. No more than 20% of the portfolio (20 companies) may belong to the same economic sector. The portfolio program rebalances twice a year in line with the index on the third Friday of March and September.

### Asia - Portfolio Programs

#### ➤ **MG - China 100 Portfolio**

The MG - China 100 portfolio program is based upon MarketGrader's China 100 Index which seeks to follow the most fundamentally sound companies with the best growth prospects in all of China but whose stocks are listed outside Mainland China, where strict restrictions on foreign ownership of local shares exist. Since its constituents are equally weighted the index gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It was designed to offer investors who follow market cap weighted benchmarks an alternative way to capture the growth in one of the fastest growing economies in the emerging markets and the second largest in the world. The portfolio components are selected based on their overall MarketGrader Grade. Built on a scale between 0 and 100, the overall grade is based on our 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All of MarketGrader's indicators and our overall grades are calculated daily for all companies under coverage. All portfolio constituents are equally weighted every time the index is rebalanced. No weight modifications or adjustments are made to the portfolio between rebalance periods. All portfolio constituents must have a minimum total market cap of USD \$100 million and a minimum 3-month daily traded value of USD \$2 million. At least 25% of all index components must have a market cap of at least USD \$3 billion. No more than 20% of the portfolio (20 companies) may belong to the same economic sector. The portfolio is rebalanced twice a year in line with the index on the third Friday of March and September.

#### ➤ **MG - Japan 100 Portfolio**

The MG - Japan 100 portfolio program is based upon MarketGrader's Japan 100 Index seeks to follow the most fundamentally sound companies with the best growth prospects in the second largest economy in the developed world. Since its constituents are equally weighted the index gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It was designed to offer investors who follow market cap weighted benchmarks an alternative way to capture the growth in one of the developed world's largest economies and one of its broadest and deepest financial markets. All index components are selected based on their overall MarketGrader Grade. Built on a scale

## ITEM 4 – ADVISORY SERVICES

between 0 and 100, the overall grade is based on our 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All of MarketGrader's indicators and our overall grades are calculated daily for all companies under coverage. All portfolio constituents are equally weighted every time the index is rebalanced. No weight modifications or adjustments are made to the portfolio between rebalance periods. All portfolio/index constituents must have a minimum total market cap of USD \$100 million and a minimum 3-month daily traded value of USD \$2 million. At least 25% of all portfolio components must have a market cap of at least USD \$3 billion. No more than 20% of the portfolio (20 companies) may belong to the same economic sector. The portfolio is rebalanced twice a year in line with the third Friday of March and September.

### Global - Portfolio Programs

#### ➤ **MG – Developed Economy 300 Portfolio**

The MG – Developed Economy 300 portfolio program is based upon MarketGrader's Developed Markets 300 Index which seeks to follow the most fundamentally sound companies with the best growth prospects in all of the developed world. Since its constituents are equally weighted the portfolio gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It was designed to offer investors who follow market cap weighted benchmarks an alternative way to capture the growth of the developed world's economies and to complement MarketGrader's broad, core indexes that provide exposure to the U.S. and to the emerging markets as a means to build a comprehensive, truly global equity portfolio. All portfolio components are selected based on their overall MarketGrader Grade. Built on a scale between 0 and 100, the grade is based on our 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All of MarketGrader's indicators and overall grades are calculated daily for all companies under coverage. All portfolio constituents must have a minimum total market cap of USD \$200 million and a minimum 3-month daily traded value of USD \$2 million. At least 25% of all portfolio components must have a market cap of at least USD \$3 billion. No more than 20% of the portfolios (20 companies) may belong to the same economic sector. No more than 20% of the portfolios (60 companies) may be domiciled in the same country. The portfolio rebalances in line with the index twice a year, on the third Friday of March and September.

#### ➤ **MG – Emerging Economies 300 Portfolio**

The MG – Emerging Economies 300 portfolio program is based upon MarketGrader's Emerging Markets 300 Index seeks to follow the most fundamentally sound companies with the best growth prospects in all of the emerging world. Since its constituents are equally weighted the portfolio gives each company an equal opportunity to contribute to the performance of the portfolio regardless of market size, sector or business model. It is designed to offer investors who follow



## ITEM 4 – ADVISORY SERVICES

market cap weighted benchmarks an alternative way to capture the growth of the emerging world's economies—the fastest growing in the world—and to complement MarketGrader's broad, core indexes that provide exposure to the developed markets, including the U.S., as a means to build a comprehensive, truly global equity portfolio. All portfolio components are selected based on their overall MarketGrader Grade. Built on a scale between 0 and 100, the overall grade is based on our 24 fundamental indicators, which are broken down into four analytical categories: Growth, Value, Profitability and Cash Flow. All portfolio constituents must have a minimum total market cap of USD \$200 million and a minimum 3-month daily traded value of USD \$2 million. At least 25% of all portfolio components must have a market cap of at least USD \$3 billion. No more than 20% of the portfolio (20 companies) may belong to the same economic sector. No more than 20% of the portfolio (60 companies) may be domiciled in the same country. The portfolio is rebalanced in line with the index twice a year, on the third Friday of March and September.

Adviser also offers discretionary separately managed Accounts outside of its portfolio program methodologies, which are customized to each client. Managed Accounts may focus on investments in specified and limited kinds of assets and securities, in limited markets, or they may be broad-based across many asset classes and markets. Such accounts are intended to fit within the investor's objectives, strategies and risk profile as described by each client. The strategies utilized for these customized accounts may be similar to or may vary widely from the core strategies typically utilized by the Adviser, as further outlined in Item No. 8 or customized for each client based upon varying factors. Clients may place targets on these accounts and may restrict the types of investments made in such accounts.

General: Investment Policy Statement & Definition; Asset Allocation Strategy; Investment Strategy & Manager Review.

Investments: Review of Current Portfolios & Proposals; Determine Modifications, Create Timeline and Implement; Suggest Reasonable Fees for Products and Services; Provide Consolidated Reporting and Analysis; Ongoing Monitoring and Re-evaluation; Define or Affirm Wealth Transfer Desires; Succession Illustration and Definition.

### ➤ ***Other Non-Discretionary Advisory Services***

Adviser provides non-discretionary advisory services to all types of clients in accordance with a non-discretionary advisory agreement between Adviser and the client. Each agreement typically defines the services to be provided and if a fee is charged, which is outlined in the advisory agreement. Adviser also provides recommendations and research regarding the investment of securities and cash in a client's account. These services are individually tailored to each client's needs and such advice may be provided to accounts with assets maintained at various third parties.

## ITEM 4 – ADVISORY SERVICES

### ➤ *Family Office Services*

Adviser provides non-discretionary advisory services to Family Offices in accordance with a non-discretionary advisory agreement between Adviser and the client. Each agreement typically defines the services to be provided and if a fee is charged, which is outlined in the advisory agreement. Adviser also provides recommendations and research regarding the investment of securities and cash in a client's account. These services are individually tailored to each client's needs and such advice may be provided to accounts with assets maintained at various third parties.

### ➤ *Other Services*

Adviser may provide additional services for clients from time to time as agreed between the client and the Adviser.

### ➤ *Additional General Information*

Other professionals (i.e., lawyers, accountants, insurance agents, etc.) may be recommended to clients or engaged directly by the client on an as-needed basis. Conflicts of interest related to recommendations of other professionals will be disclosed to the client in the event they should occur.

MGC's investment advisory agreements may not be assigned without client consent. MGC does not currently participate in any Wrap Fee Programs, and as it is a newly formed adviser, as such does not currently have any regulatory assets under management ("AUM").



## ITEM 5 – FEES AND COMPENSATION

### Item 5 – Fees and Compensation

MGC offers investment advisory services for a fee generally based on a percentage of assets under management. In limited circumstances, MGC may offer fixed or other fee arrangements. Item 5 describes MGC's basic fee schedule, however, fees may be negotiable where special circumstances prevail, and arrangements with any particular client may vary from what is described. MGC may group multiple accounts of one client relationship together for purposes of calculating the fee, or MGC may not charge a fee to small accounts of a client because of the fee the client is paying on the total relationship. MGC reserves the right to negotiate fees with clients, and may charge higher or lower fees than those described above. MGC believes that its fees are competitive with those charged by other investment advisers for comparable services; however, similar services may be available from another resource for fees below those charged by MGC.

#### Basic fee schedule

The specific manner in which fees are charged by Adviser is established in each client's written agreement with Adviser. Generally and pursuant to contract, fees for the management of Accounts will be based upon a percentage of the total assets in the account (including margined assets). Adviser typically receives an annual management fee, ranging between .45% to .85% of the net asset value of the Account. All fees are negotiable. Adviser may enter into flat fee arrangements from time to time, typically for administrative services provided to clients or client Accounts at an hourly rate of \$250 per hour.

Basic Management Fee Schedule	
Account Value	Fee Percentage
Over \$50,000,000	.45%
\$25,000,000 to \$49,999,999	.55%
\$10,000,000 to \$24,999,999	.70%
Up to \$9,999,999	.85%

#### ***Advisory Fees - Institutional and Separately Managed Accounts***

Advisory fees for non-investment company clients are subject to negotiation, and are based on the fair market value of the assets, on an annual basis, depending on the size of the account and strategy selected. Fees are generally payable quarterly in arrears upon receipt of an invoice based on the average asset values for the quarter ended as of the close of business on the last day of the billing cycle.

## ITEM 5 – FEES AND COMPENSATION

### ***Calculation and Deduction of Advisory Fees***

With respect to accounts that Adviser manages on a discretionary basis, including the specialized discretionary programs, management fees are billed to client accounts on a quarterly basis. Fees for Family Wealth Services and other non-discretionary programs are also billed to clients. Management fees are deducted or billed, as applicable, on a quarterly basis in arrears. The Adviser may from time-to-time bill fees in advance as negotiated with each individual client.

A client may pay more or less fees than similar clients depending on the particular circumstances of the client, size, additional or differing levels of servicing or as otherwise agreed with specific clients. Clients that negotiate fees, including a flat fee, may end up paying a higher fee than that set forth above as a result of fluctuations in the client's assets under management and account performance.

In the event the Adviser bills fees in advance, refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Fees that are collected in advance will be refunded based on the prorated amount of work completed up to the day of termination within the quarter terminated. The fee refunded will be the balance of the fees collected in advance minus the daily rate\* times the number of days in the quarter up to and including the day of termination. (\*The daily rate is calculated by dividing the quarterly AUM fee by the number of days in the termination quarter). Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

### ***Additional Fee Information***

Clients may authorize the Adviser to directly debit management fees from client accounts on a monthly basis. In such instances, management fees are prorated for each capital contribution and withdrawal made during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Alternatively, in some instances, clients may receive an invoice for fees, in which it may choose to pay MGC directly for its billed fees for the relevant period.

Adviser's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred directly by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by fund managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic funds fees, and other fees and taxes on brokerage account and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are

## ITEM 5 – FEES AND COMPENSATION

disclosed in a fund's prospectus. It is the Adviser's policy not to accept "kick-backs" or retrocession fees from any non-affiliated (third) party providing services to the Adviser's clients.

### ***Termination of the Agreement***

Although an Agreement between MGC and its clients are ongoing agreements and constant adjustments are required, the length of service to the client is at the client's discretion. The client or the investment manager may terminate an Agreement by written notice to the other party with a (30) thirty – day advance notice or as agreed upon otherwise between the client and the Adviser.

If an agreement is terminated during a period in which the client has already paid MGC its advisory fees in advance, then the Adviser will reimburse, on a pro-rated basis, the remaining advisory fees collected for any service not rendered; these fees will be sent to the client's address of record, unless otherwise directed by the client, within (30) days of termination of the agreement.

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

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

MGC does not engage in any form of performance-based fee sharing arrangement at this time.

## ITEM 7 – TYPES OF CLIENTS

### Item 7 – Types of Clients

MGC provides asset and/or portfolio management services to collective investment trusts, institutional clients, pooled investment vehicles and separately managed accounts for high net worth individuals, corporations and other entities. The minimum dollar value for establishing an Account is generally \$1MM. Initial investments of a lesser amount may be accepted at Adviser's discretion.

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

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

The results for individual portfolios will vary depending on market conditions and the portfolio's overall composition. All investments carry a certain degree of risk including the possible loss of principal and there is no assurance that an investment will provide positive performance over any period of time. Past performance is no guarantee of future results. Clients should not assume that portfolio investments in securities will be profitable.

Sources of information MGC may use include financial newspapers and magazines, research materials provided by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases. Other sources may include discussions of company activities with company spokespersons and others with knowledge of such activities, industry and trade publications, and statistical data prepared by others. Substantial research, investment analysis and related information utilized by MGC is derived from its affiliate, MarketGrader.com.

#### ***General Investment Strategies and Methods of Analysis***

Adviser has arrangements with third party service providers directly and indirectly through its affiliate (MarketGrader), from whom Adviser receives general macroeconomic analyses of economies, currencies, markets and market sectors. Adviser uses such information and services as a tool and Adviser also performs its own research and due diligence on advisers and investment opportunities. Adviser makes investment allocation decisions based on each client's investment objectives and risk tolerance, among other factors. Adviser identifies, structures, monitors, invests and liquidates investments in discretionary accounts. The design and day-to-day management of client portfolios is determined by Adviser through the assigned portfolio manager. Such third party service providers do not have access to or knowledge of information concerning the specific investment decisions and recommendations made to Adviser's clients.

Through Adviser's strategy, Adviser seeks asset preservation and capital appreciation of clients' portfolios by customizing asset allocations and selecting investment vehicles that it believes will align clients' risk / return expectations with long term and short term investment needs and goals. The asset class allocations forecasts and expectations are analyzed and invested in various financial instruments, typically include equity, fixed income, options and alternative investments. Adviser will select and monitor the investment vehicles for each asset class in the portfolios based

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

on their history and prospective risk and return characteristics, and determine suitability for each client's needs, as well as, estimated fees and expense.

### ***Material Risks for Significant Investment Strategies***

While it is the intention of Adviser to implement strategies which are designed to minimize potential losses suffered by its client, there can be no assurance that such strategies will be successful. It is possible that a client may lose a substantial proportion or all of its assets in connection with investment decisions made by Adviser. The following is a discussion of typical risks for Adviser's clients, but it does not purport to be a complete explanation of the risks involved with Adviser's investment strategies.

There is no guarantee that in any time period, particularly in the short term, a client's portfolio will achieve appreciation in terms of capital growth or that a client's investment objective will be met by Adviser.

The value of the securities in which Adviser invests on behalf of its clients may be volatile. Price movements may result from factors affecting individual companies, sectors or industries that may influence certain strategies or the securities market as a whole. Furthermore, a client will be subject to the risk that inflation, economic recession, changes in the general level of interest rates or other market conditions over which Adviser will have no control may adversely affect investment results. Investing in securities involves risk of loss that clients should be prepared to bear.

Adviser notes that while Adviser's management of accounts may not involve direct leveraging, or other risk factors discussed below, the underlying funds and other investments that comprise client accounts may engage in practices that can materially impact the performance of such fund or investment, which in turn may materially impact the value of Adviser's clients' portfolios.

### **Hedging transactions may increase risks of capital losses**

Adviser may utilize hedging strategies primarily to protect and preserve capital as well as yield enhancement. Investment products in which Adviser invests clients' accounts may utilize a variety of financial instruments, such as options, for risk management purposes. While hedging transactions may seek to reduce risk, such transactions may result in a worse overall performance. Certain risks cannot be hedged, such as credit risk, relating both to particular securities and counterparties. Adviser will not always invest in funds or other investment vehicles that utilize hedging strategies.

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

### Leverage

Adviser may utilize and employ leverage under its current strategies. Such strategies may include the borrowing and short selling of securities, bonds, foreign exchange and the acquisition and disposal of certain types of derivative securities and instruments, such as swaps, futures and options. While leveraging creates an opportunity for greater total returns, it also exposes a client to a greater risk of loss arising from adverse price changes. Where leverage is indirect (*e.g.*, used by a fund manager for a fund in which Adviser's client is invested) a sharp decrease in the value of the investment can have a significant impact on a client's portfolio.

### Liquidity of investment portfolio

The market for some securities in which Adviser invests indirectly on behalf of its clients may be relatively illiquid. Liquidity relates to the ability to sell an investment in a timely manner. The market for relatively illiquid securities tends to be more volatile than the market for more liquid securities. Investments in relatively illiquid securities may restrict the ability of a fund or portfolio manager to dispose of investments at a price and time that it wishes to do so. The risk of illiquidity also arises in the case of over-the-counter transactions. There is no regulated market in such contracts and the bid and offer prices will be established solely by dealers in these contracts. Client accounts that are invested in funds or other instruments that contain illiquid investments may be subject to these risks.

### Foreign currency markets

Adviser's investment strategies may cause a client to be exposed to fluctuations in currency exchange rates where it invests directly or indirectly in securities denominated in currencies other than U.S. dollars. Adviser does not engage in direct foreign currency trading. However, the underlying funds and other investment vehicles may engage in direct foreign currency trading. The markets in which foreign exchange transactions are effected are highly volatile, highly specialized and highly technical. Significant changes, including changes in liquidity and prices, can occur in such markets within very short periods of time, often within minutes. Foreign exchange trading risks include, but are not limited to, exchange rate risk, interest rate risk and potential interference by foreign governments through regulation of local exchange markets, foreign investment, or particular transactions in foreign currency.

### Derivatives



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

Adviser's investment strategy may cause a client to be exposed to derivatives including instruments and contracts the value of which is linked to one or more underlying securities, financial benchmarks or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark, index, currency or interest rate at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives trading. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives provide significantly more market exposure than the money deposited when the transaction is entered into, a relatively small adverse market movement can result not only in the loss of the entire investment, but may also expose a client to the possibility of a loss exceeding the original amount invested.

### Settlement risks

Adviser's investment strategies may expose a client to the credit risk of parties with whom Adviser, on behalf of the client or the underlying funds, trades and to the risk of settlement default. Market practices in the emerging markets in relation to the settlement of securities transactions and custody of assets will provide increased risk. Although the emerging markets have grown rapidly over the last few years, the clearing, settlement and registration systems available to affect trades on such markets are significantly less developed than those in more mature world markets, which can result in delays and other material difficulties in settling trades and in registering transfers of securities. Problems of settlement in these markets may affect the net asset value and liquidity of a client's portfolio or investments in such portfolios.

### Emerging Markets

Adviser's investment strategies include direct and indirect investments in securities in emerging markets and such investments involve special considerations and risks. These include a possibility of nationalization, expropriation or confiscatory taxation, foreign exchange control, political changes, government regulation, social instability or diplomatic developments which could affect adversely the economies of such countries or the value of a client's investments, and the risks of investing in countries with smaller capital markets, such as limited liquidity, price volatility, restrictions on foreign investment and repatriation of capital, and the risks associated with emerging economies, including high inflation and interest rates and political and social uncertainties. In addition, it may be difficult to obtain and enforce a judgment in a court in an emerging country. The economies of many emerging market countries are still in the early stages of modern development and are subject to abrupt and unexpected change. In many cases,

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

governments retain a high degree of direct control over the economy and may take actions having sudden and widespread effects. Investments in products of emerging markets may also become illiquid possibly constraining Adviser's ability to realize some or all of a client's portfolio holdings. Accounting standards in emerging market countries may not be as stringent as accounting standards in developed countries.

### Investment Concentration

Some client accounts may have a high concentration in one region, country, sector, industry, issuer or security that may subject such accounts to greater risk of loss in the event such investments take an economic downturn.

### ***Material Risks for Particular Types of Securities***

The Adviser may invest primarily in a specific security or type of security. The material risks involved with investing are described above.

## ITEM 9 - DISCIPLINARY INFORMATION

### Item 9 - Disciplinary Information

Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of an adviser or the integrity of the adviser's management. Adviser has no information applicable to this Item. Please visit [www.advisorinfo@sec.gov](http://www.advisorinfo@sec.gov) at any time to view MGC's registration information and any applicable disciplinary action.

## ITEM 10 – OTHER FINANCIAL ACTIVITIES AND AFFILIATES

### Item 10 – Other Financial Activities and Affiliates

#### ***Broker-Dealer Registration***

Adviser is not registered with the Securities and Exchange Commission (SEC) as a broker-dealer. Certain members of MGC's management or associated persons are registered or associated with unaffiliated FINRA member broker-dealers, please see Form ADV Part 2B for further details.

#### ***Commodity Pool Operator, Commodity Trading Adviser, Futures Commission Merchant Registration***

Adviser nor its management or associated persons are registered or associated with the Commodity Futures Trading Commission ("CFTC") as a futures commission merchant ("FCM"), a commodity pool operator ("CPO") or a commodity trading advisor ("CTA") or an associated person of the foregoing entities.

#### ***Affiliates***

MGC's management and associated persons are employed with MarketGrader.com, which is an affiliate company under common ownership that primarily conducts market research and analysis of individual companies (securities).

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

### Item 11 – Code of Ethics, Participation or Interest in Client transactions and personal trading

#### *Code of Ethics and Personal Trading Policies*

Adviser has adopted a Code of Ethics pursuant to Rule 204A-1 of the Advisers Act in an effort to prevent violations of federal securities laws. Adviser expects all employees to act with honesty, integrity and professionalism and to adhere to federal securities laws.

All officers, directors, partners and employees of the Adviser and any other person who provides advice on behalf of Adviser are subject to Adviser's control and supervision (collectively referred to as "Supervised Persons") are required to adhere to the Code.

#### Prevention of Insider Trading

Adviser has adopted policies designed to prevent insider trading that is more fully described in the Code. Adviser's policy on insider trading applies to securities trading and information handling by all Supervised Persons of Adviser (including spouses, minor children and adult members of their households and any other relative of a Supervised Person on whose behalf Supervised Person is acting) for their own account or the account of any client of Adviser.

Adviser takes its obligation to detect and prevent insider trading with the utmost seriousness. Adviser may impose penalties for breaches of the policies and procedures contained in this manual, even in the absence of any indication of insider trading. Depending on the nature of the breach, penalties may include a letter of censure, profit "give ups," fines, referrals to regulatory and self-regulatory bodies and dismissal.

#### Personal Securities Transactions

#### *Periodic Reports*

As more fully described in the Code, "access persons" are required to submit reports detailing their personal securities holdings to the Chief Compliance Officer on an initial basis, a quarterly basis, and an annual basis.

As an alternative to submitting quarterly transaction reports, Adviser requires persons who are "access persons" to submit brokerage statements or trade confirmations as long as such

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

documents contain the information required under Rule 204A-1(b)(2)(i)(A)-(E) under the Advisers Act.

### Initial Public Offerings and Limited Public Offerings

Access Persons must obtain prior written approval from the Chief Executive Officer/Chief Compliance Officer before investing in initial public offerings (“IPOs”) or limited offerings (i.e., private placements).

### Review of Personal Securities Reports

The Chief Executive Officer/Chief Compliance Officer (or its designee) is responsible for reviewing the Access Person’s Quarterly Transaction Reports as well as the Initial Holdings Report and the Annual Holdings Report as part of Adviser’s duty to maintain and enforce its Code.

### ***Outside Business Activities and Private Investments of Employees***

Unless otherwise consented by the Chief Executive Officer/Chief Compliance Officer, all employees are required to devote their full time and efforts Adviser’s business. As such, no person may make use of either his or her position as an employee or information acquired during employment, or make personal investments in a manner that may create a conflict, or the appearance of a conflict, between the employee’s personal interests and Adviser’s interests. Accordingly, every employee is required to complete a disclosure form and have the form approved by Adviser’s Chief Executive Officer/Chief Compliance Officer prior to serving in any of the capacities or making any of the investments more fully described in the Code.

### ***Reporting Violations***

All Supervised Persons (any officer, director, partner and employee of Adviser) are required to report actual or known violations or suspected violations of Adviser’s Code promptly to the Chief Executive Officer/Chief Compliance Officer or his designee.

Any report of a violation or suspected violation of the Code will be treated as confidential to the extent permitted by law. As part of Adviser’s obligations to conduct an annual review of all of its policies and procedures pursuant to Rule 206(4)-7 of the Advisers Act, the Chief Executive Officer/Chief Compliance Officer shall review on an annual basis the adequacy of the Code and the effectiveness of its implementation.

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

### ***Recordkeeping***

Adviser maintains the following:

- Copies of the Code;
- Records of violations of the Code and actions taken as a result of the violations;
- Copies of Adviser's supervised persons' written acknowledgement of receipt of the Code;
- Records of Access Persons' personal trading — Initial Holdings Reports, Annual Holdings Reports, and Quarterly Transaction Reports, including any information provided under Rule 204A-1(b)(3)(iii) in lieu of such reports, i.e., brokerage confirmations and transaction reports;
- A record of the names of Adviser's "Access Persons";
- Records of decisions, and the reasons supporting the decision to approve an Access Person's acquisition of securities in initial public offerings or limited offerings; and
- Records of decisions, and the reasons supporting the decision to approve the Chief Compliance Officer's acquisition of securities in initial public offerings or limited offerings.

### ***Acknowledgement of the Code***

Each employee will execute a written statement certifying that the employee has (i) received a copy of Adviser's Code; (ii) read and understands the importance of strict adherence to such policies and procedures; and (iii) agreed to comply with the Code.

### ***Training and Education***

All Supervised Persons, i.e., all employees, are to receive training on complying with the Code on an annual basis as part of Adviser's annual employee compliance review meeting to ensure that all employees fully understand their duties and obligations and how to comply with the Policy's procedures.

### ***Copies of Adviser's Code***

A copy of Adviser's Code is available upon request. For a copy, please contact Adviser at (786) 472-9017.

### ***Participation or Interest in Client Transactions and Associated Conflicts of Interest***

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

Adviser may recommend or invest in securities, including funds, issued or managed by its affiliates (or where the affiliate acts as general partner) in which its affiliates have a material financial interest. Adviser has policies that require personnel who develop advice and recommendations for clients to render only disinterested and impartial advice to clients and to comply with other fiduciary obligations, including having an adequate basis in fact for all recommendations and an obligation to recommend only investments that are suitable for the particular client.

The potential conflicts of interest involved in any such transactions are generally governed by Adviser's Code. Pursuant to the stipulations of the Code, Adviser or a related person may buy or sell for itself securities that it also recommends to clients. The potential conflicts of interest involved in such transactions are governed by the Code, which establishes sanctions if its requirements are violated and requires that Adviser and employees place the interests of Adviser's clients above their own.

### ***Investments in Securities by Adviser and its Personnel***

Adviser's personnel or a related person of Adviser may invest in the same or similar securities and investments as those recommended to or entered into on behalf of Adviser's clients. The results of the investment activities of Adviser's personnel or related persons for their accounts may differ from the results achieved by or for client accounts managed by Adviser. The conflicts raised by these circumstances are discussed below.

Adviser may recommend or effect the purchase or sale of securities in which its related persons or an affiliate, directly or indirectly, has a position or interest, or of which related or affiliated person buys or sells for itself. Such transactions may also include trading in securities in a manner inconsistent with the advice given to Adviser's clients.

Activities and transactions for client accounts may be impacted or effected at prices or terms that may be less favorable than would otherwise have been the case had Adviser or related persons not pursued a particular course of action with respect to the issuer of the securities. In addition, in certain instances Adviser's personnel may obtain information about the issuer that could limit the ability of such personnel to buy or sell securities of the issuer on behalf of client accounts.

Transactions undertaken by Adviser's clients may also adversely impact one or more client accounts. Other clients of the Adviser may have, as a result of receiving client reports or otherwise, access to information regarding Adviser's transactions or views that may affect their transactions outside of accounts controlled by Adviser, and such transactions may negatively impact other clients' accounts. A client's account may also be adversely affected by cash flows and



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

market movements arising from purchase and sale transactions by, as well as increases of capital in and withdrawals of capital from, other clients' accounts. These effects can be more pronounced in less liquid markets.

The results of the investment activities of a client's account may differ significantly from the results achieved by Adviser's related persons and from the results achieved by Adviser for other client accounts.

As more fully described above, Adviser has adopted a Code of Ethics. Such Code of Ethics together with Adviser's policies and procedures restrict the ability of certain officers and employees of Adviser from engaging in securities transactions in any securities that its clients have purchased, sold or considered for purchase or sale, for an appropriate "black out" period. Other restrictions and reporting requirements are included in Advisers procedures and Code of Ethics to minimize or eliminate conflicts of interest.

### ***Trading Alongside by Adviser and its Personnel***

Client accounts managed by Adviser may trade in the same or similar securities at or about the same time as accounts managed or advised by affiliates of the Adviser. Investments by Adviser's affiliates and their clients may have the effect of diluting or otherwise disadvantaging the values, prices or investment strategies of a client's account, particularly in small capitalization, emerging market or less liquid strategies. This may occur when portfolio decisions regarding a client's account are based on research or other information that is also used to support portfolio decisions for Adviser's affiliates. If a portfolio decision or strategy for Adviser's affiliates' accounts or the accounts of clients of affiliates is implemented ahead of, or contemporaneously with, similar portfolio decisions or strategies for Adviser's client's account, market impact, liquidity constraints, or other factors could result in the account receiving less favorable trading results and the costs of implementing such portfolio decisions or strategies could be increased.

### ***Errors***

Errors may occur from time to time in transactions for client accounts. The Adviser will typically correct any such errors that are the fault of the Adviser or an affiliate at no cost to the client, other than costs that the Adviser deems immaterial. To the extent that the subsequent sale of such securities generates a profit to the Adviser, the Adviser may retain such profits, and may, but is not required to, use such profits to offset errors in the future or pay other client-related expenses. The Adviser will not be responsible for any errors that occur that are not the fault of the Adviser or any affiliate.

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

### *Privacy Policy*

Adviser considers your privacy our utmost concern. Adviser does not share any information of clients with nonaffiliated third parties, except such information may be disclosed as necessary to process a transaction an investor has requested, to the extent the investor specifically authorized the disclosure, to service providers or joint marketers who agree to limit their use of such information, and to the extent required or specifically permitted by law or reasonably necessary to prevent fraud, unauthorized transactions or liability.

When Adviser discloses non-public personal information of clients to a non-affiliated third party that provides services to Adviser or engages in joint marketing, Adviser shall:

- notify investors of the possibility of such disclosure; and
- enter into a contractual agreement with the third party that prohibits the third party from disclosing or using the investors' information other than to carry out the purposes for which the information was disclosed to the third party.

In particular, Adviser may enter, in compliance with the above conditions, into an agreement with a non-affiliated third party to store the records of Adviser clients and investors including electronic and e-mail records.

For more information about Adviser's privacy policies or to request a brochure describing Adviser's privacy policies contact Adviser at (786) 472-9017.

## ITEM 12 – BROKERAGE PRACTICES

### Item 12 – Brokerage Practices

As part of MGC's relationship with its clients, its Investment Advisory Agreement provides that client may restrict the discretion and direct brokerage to any broker-dealer. The Adviser is authorized in its Investment Advisory Agreement to select other securities brokers, unless the client directs otherwise in the Agreement.

Typically, MGC considers which broker-dealer will be able to effect the transaction efficiently. Additionally, the research and services provided by the broker-dealer with respect to the particular type of investment may be a factor in the selection process. The commissions payable to such broker-dealers may in certain cases be higher than those attainable from other broker-dealers who do not provide such research and services. Ordinarily, such research will be used to service all of the Adviser's accounts. Under the Adviser's standard Investment Advisory Agreement, the client can revoke the Adviser's authority to select the broker-dealer for the accounts.

It is the Adviser's policy not to enter into soft dollar arrangements and the Adviser has no formal soft dollar arrangements. The Adviser does not consider, in selecting or recommending broker-dealers, whether it or a related person receives Client referrals from such broker-dealer.

#### ***Brokerage for Client Referrals***

Adviser does not direct brokerage to particular brokers in consideration for client referrals.

## ITEM 13 – REVIEW OF ACCOUNTS

### Item 13 – Review of Accounts

Accounts are typically reviewed by the Chief Compliance Officer on a periodic basis or as needed due to market conditions or transactional activity. The Chief Compliance Officer typically reviews daily transactions entered into for investment advisory clients to determine that correct entries have been made for all client records.

#### ***Factors Triggering a Review***

There are no specific triggering factors leading to a review.

#### ***Client Reports***

Clients of the Adviser with discretionary accounts receive quarterly reports from their qualified Custodian. The Adviser will provide a performance report quarterly or as agreed between the Adviser and the client.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

### Item 14 – Client Referrals and Other Compensation

MGC, from time to time, receives client referrals, and such referrals often come from current clients, attorneys, accountants, employees, personal friends of employees and other similar sources. Furthermore, MGC does not currently accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## ITEM 15 – CUSTODY

### Item 15 – Custody

All assets are typically held at qualified custodians. Such custodians provide account statements directly to clients at their address of record at least quarterly. MGC does not maintain custody of client funds. Clients receive monthly or quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains the client's investment assets.

## ITEM 16 – INVESTMENT DISCRETION

### Item 16 – Investment Discretion

Adviser receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Adviser observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to Adviser in writing.

## ITEM 17 – VOTING CLIENT SECURITIES

### Item 17 – Voting Client Securities

Adviser does not generally vote proxies relating to securities held in Accounts. If arrangements are made with the Adviser to vote proxy, a record of how Adviser has voted will be maintained and will be available free of charge upon a client's request. SEC-registered advisers that have the authority to vote proxies (which authority may be implied from a general grant of investment discretion) are required to adopt policies and procedures reasonably designed to ensure, among other things, that the adviser votes proxies in the best interests of its clients. Advisers also must maintain certain records on proxy voting. Adviser's proxy voting policies and procedures are set out below.

Additional information will be provided at the request of a client. In accounts where Adviser votes proxies, Adviser will determine to vote a proxy depending on, among other things, the cost of analyzing the proxy compared to the expected benefit of the vote to its clients, the subject of the proxy and the size of the position the clients hold in the issuer (proxies of issuers in which clients hold a small position are less likely to be voted than those for issuers in which clients have made a controlling investment). In determining how to vote individual proxies, Adviser shall take into account the best interests of its clients as well as any potential conflicts of interest among its clients and Adviser or its affiliates. Adviser or its delegate shall make and keep a written record of how all proxies have been voted on behalf of clients. Adviser is responsible for identifying any potential conflicts of interest that may arise in the proxy voting process. Examples of conflicts may include situations where Adviser or its affiliates have a material business relationship with a proponent of a proxy proposal, which may influence how the vote is cast, or has a business or personal relationship with participants in a proxy contest, directors, or candidates for directorships (other than by virtue of Adviser employee's status as a director of the company). Adviser will refer any such conflicts of interest to the Designated Principals for resolution.

Adviser will retain (i) its proxy voting policies and procedures; (ii) proxy statements received regarding client securities (Adviser may rely on proxy statements filed on the SEC's EDGAR system instead of keeping its own copies); (iii) records of votes cast on behalf of clients; (iv) records of clients requests for proxy voting information, and (v) any specific documents Adviser prepared that were material to making a decision how to vote, or that memorialized the basis for the decision.



## ITEM 18 – FINANCIAL INFORMATION

### Item 18 – Financial Information

Adviser has no financial commitment that impacts its ability to meet contractual and fiduciary commitments to clients. Also, the Adviser has not been the subject of a bankruptcy proceeding.

## ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

### Item 19 – Requirements for State-Registered Advisers

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

MGC currently has two (2) management persons, Carlos Diez, who serves as the Adviser's Chief Executive Officer ("CEO") and David Lucterhand, who serves as the Adviser's Chief Compliance Officer ("CCO"). Mr. Diez and Lucterhands' education and business background can be found on the Supplemental ADV Part 2B.

#### ***Other Business Activities***

A description of other business activities related to the Adviser's management and executive officers can be found on the Supplemental ADV Part 2B form.

#### ***Material Disciplinary Disclosures***

No management person at WHFS has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding. For further information please go to [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

#### ***Material Relationships That Management Persons Have With Issuers of Securities***

Neither WHFS, nor its management persons, has any relationship or arrangement with issuers of securities.

## ITEM 19 – REQUIREMENTS FOR STATE-REGISTERED ADVISERS

### ***Business Continuity Plan***

MGC has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key persons. The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients promptly after a disaster that dictates moving our office to an alternate location.

### ***Privacy and Information Security***

MGC maintains an information security program to reduce the risk that client personal and confidential information may be breached. Furthermore, MGC is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to it.

The categories of nonpublic information that Adviser collects from clients may include information about their personal finances, information about their health to the extent that it is needed for the financial planning process, information about transactions between the client and third parties, and information from consumer reporting agencies, e.g., credit reports. Adviser uses this information to help clients meet their personal financial goals.

Adviser maintains a secure office to ensure that client information is not placed at unreasonable risk. Adviser employs a firewall barrier and use other techniques and authentication procedures in our computer environment. Adviser does not provide its clients' personal information to mailing list vendors or solicitors. Adviser requires strict confidentiality in its agreements with unaffiliated third parties that require access to client personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review Adviser Company records and client personal records as permitted by law. Personally identifiable information about a specific client will be maintained while they are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

Adviser will notify its clients in advance if its privacy policy is expected to change. Adviser is required by law to deliver this *Privacy Notice* to its clients annually, in writing.

## PART 2B – BROCHURE SUPPLEMENT INFORMATION

### Part 2B – Brochure Supplement Information

This Brochure Supplement provides information about the supervised persons listed below that supplements the Marketgrader Capital, LLC brochure. You should have received a copy of that Brochure. Please contact David Lucterland, Chief Compliance Officer if you did not receive MGC's brochure or if you have any questions or concerns with this information.

#### List of Supervised Person(s)

Carlos Diez – Executive Managing Director  
David C. M. Lucterhand - Managing Director / Chief Compliance Officer  
Brady Lipp, Managing Director

## CARLOS DIEZ, EXECUTIVE MANAGING DIRECTOR

### Carlos Diez, Executive Managing Director

#### *Item 2 - Educational Background and Business Experience*

Mr. Diez serves as the Executive Managing Director for MGC, primarily responsible for overall business initiatives and development of the adviser's business activities. Mr. Diez also founded MarketGrader.com (MGC's affiliate) in 1999 and designed and developed the company's first index, the MarketGrader 40, which was launched in 2003. Mr. Diez licensed the index in 2004 to London & Capital, a London-based investment manager with \$3 billion in assets. He supported the development of the first product launched on MG 40, a 20 Year European Medium Term Note, issued by Barclays Capital and traded on the Dublin Stock Exchange.

Mr. Diez was responsible between 2003 and 2007 for the build-out of the MarketGrader family of indexes, which today comprises 14 indexes across core, market cap and sector segments. Ten of the company's indexes are calculated by the New York Stock Exchange.

In 2005 Mr. Diez negotiated a license with SPA ETF, which would allow the company to use the MarketGrader Indexes as the basis of Exchange Traded Funds. He assisted SPA ETF in the development of its new platform and was involved in the company's early planning stages. In the process he assisted in training SPA ETF's sales teams in Europe and the United States, where he also participated in sales meetings with institutional investors as well as the funds' administrators, custodians, market makers and distributors. On October 17, 2007 Mr. Diez rang the opening bell at the American Stock Exchange on the launch of the SPA ETFs in the United States. On January 28, 2008 Mr. Diez was the keynote speaker at the Borsa Italiana in Milan following the launch of the SPA ETF funds in Italy.

In 2006 Mr. Diez successfully negotiated the development of the Barron's 400 Index with Barron's and Dow Jones Indexes. Together with MarketGrader's development team he oversaw the back testing of the index and presented its results to Barron's in 2007. The Barron's 400 Index was launched on the cover of Barron's on September 1, 2007.

Mr. Diez has been interviewed on behalf of MarketGrader.com by Institutional Investor, Smart Money, TheStreet.com, Index Universe, Dow Jones Newswires, Investor's Business Daily, Forbes, the Financial Times, Seeking Alpha, Business Week and Barron's.

Mr. Diez received his B.S. in economics from Pepperdine University in 1999. Mr. Diez was born in 1976.

## CARLOS DIEZ, EXECUTIVE MANAGING DIRECTOR

### ***Item 3 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### ***Item 4 - Other Business Activities***

Mr. Diez also serves as Chief Executive Officer and Founder of MarketGrader.com Corp.

### ***Item 5 - Additional Compensation***

Mr. Diez compensation is derived primarily from his role with MarketGrader, although additional compensation is received from his role with MGC.

### ***Item 6 - Supervision***

Due to Mr. Diez's senior management position, the Adviser has established provisions whereby an independent third party conducts an annual compliance program review, which is targeted at assessing overall compliance of the Adviser. In addition, Mr. Diez's activities are supervised directly by the Adviser's CCO.

### ***Item 7 - Requirements for State-Registered Advisers***

There are no disclosable events at this time.

## DAVID C.M. LUCTERHAND – MANAGING DIRECTOR/CHIEF COMPLIANCE OFFICER

### David C.M. Lucterhand – Managing Director/Chief Compliance Officer

#### *Item 2 - Educational Background and Business Experience*

Mr. Lucterhand maintains more than 40 years of experience in the financial services industry. Mr. Lucterhand currently serves as Managing Director and Chief Compliance Officer of MGC and is primarily responsible for client relationship development and oversight of related advisory activities. Mr. Lucterhand is also a Senior Adviser to MarketGrader where he conducts various duties surrounding the development and maintenance of related indices. Mr. Lucterhand's index experience derives from his being a full member of the Chicago Board of Trade (CBT) and a member of the Chicago Board Options Exchange (CBOE) 1974 -1986 where he traded options and futures on the S&P 500 Index and the OEX (S&P 100 Index) with propriety capital. The Standard & Poor's 100 Index is a capitalization-weighted index of 100 stocks from a broad range of industries. Mr. Lucterhand also was Chairman and CEO of LL Chandos & Co. a merchant bank and registered broker-dealer with the SEC. While at Chandos, he supervised the firm's propriety trading desk that regularly maintained positions in numerous indexes traded on the CBT and CBOE. He left to join the research and money management firm Sanford C. Bernstein that was acquired by Alliance Capital and now owned by AXA Financial.

For the 15 years prior to his employment at MarketGrader, Mr. Lucterhand worked at The Pragma Corporation (Pragma), based in Metropolitan Washington, D.C. as Chief of Party and head of four separate project groups that developed the financial sector and capital markets of Russia, Kazakhstan, Ukraine & Moldova. Pragma serves as executive agent for the United States Agency for International Development (USAI).

Throughout this period, Mr. Lucterhand maintained a continuing interest in the evolution of MarketGrader.com as a research platform and index provider. After relocating to Miami from Ukraine, he joined MarketGrader.com in July 2010 as Senior Advisor.

#### EDUCATION/CERTIFICATIONS

Mr. Lucterhand attended grammar school in Italy and Washington, D.C., and received his secondary education in England; his A.B. from Purdue University in European History and Political Science, 1968; graduate work in Soviet Education, Indiana University, 1970, University of Illinois at Chicago, 1971; and National Security Forum, Air War College, 1978. Languages: English (mother tongue), French, moderate Russian, German, and Italian. Mr. Lucterhand also maintains the

## DAVID C.M. LUCTERHAND – MANAGING DIRECTOR/CHIEF COMPLIANCE OFFICER

following securities licenses: Series 3 and 65, as well as having previously maintained the Series 7, 24 and 63. Mr. Lucterhand was born in 1946.

### ***Item 3 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

### ***Item 4 - Other Business Activities***

Mr. Lucterhand also serves as a Senior Adviser to Marketgrade.com. In addition, Mr. Lucterhand is expected to serve as a registered representative with David A. Noyes & Company – FINRA Member Broker-Dealer.

### ***Item 5 - Additional Compensation***

Mr. Lucterhand's compensation is derived primarily from his role with MGC although additional compensation is received from his role with MarketGrader and from his registered representative capacity with David A. Noyes & Company – FINRA Member Broker-Dealer located in Chicago, Illinois.

### ***Item 6 - Supervision***

Due to Mr. Lucterhand's senior management position, the Adviser has established provisions whereby an independent third party conducts an annual compliance program review, which is targeted at assessing overall compliance of the Adviser. In addition, Mr. Lucterhand's activities are supervised directly by the Adviser's Executive Managing Director.

### ***Item 7 - Requirements for State-Registered Advisers***

There are no disclosable events at this time.



## BRADY LIPP, MANAGING DIRECTOR

### Brady Lipp, Managing Director

#### ***Item 2 - Educational Background and Business Experience***

Mr. Lipp currently serves as Managing Director with MGC. Mr. Lipp started his career in the sales and marketing segment of the asset-management business at Strong Capital Management in 1987 and joined Warburg Pincus Asset Management in 1993. During his tenure with Warburg Pincus, Mr. Lipp rose to the level of Partner and was primarily responsible for developing a team of approximately 30 individuals managing institutional assets of more than \$14 billion.

From 1994 to 1999, Mr. Lipp was a Managing Director with Warburg Pincus Asset Management, which was followed by a Managing Director tenure with Credit Suisse Asset Management from 1999 to 2003. During his tenure with Credit Suisse, Mr. Lipp was a member of the global post venture capital investment team that focused on stocks with private-equity backing.

Mr. Lipp left Credit Suisse in 2003 to establish his own advisory firm, Akros Capital, where he acted as the portfolio manager for the Quaker Akros Absolute Return Fund. The Akros fund was ranked #1 in its category in 2008 according to Kiplinger Personal Finance Magazine.

In 2013, Mr. Lipp joined ALPS Advisors to lead the institutional sales effort in support of the Barron's 400 ETF.<sup>3</sup> Mr. Lipp is also currently a registered representative with David A. Noyes & Company – FINRA Member Broker-Dealer.

#### EDUCATION/CERTIFICATIONS

Mr. Lipp maintains a Bachelor's of Science and Masters in Education from North Dakota State University (NDSU). Mr. Lipp was inducted into the NDSU basketball hall of fame in 2005. During his collegiate tenure he was an all-North Central Conference first team selection and team captain of the 1980-81 NDSU team that won the NCC championship. Mr. Lipp also maintains the following securities licenses: Series 7, 24, 63 and 65. Mr. Lipp was born in 1960.

#### ***Item 3 - Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of each supervised person providing investment advice. No information is applicable to this Item.

---

<sup>3</sup> The Barron's 400 Index, or B400, was jointly developed by Barron's and MarketGrader and introduced on the cover of the September 3, 2007 issue of Barron's magazine. The Barron's 400 Index, or B400, was jointly developed by Barron's and MarketGrader and introduced on the cover of the September 3, 2007 issue of Barron's magazine.

## BRADY LIPP, MANAGING DIRECTOR

### ***Item 4 - Other Business Activities***

Mr. Lipp also serves as a registered representative with David A. Noyes & Company – FINRA Member Broker-Dealer.

### ***Item 5 - Additional Compensation***

Mr. Lipp's compensation is derived primarily from his role with MGC although additional compensation is received from his role a registered representative capacity with David A. Noyes & Company – FINRA Member Broker-Dealer located in Chicago, Illinois.

### ***Item 6 - Supervision***

Mr. Lipp's activities are supervised directly by the Adviser's CCO.

### ***Item 7 - Requirements for State-Registered Advisers***

There are no disclosable events at this time.