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

March 20, 2017

This brochure provides information about the qualifications and business practices of Moler Capital Management. If you have any questions about the contents of this brochure, please contact us at (949) 748-3993 or [mcm@molercapital.com](mailto:mcm@molercapital.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Any reference to or use of the terms “registered investment adviser” or “registered,” does not imply that Moler Capital Management or any person associated with Moler Capital Management has achieved a certain level of skill or training. Additional information about Moler Capital Management is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **ITEM 2 - MATERIAL CHANGES**

The purpose of this page is to inform you of any material changes to this brochure. If you are receiving this brochure for the first time this section may not be relevant to you.

Moler Capital Management (“MCM”) reviews and updates our brochure at least annually to make sure that it is still current. We have not made material changes since the previous annual update to our brochure, dated March 20, 2017.

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## ITEM 4 - ADVISORY BUSINESS

### Description of Advisory Firm

Moler Capital Management, LLC (“MCM,” “we,” “our,” or “us”) is a limited liability company located in Irvine, California. MCM is registered as an investment adviser with the U.S. Securities and Exchange Commission. Randall G. Moler founded MCM in 1995. Mr. Moler and his wife, Nancy Moler, hold their LLC interest through a family trust.

### Advisory Services Offered

MCM offers the following services to advisory clients:

#### Investment Management Services

MCM offers advice to clients regarding asset allocation and the selection of investments. Investment management services include the design, implementation, and continued monitoring of the client’s account. MCM will invest the account on a fully discretionary basis, limited only by the client’s individual needs and any restrictions imposed on the account.

MCM may offer investment advice on any investment held by the client at the start of the advisory relationship. Recommendations for new investments are primarily in mutual funds. MCM may also offer advice regarding additional types of investments if they are appropriate to address the individual needs, goals, and objectives of the client or in response to client inquiry.

We discuss our discretionary authority below under **Item 16 - Investment Discretion**.

We describe the Fees charged for investment management services below under **Item 5 - Fees and Compensation**.

#### Financial Planning Services

MCM offers a range of financial planning services, from broad planning to custom planning focused on specific areas requested by the client.

As part of the financial planning process, MCM collects information about the client’s financial situation and needs, which may include: net worth, income, expenses, taxes, investments, retirement plans, life insurance, estate documents, and any other documents that pertain to their overall financial picture. In addition, MCM asks the client about their future goals and objectives. MCM then develops a personalized plan including specific recommendations in all applicable areas. Typically, we develop the plan with the client over several in-person meetings.

MCM may also work with the client to provide advice regarding a particular aspect of the client’s financial situation. Areas of focus might include:

1. Preparing for or living in retirement
2. Investment strategies
3. Budgeting and bill paying

4. General tax planning
5. Insurance planning
6. Education planning and funding
7. Charitable gifting
8. Inheritances
9. Money worries
10. Investment advice in situations where the client seeks only advice and not investment management
11. Other, as determined between MCM and the client

Our financial planning services do not include preparation of any kind of income tax, gift, or estate tax returns nor preparation of any legal documents, including wills or trusts.

We describe fees charged for financial planning services below under ***Item 5 - Fees and Compensation***.

### *Limitations on Investments*

#### *Limitation by Plan Sponsor/Employer*

In the event MCM is managing assets within a retirement plan such as 401(k), 403(b), ORP or other employer plan, MCM is limited to those investment providers and investment options chosen by the plan administrator. Similarly, when we provide services to participants in an employer-sponsored plan, the participant may be limited to investing in securities included in the plan's investment options. Therefore, MCM can only make recommendations to the client from among the available options, and will not recommend or invest the client's account in other securities, even if there may be better options elsewhere.

#### *Limitation by Custodian*

There may be limitations on the mutual funds in which MCM may invest clients' accounts. Most clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), registered broker-dealer, Member SIPC. MCM is limited to the mutual funds available through Schwab.

#### *Mutual Fund Limitations*

MCM generally invests in mutual funds offered by Dimensional Fund Advisors ("DFA"). DFA offers professionally managed mutual funds at relatively low expense ratios. DFA funds are not available directly to individual investors, but are limited to Institutions and a select group of independent financial advisors approved by DFA. MCM is unaffiliated with DFA. In rare circumstances (e.g., very small transactions), we also invest in non-DFA funds made available through Schwab.

#### *No Load Mutual Funds*

MCM generally limits recommendations of mutual funds to no load funds or equivalent investment products.

#### *Limitation on Equities*

MCM does not invest in individual equity securities. However, we do hold individual positions as an accommodation to clients. MCM does not monitor or provide advice pertaining to any client-directed

position held as an accommodation. We will only transact in individual equities when selling existing holdings of new accounts and/or at the client's request. MCM does not vote proxies on common stocks held in client accounts.

#### *Limitation on Debt Securities (Fixed Income)*

MCM does not generally invest in individual bonds. MCM utilizes bond mutual funds to satisfy fixed income allocations. An exception exists when liquidating existing positions in client accounts. On occasion, we may hold individual fixed-income securities contained in client accounts. The holding period may be temporary or until maturity based on the individual needs of the client.

#### *Limitation by Client*

See ***Tailored Services and Client Imposed Restrictions*** below.

#### *Trustee Services*

See ***Item 10 - Other Affiliated Business*** below.

### **Tailored Services and Client Imposed Restrictions**

MCM manages client accounts based on the investment strategy, as discussed below under ***Item 8 - General Investment Strategies***. MCM applies the strategy for each client, based on the client's individual circumstances and financial situation. We make investment decisions for clients based on information the client supplies about their financial situation and goals. Our recommendations may not be appropriate if the client does not provide us with accurate and complete information. It is the client's responsibility to keep MCM informed of any changes to their investment objectives or restrictions.

Clients may also request other restrictions on the account, such as when a client needs to keep a minimum level of cash in the account. MCM reserves the right to not accept and/or terminate management of a client's account if we feel that the client-imposed restrictions would limit or prevent us from meeting or maintaining the client's investment strategy.

### **Wrap Fee Programs**

MCM does not manage accounts as part of a wrap or bundled fee program.

### **Assets Under Management**

MCM manages client assets in discretionary accounts on a continuous and regular basis. As of 12/31/2016, the total amount of assets under our management was \$130,851,509.

## **ITEM 5 - FEES AND COMPENSATION**

### **Fee Schedule**

#### *Investment Management Services*

MCM charges advisory fees for investment management services. MCM's advisory fees are charged based on a percentage of the client's total assets under management, per the following schedule:



<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$3,500,000	1.00%
\$3,500,001 to \$5,000,000	0.80%
\$5,000,001 to \$10,000,000	0.70%
\$10,000,001 +	0.50%

Our minimum quarterly investment advisory fee is \$5,000. Under certain circumstances, we may work with accounts that do not meet the minimum fee. In those situations where the effective billing rate would exceed 1%, a cap of 1.25% will apply. Exceptions may be made at MCM's discretion. Some accounts may be under different fee schedules honoring prior agreements. We also manage some family and related accounts without charge.

### Financial Planning Services

MCM generally offers financial planning services within the scope of our investment management process at no additional charge. On occasion, we may also offer financial planning services to non-investment management clients at an hourly rate of \$300 per hour, generally with a four-hour minimum. An estimate for total hours will be determined at the start of any hourly rate-based relationship.

## **Billing Method**

### Investment Management Services

MCM's advisory fees are payable quarterly in advance at the beginning of each calendar quarter. We charge one fourth of the annual fee each quarter based on the market value of the client's portfolio as of the last day of the prior calendar quarter. The formula used for the calculation is as follows:  $(\text{Annual Rate})/4 \times (\text{Total Assets Under Management at Quarter-End})$ .

For new client accounts, the first payment is a pro-rata calculation due upon execution of the advisory agreement. The calculation will take into consideration the number of days remaining in the quarter and the initial value of the portfolio. The formula used to calculate the initial advisory fee would be as follows:  $(\text{Result of Quarterly Calculation}) \times (\text{Days Remaining in Quarter}) / (\text{Total Number of Days in Quarter})$ . We may charge on a daily pro-rated basis for additions made during a quarter.

For advisory fee calculation purposes, a calendar quarter is a period beginning on January 1, April 1, July 1, or October 1 and ending on the day before the next quarter. A day is any calendar day including weekends and holidays. For new accounts and terminations, the number of days remaining in the quarter is the number of calendar days following the date a new account is funded or the date MCM receives a termination notification.

With client authorization, MCM will automatically withdraw MCM's advisory fee from the client's account held by an independent custodian. Typically, the custodian withdraws advisory fees from the client's account during the second month of each quarter based on MCM's instruction. All clients will receive brokerage statements from the custodian no less frequently than quarterly. The custodian statement will show the deduction of our advisory fee. See also **Item 15 – Custody** below.

### Financial Planning Services

For hourly fee arrangements, fees for the four-hour minimum are due and payable in advance. Any additional hourly fees are due upon presentation of any contracted financial planning services.

### **Other Fees and Expenses**

MCM's fees do not include custodian fees. Clients pay all brokerage transaction fees, stock transfer fees, and/or other similar charges incurred in connection with transactions in accounts from the assets in the account, which are in addition to the fees client pays to MCM. See **Item 12 - Brokerage Practices** below for more information.

In addition, any mutual fund shares held in a client's account may be subject to deferred sales charges and other fund-related expenses. The fund's prospectus fully describes the fees and expenses. All fees paid to MCM for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds. Mutual funds pay advisory fees to their managers, which are indirectly charged to all holders of the mutual fund shares.

### **Termination**

#### Investment Management Services

Either party may terminate the agreement upon five (5) days' notice to the other party. However, termination will not affect any liability with regard to transactions initiated prior to termination. The client may terminate the agreement by writing MCM at its office.

MCM will refund any prepaid, unearned advisory fees based on the effective date of termination. Upon termination of the agreement, we will credit the client's custodial account for any unearned advisory fees using the following formula:  $(Fees\ Paid) \times (Days\ Remaining\ in\ Quarter) / (Total\ Number\ of\ Days\ in\ Quarter)$ .

#### Financial Planning

For hourly fee arrangements, we consider the planning phase of our services to be complete, and the agreement terminated upon delivery of the planning project. In the event that either the client or MCM wishes to terminate the financial planning agreement before completion of the plan, either party may terminate the agreement at any time by providing notice to the other party. The client may terminate the agreement at any time by writing MCM at our office.

Upon notice of termination, MCM will provide you with an invoice for services provided through the date of termination.

### **Other Compensation**

MCM does not accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

### Additional Compensation for Trustee Services

See **Item 10 – Other Financial Industry Activities and Affiliations** below.

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

MCM does not charge performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

MCM offers discretionary investment advisory and financial planning services to individuals, high net worth individuals, trusts and estates, and individual participants of retirement plans. In addition, we offer advisory services to pension and profit sharing plans, charitable organizations, and businesses.

### **Account Requirements**

MCM generally requires new working clients to have a portfolio value of at least \$2,000,000. At our discretion, we may waive the minimum portfolio size for clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing client relationships.

We may combine family account balances to meet the account size minimum.

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

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

#### General Investment Strategies

MCM uses Modern Portfolio Theory, which has a basic concept of using diversification in an effort to help optimize the risk and potential return of a portfolio. More specifically, we invest in mutual funds that utilize multiple asset classes, investment styles, market capitalizations, sectors, and regions to provide diversification.

MCM's general investment strategy is to seek real capital growth proportionate with the equity to fixed income allocation determined to be appropriate for the client's goals. We treat each client account uniquely. MCM assists in developing an Investment Policy Statement and Guidelines, which typically outlines the client's investment objectives, time horizon, frequency, and type of monitoring and reporting. MCM will then manage the portfolio consistent with the client's Investment Policy Statement and Guidelines.

We maintain a target asset allocation. Some portfolios have an approximate dollar goal in fixed income investments. Generally, MCM reviews each portfolio periodically to evaluate the extent to which the actual allocation matches the target allocation. If we consider the variance excessive, we "re-balance" the account, taking appropriate actions (buys and sells) to bring the actual allocation within acceptable range of the target allocation. Since we believe that all investments are subject to cycles, this process of

re-balancing offers a systematic process to help us sell when investment categories have been in favor and to buy when they have been out of favor.

Since MCM treats each client account uniquely, client portfolios with a similar investment objectives and asset allocation goals may own different funds. Timing and tax factors may also influence MCM's investment decisions.

### *Mutual Funds*

MCM primarily uses various DFA Funds, which are mutual funds managed by Dimensional Fund Advisors. The DFA Funds have asset class strategies that include, but are not limited to, U.S. and non-U.S. equities, fixed income, global and real estate through real estate investment trusts (REITS). We select DFA funds for their relatively low internal expenses, broad diversification, and consistency of exposure to a specific asset class.

### *Fund Analysis*

MCM generally relies on the analysis that Dimensional Fund Advisors has conducted when we determine investment recommendations for client accounts.

### *Specific Investment Strategies for Managing Portfolios*

MCM may use long-term holding and dollar-cost-averaging in the construction and management of client portfolios.

### *Long-Term Holdings*

MCM's strategy consists of purchasing, holding, and rebalancing a diversified portfolio of mutual funds. MCM typically intends to hold these investments indefinitely except when sales are necessary to rebalance the portfolio or to fund replacement acquisitions. MCM does not attempt to time the market nor do we attempt to capture short-term gains.

### *Dollar-Cost-Averaging*

Dollar cost averaging involves investing money periodically to take advantage of price fluctuations in the attempt to get a lower average cost per share.

## **General Risk of Loss Statement**

Prior to entering into an agreement with MCM, the client should carefully consider:

1. That investing in securities involves risk of loss which clients should be prepared to bear;
2. That securities markets experience varying degrees of volatility; and
3. That over time the client's assets may fluctuate and at any time be worth more or less than the amount invested.

## Specific Security Risks

### General Risks of Owning Securities

The prices of securities held in client accounts and the income they generate may decline in response to certain events taking place around the world. These include events directly involving the issuers of securities held as underlying assets of mutual funds in a client's account, conditions affecting the general economy, and overall market changes. Other contributing factors include local, regional, or global political, social, or economic instability and governmental or governmental agency responses to economic conditions. Finally, currency, interest rate, and commodity price fluctuations may also affect security prices and income.

### Mutual Funds (Open-end Investment Company)

A mutual fund is a company that pools money from many investors and invests the money in stocks, bonds, short-term money-market instruments, other securities or assets, or some combination of these investments. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value (NAV) plus any transaction fees at the time of purchase.

The benefits of investing through mutual funds include:

#### Professionally Managed

Mutual funds are professionally managed by investment advisers that select the underlying fund holdings and monitor the performance of the securities that the fund purchases.

#### Diversification

Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company fails.

#### Liquidity

At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages:

#### Costs Despite Negative Returns

Mutual funds pay operating and other expenses from fund assets regardless of how the fund performs, which are indirectly charged to all holders of the mutual fund shares. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.

### Lack of Control

Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly or indirectly influence which securities the fund manager buys and sells or the timing of those trades.

### Price Uncertainty

With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling an investment advisor. Investors can also monitor how a stock's price changes from hour to hour, or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close.

### Different Types of Funds

When it comes to investing in mutual funds, investors have literally thousands of choices. Most mutual funds fall into one of three main categories; money market funds, bond funds (also called "fixed income" funds), and stock funds (also called "equity" funds). Each type has different features and different risks and rewards. Generally, the higher the potential return, the higher the volatility of price.

#### *Money Market Funds*

Money market funds have relatively low price volatility compared to other mutual funds (and most other investments). By law, they can invest in only certain high quality, short-term investments issued by the U.S. Government, U.S. corporations, and state and local governments. Money market funds try to keep their net asset value (NAV), which represents the value of one share in a fund, at a stable \$1.00 per share. However, the NAV may fall below \$1.00 if the fund's investments perform poorly. Investor losses have been rare, but they are possible. Money market funds pay dividends that generally reflect short-term interest rates, and historically the returns for money market funds have been lower than for either bond or stock funds. That is why "inflation risk," the risk that inflation will outpace and erode investment returns over time, can be a potential concern for investors in money market funds.

#### *Bond Funds*

Bond funds have higher price volatility than money market funds, largely because they typically pursue strategies aimed at producing higher yields. Unlike money market funds, the SEC's rules do not restrict bond funds to high quality or short-term investments. Because there are many different types of bonds, bond funds can vary dramatically in their risks and rewards.

Some of the risks associated with bond funds include:

#### *Credit Risk*

There is a possibility that companies or other issuers may fail to pay their debts (including the debt owed to holders of their bonds). Consequently, this affects mutual funds that hold these bonds. Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury Bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.

### Interest Rate Risk

There is a risk that the market value of the bonds will go down when interest rates go up. Because of this, investors can lose money in any bond fund, including those that invest only in insured bonds or U.S. Treasury Bonds. Funds that invest in longer-term bonds tend to have higher interest rate risk.

### Prepayment Risk

Issuers may choose to pay off debt earlier than the stated maturity date on a bond. For example, if interest rates fall, a bond issuer may decide to “retire” its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a yield.

### *Stock Funds*

Although a stock fund’s value can rise and fall quickly (and dramatically) over the short term, historically stocks have performed better over the long term than other types of investments. This is true for corporate bonds, government bonds, and treasury securities. Overall “market risk” poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons—such as the overall strength of the economy or demand for particular products or services. Not all stock funds are the same. For example:

#### Growth Funds

Growth funds focus on stocks that may not pay a regular dividend but have the potential for large capital gains.

#### Income Funds

Income funds invest in stocks that pay regular dividends.

#### Index Funds

Index funds aim to achieve the same return as a particular market index, such as the S&P 500 Composite Stock Price Index, by investing in all—or perhaps a representative sample—of the companies included in an index.

#### International Funds

International investments are subject to additional risks, including currency fluctuation, political instability, and potential illiquid markets.

#### Emerging Market Funds

Funds that invest in foreign securities involve special additional risks. These risks include, but are not limited to currency risk, political risk and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.

#### Small Cap Funds

Funds that invest in stocks of small companies involve additional risks. Smaller companies typically have higher risk of failure, and are not as established as larger blue-chip companies are. Historically, smaller-company stocks have experienced a greater degree of market volatility than the overall market average.

### Mid Cap Funds

Funds that invest in companies with smaller market capitalizations involve additional risks. The securities of these companies may be more volatile and less liquid than the securities of larger companies.

### Sector Funds

Sector funds may specialize in a particular industry segment, such as technology or consumer products stocks. Funds that invest exclusively in one sector or industry involve additional risks. The lack of industry diversification subjects the investor to increased industry-specific risk. Products of companies in which technology funds invest may be subject to severe competition and rapid obsolescence.

### REIT Funds

We do not utilize individual real estate investment trusts (REITs), but we may recommend mutual funds that include REITs within the underlying fund holdings. REITs primarily invest in real estate or real estate-related loans. Equity REITs own real estate properties, while mortgage REITs hold construction, development, and/or long-term mortgage loans. REIT investments include illiquidity and interest rate risk.

### Real Estate Funds

Investments in real estate funds are subject to the risks related to direct investment in real estate, such as real estate risk, regulatory risks, concentration risk, and diversification risk.

### TIPS Funds

Treasury Inflation Protection Securities (TIPS) are inflation-indexed securities structured to remove inflation risk. MCM does not utilize individual TIPS, but may recommend mutual funds and exchange traded funds that include TIPS within the underlying fund holdings.

### *Tax Consequences of Mutual Funds*

When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any *personal capital gains* when the investor sells shares, the investor may have to pay taxes each year on *the fund's distribution of capital gains*. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit that cannot be offset by a loss.

### *Equity Securities*

Equity securities represent an ownership position in a company. Equity securities typically consist of common stocks. The prices of equity securities fluctuate based on, among other things, events specific to their issuers and market, economic and other conditions.

### *Foreign Investment Risk*

Investment in foreign securities (both governmental and corporate) may involve a high degree of risk. Funds invested in foreign securities are subject to additional risks such as, but not limited to, currency



risk and exchange-rate risk, political instability, and economic instability of the countries from where the securities originate. In regards to bond funds, such risks may impair the timely payment of principal and/or interest.

### Cash and Cash Equivalents

Client accounts may hold cash or invest in cash equivalents, which are the most liquid of investments. Cash and cash equivalents are considered very low-risk investments meaning, there is little risk of losing the principal investment. Typically, low risk also means low return and the interest an investor can earn on this type of investment is low relative to other types of investing vehicles.

## **Financial Planning**

The financial planning tools MCM uses to create financial plans for clients rely on various assumptions, such as estimates of inflation and rates of return on security asset classes. All return assumptions use asset class returns, not returns of actual investments, and include our management fees.

Financial planning software is only a tool used to help guide MCM and the client in developing an appropriate plan, and we cannot guarantee that clients will achieve the results shown in the plan. Changes to the program's underlying assumptions or differences in actual personal, economic, or market outcomes may result in materially different results for the client. Clients should carefully consider the assumptions and limitations of the financial planning software as disclosed on the financial planning reports before making any changes in their investment or financial planning program.

## **ITEM 9 - DISCIPLINARY INFORMATION**

MCM and Randall Moler do not have any disciplinary information to disclose.

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

### **Other Affiliated Business**

In rare circumstances, Mr. and Mrs. Moler serve as custodians under CA UTMA and/or trustee for client accounts in their individual capacities. In all cases, the client's relationship with Mr. and Mrs. Moler pre-dates the advisory relationship. All trustee client funds and securities are custodied with Schwab and an independent representative for each client receives statements directly from Schwab at a frequency determined by the client's agreement with Schwab. MCM does not offer or provide trustee services as part of its operations. Advisory clients that utilize Mr. or Mrs. Moler for trustee services sometimes pay a separate fee in addition to the scheduled advisory fee for MCM's management services.

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

### **Code of Ethics**

MCM believes that we owe clients the highest level of trust and fair dealing. Further, as part of our fiduciary duty, we place the interests of our clients ahead of the interests of the firm and our personnel.

MCM's personnel are required to conduct themselves with integrity at all times and follow the principles and policies detailed in our Code of Ethics.

MCM's Code of Ethics attempts to address specific conflicts of interest that either we have identified or that could likely arise. MCM's personnel are required to follow clear guidelines from The Code of Ethics in areas such as gifts and entertainment and adherence to applicable state and federal securities laws. All personnel receive a copy of each amendment of the Code of Ethics, which they acknowledge in writing.

Additionally, MCM's personnel are subject to personal trading policies governed by the Code of Ethics. MCM and our personnel may invest in securities that we also recommend to clients. Securities transactions on behalf of clients consist of mutual funds, which do not trade but are issued and redeemed once daily at the fund's net asset value ("NAV"). Therefore, we believe that personal transactions in mutual funds do not present a conflict of interest to our clients. The Code of Ethics includes additional restrictions for our personnel in the rare event that we make non-mutual fund purchases or sales in our personal accounts.

MCM will provide a complete copy of the Code of Ethics to any client or prospective client upon request.

## **ITEM 12 - BROKERAGE PRACTICES**

### **The Custodian and Brokers We Use**

Clients must maintain assets in an account at a "qualified custodian," generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated, and unaffiliated with Schwab. Schwab will hold client assets in a brokerage account, and buy and sell securities when we instruct them to.

While we recommend that clients use Schwab as custodian/broker, they will decide whether to do so and will open their account with Schwab by entering into an account agreement directly with them. We do not open the account for clients, although we may assist them in doing so.

#### *How We Select Brokers/Custodians*

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

1. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
2. Capability to execute, clear, and settle trades (buy and sell securities for your account)
3. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
4. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)

5. Availability of investment research and tools that assist us in making investment decisions
6. Quality of services
7. Competitiveness of the price of those services (transaction fee rates, other fees, etc.) and willingness to negotiate the prices
8. Reputation, financial strength, and stability
9. Prior service to us and our other clients
10. Availability of other products and services that benefit us, as discussed below (see ***Products and Services Available to Us From Schwab***)

### *Client Brokerage and Custody Costs*

For our clients' accounts that Schwab maintains, Schwab generally does not charge separately for custody services. However, Schwab receives compensation by charging transaction fees or other fees on trades that it executes or that settle into client Schwab accounts. We have determined that having Schwab execute trades is consistent with our duty to seek "best execution" of client trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see ***How We Select Brokers/Custodians***).

### *Products and Services Available to Us from Schwab*

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab's business serving independent investment advisory firms like us. They provide MCM and our clients with access to its institutional brokerage, trading, custody, reporting, and related services, many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts; others help us manage our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to us.

Following is a more detailed description of Schwab's support services:

#### *Services That Benefit the Client*

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit our clients and their accounts.

#### *Services That May Not Directly Benefit the Client*

Schwab also makes available to us other products and services that benefit us but may not directly benefit our clients. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

1. Provide access to client account data (such as duplicate trade confirmations and account statements)
2. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts

3. Provide pricing and other market data
4. Facilitate payment of our fees from our clients' accounts
5. Assist with back-office functions, recordkeeping, and client reporting

### *Services That Generally Benefit Only Us*

Schwab also offers other services intended to help us manage our business enterprise. These services include:

1. Educational conferences and events
2. Consulting on technology, compliance, legal, and business needs
3. Publications and conferences on practice management and business succession
4. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### *Our Interest in Schwab's Services*

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services. These services are not contingent upon us committing any specific amount of business to Schwab in trading commissions. We believe that our selection of Schwab as custodian and broker is in the best interests of our clients. MCM primarily support the selection of Schwab by the scope, quality, and price of Schwab's services (see ***How We Select Brokers/Custodians***, above) and not Schwab's services that benefit only us.

### *Research Benefits*

MCM receives access to conferences, webinars, and other related educational benefits without charge from Dimensional Fund Advisors ("DFA") because we use DFA funds in our clients' accounts. As part of our fiduciary duty to clients, MCM endeavors at all times to put the interests of our clients first and while we recognize the potential for conflict when accepting such benefits, we believe that our selection of DFA is in the best interest of our clients and support our continued selection of DFA by the scope, quality, and philosophy of their fund management and not the benefits they make available to us.

### *Brokerage for Client Referrals*

MCM does not receive client referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

### *Directed Brokerage*

MCM does not allow clients to direct MCM to use a specific broker-dealer to execute transactions. Clients must use the broker-dealers that MCM recommends. Not all investment advisers require their clients to trade through specific brokerage firms. By requiring clients to use the broker-dealers that MCM recommends, we believe that we may be able to more effectively manage the client's portfolio, achieve favorable execution of client transactions, and overall lower the costs to the portfolio. Clients may be able to obtain advisory and brokerage services elsewhere for a lower fee.

## **Aggregation and Allocation of Transactions**

We conduct transactions for each client independently and do not aggregate trades. Pricing of mutual fund shares only occurs once daily and therefore, clients are not at a disadvantage when we enter trades individually.

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

### **Managed Account Reviews**

MCM manages client accounts on an ongoing basis. Mr. Moler, Principal, reviews portfolio activity and transactions daily, and conducts periodic reviews for rebalancing purposes. He typically reviews equity accounts for rebalancing annually, and semi-annually for accounts where clients are taking distributions. However, he may rebalance accounts more or less frequently depending on market movements and the investment objectives and distribution needs of the client. Changes in the personal and financial circumstances of the client may trigger additional portfolio reviews.

### **Financial Plan Reviews**

Randall Moler, Principal, is responsible for creating and reviewing clients' financial plans. He will generally contact clients annually to discuss any changes in the client's circumstances and necessary updates to the financial plan. He also works with clients on an ongoing basis to review the plan as needed or as requested by the client.

### **Account Reporting**

Each investment management client receives a written statement from the custodian that includes an accounting of all holdings and transactions in the account for the reporting period. In addition, MCM provides written reports detailing performance in client accounts at least annually. MCM may also provide additional reporting as agreed upon by MCM and the client on a case-by-case basis.

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

### *Schwab Support Products and Services*

We receive an economic benefit from Schwab and DFA in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain their accounts at Schwab and/or recommend DFA funds. These products and services, how they benefit us, and the related conflicts of interest are described above (see **Item 12 – Brokerage Practices**). We do not base particular investment advice, such as buying particular securities for our clients, on the availability of Schwab's/DFA's products and services to us.

### *Outside Compensation*

MCM may refer clients to unaffiliated professionals for a variety of services such as insurance, mortgage brokerage, and estate planning. In turn, these professionals may refer clients to us. We do not have any agreements with individuals or companies that we refer clients to, and we do not give or receive any compensation for these referrals. However, one could conclude that we are receiving an indirect

economic benefit from the arrangement, as the relationships are mutually beneficial. For example, there could be an incentive for us to recommend services of firms who refer clients to us.

MCM only refers clients to professionals we believe are competent and qualified in their field, but it is ultimately the client's responsibility to do their own review of the provider. Clients are under no obligation to purchase any products or services through these professionals, and MCM has no control over the services provided by another firm. Clients who chose to engage these professionals will sign a separate agreement with the other firm. Fees charged by the other firm are separate from and in addition to the fees we charge.

If the client desires, MCM will work with these professionals or the client's other advisers (such as an accountant or attorney) to help ensure that the provider understands the client's financial plan and to coordinate services for the client. MCM will never share information with an unaffiliated professional unless first authorized by the client.

## **ITEM 15 - CUSTODY**

MCM has limited custody of some of our clients' funds or securities when the clients authorize us to deduct our management fees directly from the client's account. A qualified custodian (generally Schwab, a licensed broker-dealer) holds clients' accounts. Clients will receive statements directly from Schwab at least quarterly. The statements will reflect the client's funds and securities held at Schwab as well as any transactions that occurred in the account, including the deduction of MCM'S fee.

Clients should carefully review the account statements they receive from Schwab. When clients receive reports from MCM as well as from Schwab, clients should compare these two reports carefully. The asset balance on our reports may not exactly match the custodian statement. We reconcile any differences, which are normally due to differences in recognition of accrued interest, unsettled transactions, or interest being posted, on the last day of a month that is not a business day. Clients with any questions about their statements should contact us at the address or phone number on the cover of this brochure. Clients who do not receive their statement from Schwab at least quarterly should also notify us.

## **ITEM 16 - INVESTMENT DISCRETION**

MCM has full discretion to decide the specific security to trade, the quantity, and the timing of transactions for client accounts. MCM will not contact clients before placing trades in their account, but clients will receive confirmations directly from Schwab for any trades placed. Clients grant us discretionary authority in the contracts they sign with us. Clients also give us trading authority over their accounts when they sign the Schwab custodial paperwork. See also ***Item 12 - Brokerage Practices***, above.

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

### *Proxy Voting*

MCM as an adviser is a fiduciary that owes each of its client's duties of care and loyalty with respect to all services undertaken on the client's behalf, which may include the authority to vote proxies. MCM will

generally vote proxies on mutual funds that MCM manages, but not on common stocks held in client's accounts as an accommodation. MCM will make every effort to ensure that the firm receives proxies for mutual funds and that proxies for securities in accounts holding common stocks are being sent directly to the client.

### *Proxy Voting Procedures*

MCM will review the proxy material and any other material MCM deems relevant to making an informed decision. MCM will not simply vote proxies in accordance with management. The firm will vote each proxy in a manner that in MCM's opinion is in the best interest of the client and that could potentially lead to long-term net positive impact on shareholder value. We do not permit clients to direct our vote in a particular solicitation.

MCM maintains records relating to proxy voting. Such records include a copy of the firm's policies and procedures with respect to proxy voting. The firm also maintains a copy of each proxy statement, a record of the votes cast, a copy of any document or material created by firm in determining how the vote was to be cast, and a copy of each client written request and written response to a client's request (written or oral).

Although conflicts regarding proxies are highly unlikely since we only transact in mutual funds for client accounts, it is feasible that from time to time a potential conflict of interest may arise in the voting of proxies. It is MCM's policy to identify any potential conflicts of interest prior to voting proxies. In the event of a potential conflict of interest, MCM will send to the affected client(s) a detailed explanation of the conflict and will ask the client for consent before voting. Along with the explanation of the conflict, MCM will provide a copy of the proxy material, any material created by MCM in reaching a decision, and an explanation of how MCM arrived at its recommendation for voting the proxy.

Clients may obtain a complete copy of our proxy voting policies and procedures or request information on how their proxies were voted by contacting MCM at the principal office and place of business. Please include in your request, your name, account number, and the security name.

### *Class Actions*

MCM does not instruct or give advice to clients on whether or not to participate as a member of class action lawsuits and will not automatically file claims on the client's behalf. However, if a client notifies us that they wish to participate in a class action, we will provide the client with any transaction information pertaining to the client's account needed for the client to file a proof of claim in a class action.

## **ITEM 18 - FINANCIAL INFORMATION**

Registered investment advisers are required in this item to provide clients with certain financial information or disclosures about the firm's financial condition. MCM does not require the prepayment of more than \$1,200 in fees per client, six months or more in advance, and does not foresee any financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients.

# **Form ADV, Part 2B Brochure Supplement**

**Randall G. Moler**

**Moler Capital Management, LLC**

9070 Irvine Center Drive  
Suite 240  
Irvine, CA 92618  
(949) 748-3993

**March 20, 2017**

This brochure supplement provides information about Randall G. Moler that supplements the Moler Capital Management brochure. You should have already received a copy of that brochure. Please contact Nancy Moler at [mcm@molercapital.com](mailto:mcm@molercapital.com) if you did not receive our brochure or if you have any questions about the contents of this supplement.

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



## ITEM 2 - EDUCATIONAL BACKGROUND AND BUSINESS EXPERIENCE

**Randall G. Moler**, Principal, b. 1954

### *Education:*

BA, Economics, UCLA, Los Angeles, CA - 1976

J.D., Pepperdine University School of Law, Malibu, CA - 1979

LL.M., Taxation, Boston University, Boston, MA - 1981

### *Business Background:*

Mr. Moler has been serving financial advisory clients since 1986. He founded Moler Capital Management in 1995, where he has continuously served as the firm's principal. Prior to that, he practiced tax law for six years, both in private practice in California and with the Treasury Department in Washington, D.C., in the areas of estate and gift taxes, municipal bonds, and corporate tax issues.

## ITEM 3 - DISCIPLINARY INFORMATION

Randall G. Moler has no disciplinary history to disclose.

## ITEM 4 - OTHER BUSINESS ACTIVITIES

In addition to providing investment advice through MCM, Randall G. Moler also provides trustee services. He spends less than 5% of his time on trustee-related activities. Information regarding these activities is located in ***Item 10 - Other Financial Industry Activities and Affiliations, in Part 2A***, above.

## ITEM 5 - ADDITIONAL COMPENSATION

In addition to his regular salary and ownership of MCM, Randall G. Moler receives compensation for additional activities, as described in ***Item 10 - Other Financial Industry Activities and Affiliations, in Part 2A***, above.

## ITEM 6 - SUPERVISION

Randall G. Moler is the Principal of MCM and supervises all employees. He can be reached at (949) 748-3993.

## FACTS

### WHAT DOES MOLER CAPITAL MANAGEMENT DO WITH YOUR PERSONAL INFORMATION?

#### Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### What?

The types of personal information we collect and share depends on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and transaction history
- assets and risk tolerance

When you are *no longer* our customer, we continue to share your information as described in this notice.

#### How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Moler Capital Management chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Moler Capital Management share?	Can you limit this sharing?
For our everyday business purposes - as permitted by law	YES	NO
For our marketing purposes - to offer our products and services to you	NO	We Don't Share
For joint marketing with other financial companies	NO	We Don't Share
For our affiliates' everyday business purposes - information about your transactions and experiences	NO	We Don't Share
For our affiliates' everyday business purposes - information about your creditworthiness	NO	We Don't Share
For nonaffiliates to market to you	NO	We Don't Share

#### Questions?

Call (949) 748-3993 or go to [www.molercapital.com](http://www.molercapital.com)

## WHO WE ARE

Who is providing this notice?	Moler Capital Management
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## WHAT WE DO

How does Moler Capital Management protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Moler Capital Management collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none"><li>• seek advice about your investments</li><li>• enter into an investment advisory contract</li><li>• tell us about your investment or retirement portfolio</li><li>• tell us about your investment or retirement earnings</li><li>• give us your contact information.</li></ul>
Why can't I limit all sharing?	Federal law gives you the right to limit only: <ul style="list-style-type: none"><li>• sharing for affiliates' everyday business purposes - information about your creditworthiness</li><li>• affiliates from using your information to market to you</li><li>• sharing for nonaffiliates to market to you</li></ul> State laws and individual companies may give you additional rights to limit sharing.

## DEFINITIONS

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"><li>• <i>Moler Capital Management has no affiliates.</i></li></ul>
Nonaffiliates	Companies not related by common ownership or control. They can be financial and non-financial companies. <ul style="list-style-type: none"><li>• <i>Moler Capital Management does not share with nonaffiliates so they can market to you.</i></li></ul>
Joint Marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"><li>• <i>Moler Capital Management does not jointly market.</i></li></ul>