

Part 2A of Form ADV: *Firm Brochure*  
**MCALVANY WEALTH MANAGEMENT, LLC**

**SHORT SALE STRATEGY**

858 Main Avenue, Suite 201  
Durango CO 81301  
Telephone: (866) 211-8970  
Email: [contact@mwealthm.com](mailto:contact@mwealthm.com)  
Web Address: <http://mwealthm.com>

05/17/2017

**This brochure provides information about the qualifications and business practices of McAlvany Wealth Management, LLC ("MWM") as they pertain to MWM's SHORT SALE STRATEGY. If you have any questions about the contents of this brochure, please contact us at (866) 211- 8970 or [contact@mwealthm.com](mailto:contact@mwealthm.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.**

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

## Item 2. Material Changes

This Firm Disclosure Brochure, dated April 12, 2017, provides you with a summary of McAlvany Wealth Management's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform clients of the revision(s) based on the nature of the information as follows.

*Annual Update:* We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of **December 31**. If our firm has made revisions that would affect a client's decision making when doing business with us, "material changes", we will provide our clients with either a summary of any materially revised information with an offer to deliver the fully revised Disclosure Brochure within 120 days of our FYE. Alternatively we will provide you with our revised Disclosure Brochure that will include a summary of those changes in this Item. *Non-material* revisions are not delivered to clients, but can be viewed on the SEC investment adviser info site, as noted on the cover sheet of this brochure.

*Material Changes:* Should a material change in our operations occur, depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

As such, we have no material disclosures since our first brochure.

<b>Item 3. Table of Contents</b>	<b>Section</b>	<b>Page</b>
<b>Item</b>		
1.	Cover Page	1
2.	Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	5
6.	Performance-Based Fees and Side-by-Side Management	6
7.	Types of Clients	6
8.	Methods of Analysis, Investment Strategies and Risk of Loss	6
9.	Disciplinary Information	9
10.	Other Financial Industry Activities and Affiliations	9
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	11
12.	Brokerage Practices	13
13.	Review of Accounts	17
14.	Client Referrals and Other Compensation	17
15.	Custody	17
16.	Investment Discretion	18
17.	Voting Client Securities	18
18.	Financial Information	19

## Item 4. Advisory Business

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

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

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

MWM offers Individual Portfolio Management, Financial Planning, Money Manager Search and Monitoring, Tactical Negatively Correlated Strategy, and SHORT SALE STRATEGY services to its advisory clients. MWM also sponsors educational seminars that are open to clients and the general public.

This Brochure is provides required disclosures for the SHORT SALE STRATEGY only. If you are interested in any of MWM's other advisory services, please contact MWM at (866) 211- 8970 or [contact@mwealthm.com](mailto:contact@mwealthm.com).

### SHORT SALE STRATEGY

MWM develops and manages portfolios that, when fully invested, are designed to invest primarily in short positions in equity and equity-related securities. Short sales are transactions in which the Fund sells a security it does not own. To complete the transaction, the Fund must borrow the security to make delivery to the buyer. The Fund is then obligated at some point to return the security borrowed by purchasing the security at market price. MWM manages these portfolios by short selling a portfolio of liquid mid- and large-cap U.S. exchange-traded equity securities, exchange-traded funds ("ETFs"), exchange-traded notes ("ETNs") and other exchange-traded products (collectively with ETFs and ETNs, "ETPs"), including option. Under normal circumstances, a client's portfolio using this strategy will have between 50% and 100% of its net assets in short positions in equity securities.

Short selling typically involves greater risk than that found in managed equity portfolios that do not include short positions. Therefore, the SHORT SALE STRATEGY is only recommended when consistent with an investor's personal situation and tolerance for risk. Please see additional disclosures on risks associated with short selling in Item 8 of this Brochure.

MWM will not consider a client's assets outside the SHORT SALE STRATEGY in managing the client's portfolio in this strategy. Clients have the ability to place reasonable restrictions on the investments held in this strategy.

As of 4/12/2017, MWM was actively managing \$62,727,105 of client assets on a discretionary basis. MWM does not manage accounts on a non-discretionary basis.

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

### **FEES FOR SHORT SALE STRATEGY**

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

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

Generally, we anticipate having accounts with assets greater than \$1 million under management, but we will consider accepting accounts with lower amounts of managed assets when compatible with the client's stated attitude towards risk.

### **GENERAL FEE INFORMATION**

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

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

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed

above, certain fees may be paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded and any unpaid fees will be due and payable. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

***Fund Fees:*** All fees paid to MWM for investment advisory services are separate and distinct from the fees and expenses charged by ETPs to their shareholders. These fees and expenses are described in each STP's prospectus. These fees will generally include a management fee and other expenses.

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

Clients will incur two additional types of expenses from short sales: borrowing expenses and dividend expenses. Borrowing expenses may occur because the client may pay income or be charged a fee on borrowed securities. This income or fee is based upon the market value of the borrowed security and is dependent upon the availability of the security. Dividend expenses may occur because the client has to pay the lender of the security the value of any dividends earned on the borrowed security.

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

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

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

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

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

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

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

### **METHODS OF ANALYSIS**

In determining which stocks and securities to sell short, MWM employs a combination of “top down” and “bottom up” fundamental analyses. “Top down,” or macro, considerations focus on a mosaic of indicators of general financial conditions, with particular focus on corporate credit availability, market liquidity and marketplace risk tolerance.

It is fundamental to MWM’s investment approach to have more short exposure when the backdrop is viewed as favorable for shorting, and less short exposure when the backdrop is unfavorable. Especially in unstable market environments, MWM’s risk control discipline may dictate aggressive trading in order to swiftly reduced short exposures.

“Bottom up” analysis incorporates traditional short-side fundamental analysis, with a focus on cash-flow, balance sheet, business model and earnings vulnerability. The specific analytical approach is heavily dependent upon the industry of the short sale target. Timeliness is essential for success on the short-side. MWM seeks short targets with a reasonably high probability of near-term fundamental deterioration. MWM also utilizes a technical analysis overlay of individual positions, as well as the overall market, that is integral to determining position sizes and overall short exposure.

As a routine part of the strategy, MWM will establish short positions in sector- and index-related securities. In particular, MWM will transact in highly liquid index securities as elemental to a disciplined and cost-conscious process of portfolio rebalancing and short exposure management.

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

## INVESTMENT STRATEGIES

### *Short sales.*

MWM sells securities short (i.e. stocks and ETFs,). Short selling involves the sale of borrowed securities. When MWM establishes a short position, it incurs an obligation to replace the borrowed instrument at whatever its market price may be at the time it is repurchased (“covered”) for delivery to the securities lender. The client’s portfolio will realize a gain if at that time the price of the stock is less than the price of the stock when it was sold short, and will realize a loss if at that time the price of the stock is greater than the price of the stock when it was sold short. The aggregate amount of a portfolio’s outstanding short positions typically will be between 50% and 100% of its net assets. When a portfolio of the Fund’s outstanding short positions equals its net assets, it is “100% short.”

### *Risks for short sales*

- *Potential losses are unlimited.* A short sale generates losses (on a daily mark-to-market basis) when a shorted stock’s price rises. There is no limit (at least, theoretically) to how much a stock price can increase. As an example: A fund expects to profit from a short sale of 100 shares of a stock at \$50 each. Instead, the shares increase to \$75 per share, creating a \$2,500 loss. And every additional \$25 rise would generate an added \$2,500 loss. On the other hand, the price of a stock cannot fall below \$0, which in this example limits the potential upside to \$5,000.
- *Short squeezes can be problematic.* Rising stock prices create losses for short sellers. Abrupt price gains can precipitate a rush by those caught in losing short sales to aggressively unwind (repurchase shares or “cover”) short positions. This can cause a rapid, self-reinforcing increase in demand for the stock, further driving prices higher.
- *Timing.* Even when sound analysis points to stock price vulnerability, there is always the risk that a stock rises in the face of deteriorating fundamentals. Limiting risk through favorable timing of a short sale can be challenging, especially during periods of market instability and generally rising stock prices. As such, timing is integral to overall short position analysis. A stock may remain unaffected by negative fundamentals for an extended period, during which time the position remains vulnerable to interest, margin calls, etc.



- *Inflation.* History has shown that stocks generally appreciate over the long term. Even for a company suffering from weak fundamentals, general inflation may support earnings and asset values, in the process driving its share price higher. While many companies would be expected to suffer in such an environment, short selling may turn extremely challenging during periods of high inflation.
- *Counterparty risk.* Short selling carries a risk that a third party to the short sale may fail to honor its contract terms, causing a loss to the client
- *High Portfolio Turnover Risk:* The client's annual portfolio turnover rate may exceed 100%. (Generally speaking, a turnover rate of 100% occurs when MWM replaces securities valued at 100% of the client's average net assets within a one year period.) High portfolio turnover (100% or more) will result in the client incurring more transaction costs such as brokerage commissions or mark-ups or mark-downs. Payment of those transaction costs reduces total return. High portfolio turnover could result in the client's paying increased taxes on realized gains.

## RISK OF LOSS

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

## Item 9. Disciplinary Information

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

## Item 10. Other Financial Industry Activities and Affiliations

MWM is under common control and ownership with International Collectors Associates ("ICA"), a McAlvany family-owned full-service precious metals dealer. In addition, the management persons and other employees of MWM may also be officers and employees of ICA. ICA deals only with the sale of actual precious metals. No

securities-related commodity business is transacted by ICA and the employees of ICA are not required to be licensed to sell these products.

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

Clients should be aware that the receipt of additional compensation by our management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. MWM endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our management persons, employees and related companies to earn compensation from advisory clients in addition to our firm's advisory fees;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or related companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and

- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

### **CODE OF ETHICS**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. MWM and our personnel owe a duty of loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

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

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

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

### **SUMMARY OF PERSONAL TRADING POLICY**

Our firm, management persons and other employees may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients. In addition, the firm and these individuals may have an interest or position in a security which may also be recommended to a client. As these situations represent actual or potential conflicts of interest with our clients, we have taken the following

steps to assure that (i) the personal securities transactions of our firm and employees will not interfere with making and implementing decisions in the best interest of our advisory clients; (ii) our firm complies with its regulatory obligations; and (iii) we provide our clients with full and fair disclosure of such conflicts of interest:

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

#### AGGREGATION OF EMPLOYEE TRADES WITH CLIENT TRANSACTIONS

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

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

#### PRINCIPAL TRANSACTIONS

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

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

#### SHORT SALE STRATEGY

MWM will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help MWM in providing investment management services to clients. MWM may, therefore recommend (or use) the use of a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was effected.

Consistent with obtaining best execution for clients, MWM may direct brokerage transactions for clients' portfolios to brokers who provide research and execution services to MWM and, indirectly, to MWM's clients. These services are of the type described in Section 28(e) of the Securities Exchange Act of 1934 and are designed to augment MWM's own internal research and investment strategy capabilities. This may

be done without prior agreement or understanding by the client (and done at MWM's discretion). Research services obtained through the use of soft dollars may be developed by brokers to whom brokerage is directed or by third-parties which are compensated by the broker. MWM does not attempt to put a specific dollar value on the services rendered or to allocate the relative costs or benefits of those services among clients, believing that the research MWM receives will help MWM to fulfill its overall duty to its clients. MWM may not use each particular research service, however, to service each client. As a result, a client may pay brokerage commissions that are used, in part, to purchase research services that are not used to benefit that specific client. Broker-dealers selected by MWM may be paid commissions for effecting transactions for MWM's clients that exceed the amounts other broker-dealers would have charged for effecting these transactions if MWM determines in good faith that such amounts are reasonable in relation to the value of the brokerage and/or research services provided by those broker-dealers, viewed either in terms of a particular transaction or MWM's overall duty to its ('brokerage') discretionary client accounts.

Certain items obtainable with soft dollars may not be used exclusively for either execution or research services. The cost of such "mixed-use" products or services will be fairly allocated and MWM makes a good faith effort to determine the percentage of such products or services which may be considered as investment research. The portions of the costs attributable to non-research usage of such products or services is paid by MWM to the broker-dealer in accordance with the provisions of Section 28(e) of the Securities Exchange Act of 1934.

When MWM uses client brokerage commissions to obtain research or brokerage services, it receives a benefit to the extent that MWM does not have to produce such products internally or compensate third-parties with its own money for the delivery of such services. Therefore, such use of client brokerage commissions results in a conflict of interest, whereby MWM has an incentive to direct client brokerage to those brokers who provide research and services utilized by MWM, even if these brokers do not offer the best price or commission rates for MWM's clients.

At the time of this filing, MWM has not yet obtained any products or services on a soft-dollar basis. We intend to use soft dollars to obtain market research services.

MWM recommends that Short Sale Strategy clients custody their assets with Interactive Brokers LLC (together with all affiliates, "IB"). MWM has evaluated IB and believes that it will provide our clients with a blend of custodial and execution services and professionalism that will assist our firm in meeting our fiduciary obligations to clients.

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

IB charges brokerage commissions and transaction fees for effecting certain securities transactions. IB enables MWM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. IB’s commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by IB may be higher or lower than those charged by other custodians and broker-dealers. As part of the arrangement, IB also makes available to our firm, at no additional charge to us, certain research and brokerage services, including research services obtained by IB directly from independent research companies. MWM has no formal or informal arrangements with IB to provide MWM with any specific research or brokerage services other than what is otherwise made available by IB to the investment advisers that use its platform services.

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

MWM reserves the right to decline acceptance of any client account for which the client directs the use of a custodian other than IB if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account.

## SUMMARY OF TRADE AGGREGATION POLICY

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

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



9. Funds and securities for aggregated orders are clearly identified on MWM's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
10. No client or account will be favored over another.

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

#### **SHORT SALE STRATEGY**

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

These accounts are reviewed by Douglas Noland, Portfolio Manager

**Reports:** Clients will receive monthly statements and confirmations of transactions from their broker-dealer/custodian.

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

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

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

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

### **Item 15. Custody**

We previously disclosed in Item 5 of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

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

## **Item 16. Investment Discretion**

All SHORT SALE STRATEGY accounts are managed on a discretionary basis: in other words, we place trades in a client's account without obtaining specific client permission prior to each trade. Our discretionary authority includes the ability to do the following without contacting the client:

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

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

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

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

MWM will not provide advice to clients regarding the clients' voting of securities in the SHORT SALE STRATEGY.

### **Item 18. Financial Information**

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

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