

## **Matson Money, Inc.**

Form ADV Part 2 — March 30, 2018

### **Item 1 – Cover Page**

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**This Brochure provides information about the qualifications and business practices of Matson Money, Inc. (“Matson Money”). If you have any questions about the contents of this Brochure, please contact us at (513) 204-8000 or by email at [info@MatsonMoney.com](mailto:info@MatsonMoney.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Matson Money 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. The CRD number for Matson Money is 110425.**

**Matson Money is a registered investment adviser. Registration as an investment adviser does not imply any certain level of skill or training.**

**You may request the most recent version of this Brochure by contacting us as provided above.**

## **Item 2 – Material Changes**

This Form ADV Part 2A (the “Brochure”), dated March 30, 2018, was prepared in accordance with SEC requirements, and contains the following material changes from Matson Money's 2017 annual amendment (filed on March 31, 2017):

- Revised the Fees and Compensation Section to disclose reduced maximum fee schedule that Referrers for the Matson Fund Platform & Frontier Adjusted Portfolio Platform for accounts moving forward
- Updated the Risk of Loss Section to include additional risks associated with small capitalization equity securities, equities with low price-to-book ratios "value stocks", international securities, and fixed income securities
- Revised the Client Referrals and Other Compensation Section to disclose updated fee schedules for the Matson Fund Platform and Frontier Adjusted Portfolio Platform
- Due to recent interpretations by the SEC Staff regarding when an adviser is deemed to have custody, MM has updated Item 15 of this Brochure to include certain disclosures required when an adviser is deemed to have custody.

You may obtain a copy of our Brochure at any time, without charge, by contacting Dan List, Chief Compliance Officer, by phone at 513-204-8000, or by email at [dan.list@matsonmoney.com](mailto:dan.list@matsonmoney.com). You may also obtain our Brochure on our website [www.matsonmoney.com](http://www.matsonmoney.com), free of charge.

Additional information about Matson Money is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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#### **Item 4 – Advisory Business**

Matson Money, Inc. (“Matson Money,” “us,” or “we”) provides asset allocation investment advisory services. We also provide educational and training programs and materials through our affiliate, McGriff Video Productions, LLC (“McGriff”). In addition, we provide some of our advisory services under the name “Dressed to Invest.” This Brochure primarily describes our main business, which is providing asset allocation investment advisory services through unaffiliated registered investment advisers, their investment advisory representatives or registered representatives of dual registrant broker-dealers who solicit clients for Matson Money. Matson Money (f/k/a Matrix Asset Allocation and/or Abundance Technologies, Inc.) has been operating as an investment adviser since 1991, and is principally owned by Mark Matson.

We provide asset allocation investment advisory services to individuals, high net worth individuals, pension and profit-sharing accounts, corporations and other business entities (collectively, “Clients”). We also manage six series of a no-load, open-end investment company, more commonly referred to as a mutual fund, registered as “The RBB Fund, Inc.” under the Investment Company Act of 1940, as amended (“Company Act”). The three series first managed by Matson Money are registered under the name “Free Market Funds” (referred to in this Brochure as the “Free Market Funds”). The three series comprising the Free Market Funds are: Free Market U.S. Equity Fund, Free Market International Equity Fund and Free Market Fixed-Income Fund. More complete information about the Free Market Funds is available in the prospectus, which we are happy to provide upon request. The Free Market Funds are used as investment options in two of the three asset allocation advisory programs we provide to our Clients, as described below.

The other three series managed by Matson Money are registered under the name “Matson Money” and are offered solely to separate accounts of participating life insurance companies for the purpose of funding variable annuity contracts and variable life insurance policies. These three series are based on the same investment strategy as the older funds and operate under the names Matson Money U.S. Equity VI Portfolio, Matson Money International Equity VI Portfolio and Matson Money Fixed-Income VI Portfolio (referred to in this Brochure as the “Matson Money Funds”). Collectively, the Free Market Funds and the Matson Money Funds are referred to in this Brochure as the “Matson Funds” or the “Funds”.

Shares of each series are offered by prospectus only. None of the series’ shares are offered directly to the general public since the series underlying the insurance products are sold only in connection with participating life insurance companies and the Free Market Fund series are sold only to account holders of Matson Money managed accounts as discussed below. All of the series’ shares are “no load” fund products, meaning no sales charges are imposed. Matson Money is paid only for its investment management services with respect to the Funds.

#### *Advisory Services*

Our asset allocation services involve recommending and allocating Client assets, primarily on a discretionary basis and usually among various mutual funds, especially among the Funds that we advise. Unaffiliated cash sweep vehicles may be used as appropriate. A portion of certain Clients’ advisory accounts may also be invested in variable annuities or other insurance products. See discussion of the Matson Fund Platform, below. The Matson Money Funds for insurance policies

are offered by TIAA-CREF through its Intelligent Life Variable Annuity and Variable Universal Life policies. Clients eligible to purchase variable insurance products that invest in shares of a Matson-managed insurance fund may obtain access to the Matson Money Funds through these products. Matson Money does not “double dip” advisory fees as discussed in Item 5, below.

We offer our asset allocation services through three separate programs. Matson Money’s advisory services are marketed almost exclusively by solicitors or co-advisers (collectively termed “Referrers” in this Brochure). All Referrers are independent of and unaffiliated with Matson Money and must be separately registered to provide their nondiscretionary advisory services to our clients. Co-advisers, who are permitted to be signatories to Matson Money’s tri-party client agreement, are required to be federally or state registered either as investment advisers, dual registrant broker-dealers and investment advisers or advisory representatives of such registrants. Each registered co-adviser is responsible for the supervision and control of its own investment adviser representatives. Referrers registered solely as broker-dealers (“B-D”) or B-D registered representatives typically function as solicitors under a separate agreement. Solicitor representatives are subject to the supervision and control of their registered B-D. In some cases, Co-advisers and/or Co-adviser representatives who are affiliated with state-registered investment advisers may be required to register as an investment adviser representatives (“IARs”) of Matson Money where the state has defined an IAR to include persons who solicit or sell investment advisory services on behalf of the federally-covered investment adviser firm. This status as an IAR does not modify the above relationship—Matson Money remains unaffiliated with the Co-adviser and/or your Co-adviser Representative, and Matson Money and the Co-adviser/Co-adviser Representative are separate unrelated entities.

No Referrer is an employee of Matson Money. Referrers’ relationships with Matson Money are not exclusive, meaning that they may have clients that they refer to other managers or whose accounts they manage on their own. Since we have no contact with a Referrer’s prospect until such time as a referral is made, Referrers are responsible for determining that Matson Money provides a suitable advisory program for the prospect’s needs. However, Matson Money is responsible for considering whether the particular Matson Money investment program selected by a Client is suitable based on the Client’s age, risk tolerance and time horizon in relation to the Client’s stated investment objective.

Matson Money enters into agreements with each Referrer or firm employing the Referrer under which the Referrers recommend us to their clients. Each Referrer is required by this contract to, among other things, maintain direct contact with the Clients they refer to us. This direct contact involves a variety of services. First, all Referrers are responsible for collecting and periodically updating information about Clients’ investment objectives, risk tolerance, financial situation, time horizon, current investments, and personal financial goals in the form of a questionnaire (“Questionnaire”). Each Client is required to complete a Questionnaire with the advice and assistance of a Referrer.

In addition, our Referrers are expected to handle day-to-day direct interaction with Clients. Matson Money generally communicates directly with clients only in unusual circumstances, such as following up on suspicious transactions to enhance security, responding to complaints, notifying a Client of the termination of a relationship with the Client’s Referrer or resigning as discretionary manager to the Client’s account. Referrers are expected to respond to a wide range of common

Client inquiries involving their accounts and the services provided by Matson Money. Routine Client inquiries, not constituting complaints, which relate to day-to-day administration of a Client's account, are primarily handled by Referrers. Routine questions include, but are not limited to: billing and fee inquiries; account balance and/or cost basis; quarterly statement questions, account performance/performance benchmark questions; requests to discuss changes to portfolio objectives; inquiries about opening additional accounts, transferring in additional money from outside accounts, moving money between accounts; contribution limits for 401K, Roth or traditional IRA; and requests for information on obtaining copies of statements or tax documents.

While Referrers are Clients' first-line contact for account administration, to the extent that Clients wish to express a complaint, either about their Referrers or about Matson Money, such complaints may be addressed directly to Matson Money or to their Referrers. In the event that Referrers receive Client complaints, they will be instructed to forward to Matson Money's Chief Compliance Officer ("CCO") a copy of any complaints to be included in Matson's Client complaint log. To the extent appropriate, Matson Money will respond directly or assist Referrers in responding to such complaints. Referrers will be required to provide us a copy of any written responses they send in response to such complaints.

Both Matson Money and its Referrers have the right to resign from the management of any Client account as contractually agreed and Matson Money has the right to terminate its relationship with a Referrer under certain circumstances as outlined in the master co-advisory agreement and Client contracts. Other than accounts of employees, former employees, Referrers and certain family members or relationships of such Clients, Matson Money does not generally manage accounts for Clients in the absence of a Referrer relationship; however, Matson Money will, if requested, provide names of Referrers in or near a Client's locale for the Client to consider if a Client wants Matson Money to continue managing an existing account. Clients of terminated Referrers are provided by contract with a period of time to select and contract with a new Referrer should they wish to remain our Clients. Client accounts remain open and under management during this transitional period unless Clients instruct us otherwise in writing.

### **Matson Money Advisory Programs**

Our three advisory programs are: (1) the Matson Fund Platform; (2) the Frontier Adjusted Portfolio Program; and (3) Private Account Asset Allocation. Under the Matson Fund Platform, we invest Client assets primarily through the Free Market Funds and may also invest in variable insurance products the underlying investments of which are the Matson Money Funds. Under the Frontier Adjusted Portfolio program, Client assets are generally allocated to any one or a combination of the three affiliated Free Market Funds and participating Client portfolios are required to be adjusted annually to reduce their risk profile over time. In Private Account Asset Allocation, Client assets are primarily allocated within a family of no-load mutual funds managed by Dimensional Fund Advisors, LP ("DFA"), an unaffiliated, registered investment adviser. DFA mutual funds are generally not available to individual investors with small accounts except through the services of an investment adviser like Matson Money.

#### **1. The Matson Fund Platform – Platform Advisory Service**

We use the Questionnaire, described above, to assign each Client account to one of the following eight “model portfolios,” with target underlying asset allocations noted alongside:

<u>Model Portfolio</u>	<u>Asset Allocation</u>
Aggressive Growth	95% equities / 5% fixed income
Long-Term Growth	85% equities / 15% fixed income
Long-Term Growth	75% equities / 25% fixed income
Balanced Growth	60% equities / 40% fixed income
Balanced Growth	50% equities / 50% fixed income
Balanced Growth	40% equities / 60% fixed income
Income & Growth	25% equities / 75% fixed income
Fixed Income	0% equities / 100% fixed income

Certain clients utilizing Trust Company of America as custodian may select an investment strategy and asset allocation utilizing the Questionnaire above, and Matson Money will assign each Client account to one of its four investment strategies. Matson Money’s four investment strategies, with target asset allocation ranges, are:

<u>Investment Strategy</u>	<u>Asset Allocation</u>
Aggressive Growth	Between 86% and 95% Equities, remainder in Fixed Income
Long-Term Growth	Between 66% and 85% Equities, remainder in Fixed Income
Balanced Growth	Between 33% and 65% Equities, remainder in Fixed Income
Income & Growth	Between 0% and 32% Equities, remainder in Fixed Income

Each model or investment strategy corresponds to one or a combination of investments in Free Market Funds or Matson Money Funds, depending on whether or not an insurance separate account is involved, in percentages determined by Matson Money. Clients determine their investment objectives and most appropriate investment strategy combination through the Questionnaire process with their Referrers, but are not otherwise permitted to impose restrictions on their accounts given that the accounts are invested in mutual funds subject to their own inherent investment restrictions.

Each Fund we manage is a “fund of funds” that invests primarily in shares of other mutual funds pursuant to exemptive relief from the SEC and may also invest in Exchange Traded Funds (“ETFs”). The Funds are designed to target specified percentages of certain asset classes in each Fund’s applicable investment category to seek maximum portfolio diversification, enhanced return opportunities and diminished portfolio volatility.

Clients who participate in the Matson Fund Platform may invest all of their assets through a single account invested in the Free Market Funds in accordance with one of the investment strategies listed above; or, a single account invested in a variable insurance product which reflects a very similar image of the selected strategy by investing in the Matson Money Funds in the approximately the same percentages as a non-insurance account would be invested in Free Market Funds; or, clients may divide their assets into two accounts, one of which invests in a Free Market Funds strategy and the other of which invests in a variable insurance product similar to the selected strategy. For example, a Client who has selected a 50%-50% Balanced Growth model or investment strategy would hold approximately the same percentages of the Matson Money Funds invested inside the similar insurance account as would be invested in an account with the same investment objective that holds shares of the Free Market Funds. As a result, a Client's total assets will remain invested in essentially the same manner and in approximately the same percentages dictated by the Client's selected portfolio whether the assets are invested solely in Free Market Funds, solely in a variable insurance product invested in the Matson Money Funds or in a combination of Free Market Funds and a variable insurance product invested in the Matson Money Funds. Of course, Clients may have additional accounts for trusts, IRAs or other personal planning purposes which implement any of the investment strategies or variable insurance product accounts discussed above.

Clients that wish to participate in the Matson Fund Platform may enter into a tri-party agreement with us and a co-adviser. Under these agreements, Matson Money is the only discretionary adviser to your account. We are granted discretionary authority to invest Client assets in the Funds based on Client responses to the Questionnaire and to use temporary cash sweep vehicles as appropriate. The co-advisers serve as nondiscretionary advisers to the Clients they refer to us. The tri-party agreement covers the relationship between and among Matson Money, the co-adviser and you. Since many co-advisers are state registered and subject to the investment adviser laws of their state of registration, some Clients are required to execute an addendum to the standard tri-party agreement. The various state addenda contain language required by certain state regulators and are generally intended to clarify or maintain certain Client rights under applicable state law.

Referred Clients may already be clients of a co-adviser and it is the co-adviser's decision whether Matson Money or another advisory firm is suitable to manage their investment accounts. After making this decision and the referral, co-advisers assist Clients in completing the Questionnaire and answer Clients' portfolio and asset management questions as they arise. Co-advisers accept primary responsibility for counseling Clients with respect to quarterly statements received from Matson Money, and the progress Clients are making towards their financial goals. In addition, co-advisers have the authority to terminate their relationship with Clients and Matson Money under the tri-party agreement.

Clients of solicitors complete the Questionnaire with their solicitor and receive a solicitor's disclosure document as described more fully in Item 14, below. While solicitors also accept primary responsibility for counseling clients on their financial goals and portfolio results, they do not enter into tri-party agreements with Matson Money Clients. We enter into separate, bi-party discretionary agreements with these Clients.

Unless directed otherwise by the Client, we begin managing a Client's account — *i.e.*, performing the asset allocation and investing in Free Market Fund shares or Matson Fund variable insurance

products — as soon as sufficient assets are received by the custodian selected by the Client. Although Clients may deposit freely-tradable securities in their accounts to meet the minimum account size, we will liquidate those securities positions and invest the proceeds in securities matching the Client's investment strategy. There are likely to be tax consequences associated with this liquidation and reinvestment process. Clients should consult with their tax professionals before depositing securities in accounts we manage on their behalf.

As noted in Item 13, below, each Client's portfolio is reviewed quarterly and rebalanced as appropriate. In addition, we may determine to re-optimize or change asset allocations at any time for various reasons. Rebalancing or reallocation of a Client's assets may involve transaction charges imposed by the custodian or tax consequences.

## **2. Frontier Adjusted Portfolio Program**

Frontier Adjusted Portfolios are based on Clients' expressed risk tolerance and time horizon as communicated to their Referrers. They are not "target date" portfolios based solely on a Client's current age and projected retirement date. Clients enter the program by choosing a starting portfolio in consultation with their Referrers. The starting portfolio may be any one of the investment strategies described above under the Matson Fund Platform discussion, so long as the starting equities percentage is at least 15%. However, Frontier Adjusted Portfolio Program Clients are not currently eligible to invest in the variable insurance products that invest in the Matson Money Funds. The various investment strategies from among which Clients may choose vary based primarily on risk characteristics defined as the amount of exposure to equity (greater risk) or fixed income (lower risk) securities.

Clients must also choose an ending objective which may be any lower risk portfolio than their starting portfolios. Although not available as a starting objective, your ending objective may consist of one hundred percent fixed income securities. No matter which portfolio is initially chosen, equity exposure will be adjusted downward once every year until an ending objective is reached over the Client's specified time horizon. Clients select in advance how much they want to reduce their risk over time and Matson Money determines the amount of the annual increments needed to achieve the client's goal, but accounts participating in the program cannot be moved downward less than 1% nor more than 5% per year. Accounts can only move from aggressive to conservative (*i.e.*, down the risk scale, not up).

All participating accounts will be adjusted downward once a year unless the Client instructs us to hold his or her account at its then-current allocation. We will provide notice to Clients before every annual adjustment in the Client's fourth quarter report. Under normal circumstances, we expect all annual adjustments to take place during the first quarter each year, unless instructed by the Client to hold at the then-current allocation or terminate participation in the program. We expect to trade all participating Client accounts during the same general time period.

If a Client experiences a life-changing event, the Client may opt to end the adjustment process and hold the account at the then-current allocation. Moreover, Clients should be aware that the Frontier Adjusted Portfolio Program does not guarantee that the Client will have sufficient retirement income before or after reaching the ending objective. As with all investment strategies, Clients may lose money. Use of the Frontier Adjusted Portfolio Program does not eliminate the Client's

need to decide, before investing and from time to time thereafter, whether the Frontier Adjusted Portfolio Program fits his or her financial situation, investment objectives, and tolerance for risk. Clients should also note that transitioning to a more conservative portfolio (even a portfolio consisting of one hundred percent fixed income securities) does not eliminate the risks normally associated with investing. All investments have some level of risk, and although bonds and other fixed income securities are generally considered to be less risky than stocks, some types of bonds may be riskier than stocks. At any time, a Client may terminate the Frontier Adjusted Portfolio Program and may choose to enter the Matson Fund Platform described above. For the same reason discussed in the Matson Fund Platform above, Clients determine their investment objectives and most appropriate portfolio combination through the Questionnaire process with their Referrer, but are not otherwise permitted to impose restrictions on their accounts.

### **3. Private Account Asset Allocation Program**

The Private Account Asset Allocation Program is currently available only to Clients who have certain unaffiliated variable annuities and to Clients of certain Referrers in our sole discretion. In this program, we construct standard investment portfolios for asset allocation consisting primarily of shares of various DFA no-load mutual funds. We identify Clients' investment objectives based on the Questionnaires described above, and, as currently managed, each Client account is generally assigned to one of the eight standard portfolios outlined in the Matson Fund Platform above, although older accounts may have different configurations. However, in the Private Account Asset Allocation Program, each model portfolio typically represents direct investments in anywhere from 8 to 15 different DFA mutual funds, rather than shares of the Free Market Funds or variable insurance products with underlying investments in the Matson Money Funds. Most of the DFA mutual funds we select are structured portfolios that invest in securities comprising a particular index, asset class or segment of the market and are not actively managed. However, we may purchase actively managed funds for Clients whose investment choices are limited due to their custodial or brokerage arrangements.

Within the parameters of each model portfolio, we take into account the Client's investment objectives, investment restrictions and financial situation and may substitute different funds for certain accounts based on such Client information. Clients are permitted to impose reasonable restrictions on the management of their accounts. Clients should inform us if any changes occur in their investment objectives, financial situation, or if they wish to impose reasonable restrictions.

When imposing reasonable restrictions for their accounts, Clients may request that particular securities or types of securities not be purchased, or that such securities are to be sold if held in the account. However, Clients cannot request that particular securities be purchased for their accounts. Moreover, Clients should note that it is not possible for us to influence or change the mix of portfolio securities held by any underlying mutual fund, variable insurance product or other pooled investment in which Client accounts may be directly or indirectly invested. Restrictions may be requested only at the Client portfolio level, *i.e.* whether or not the Client's portfolio may hold a specific fund, not with respect to any investments held inside a fund. We reserve the right, in our sole discretion, to reject any account for which unreasonable or overly restrictive conditions are requested. With very rare exceptions (pursuant to Client requests), securities held in a Client portfolio will not be placed or traded on margin. In addition, for accounts with managed assets under \$50,000, we may purchase shares in as few as 1-5 funds per account rather than 8-15 funds.

As noted in Item 13 below, each Private Account portfolio is reviewed quarterly and rebalanced as appropriate. In addition, we may determine to re-optimize or change asset allocations at any time based on economic research concerning the correlation between various asset classes or for other reasons. Rebalancing or reallocation of a client's assets may involve transaction charges imposed by the custodian or tax consequences.

### **Custodial Arrangements for All Matson Money Advisory Programs**

With respect to custodians, we have selected and periodically review certain custodians to provide custodial account services to our Clients. We conduct periodic due diligence reviews on the recommended custodians as discussed in Item 12, below. As a result, the recommended custodians may change from time to time. However, Clients should understand that we will limit their custodial options to those custodians with whom we have entered into arrangements to service our advisory programs.

Clients must open their custodial accounts with one of the custodians we have selected. Their choices may depend on whether or not their accounts are subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). We generally request that Clients with non-ERISA accounts custody the assets we will manage with either Trust Company of America ("TCA") or Charles Schwab Company ("Schwab"). Clients participating in the Private Account Asset Allocation Program must custody assets to be managed by us with TCA or Charles Schwab. For these Clients, we typically purchase shares of DFA mutual funds and other investments through the broker-dealers affiliated with these custodians. Matson Money is also working on establishing relationships with Pershing Advisor Solutions LLC, and its affiliate, Pershing, LLC, to provide custodial services for non-ERISA accounts. Please see Item 12, below, for information on the custodians' affiliated executing broker-dealers.

For Client accounts subject to ERISA, assets must generally be custodied at TD Ameritrade Trust Company ("TD Ameritrade") or Charles Schwab Trust, and either ASPIre or Alliance Benefit Group must serve as their recordkeeper. Some existing Clients may use Professional Capital Services ("PCS"), a former Matson Money ERISA recordkeeper and account administrator. Additionally, 401(k) accounts may select Trust Company of America (TCA) as their custodian and recordkeeper. In addition to FPS Trust who has partnered with TSA Consulting Group for an additional option for 403(b) and 457 accounts. For 403(b) accounts as well as some 401(k) accounts, clients may select MG Trust as the custodian and ASPIre as their recordkeeper. In addition to participating in the 403(b) markets of states that do not require pre-approval, the Free Market Funds have been approved by the states of California and Texas to serve as investment vehicles for the 403(b) plans of state and local government entities organized in those states.

We generally begin investing assets transferred to Client accounts as soon as sufficient assets are received by the custodian. Although Clients may deposit freely-tradable securities in their accounts to meet the minimum account size, we will liquidate those securities positions and invest the proceeds in securities matching the Client's investment strategy. There may be tax consequences associated with this liquidation and reinvestment process. Clients should consult with their tax professionals before depositing securities in accounts we manage on their behalf.

We may use cash sweep vehicles sponsored by any of the approved qualified custodians, or their affiliates, to the extent we believe such use to be appropriate. In deciding which custodian or affiliated brokerage firm to select, Clients should recognize, as noted throughout this Brochure, that the custodians and/or their affiliated broker-dealers may provide benefits to us. Please see Items 12 and 14, below, for additional information.

We have reviewed and selected the custodians identified above, which also have affiliated broker-dealers, for use by our Clients, but we are not affiliated with either the custodians or their affiliated broker-dealers. Clients' relationships with their custodians include the authority to request distributions from or to liquidate the custodial account. As an unaffiliated, non-custodying adviser, Matson Money is not a signature guarantor. In addition, as a non-custodying adviser, we are only authorized to direct a Client's custodian to purchase investments in exchange for assets held in the account, exchange assets held in the custodial account for other investments we discretionarily recommend, or sell securities in the account in exchange for cash. We cannot direct your custodian to distribute assets in your account for any other reasons without your express approval.

Matson Money does not obtain or accept any Client's custodial account log in credentials or password information and strongly advises Clients against providing such information to any Referrer. Providing this information to your Referrer would give your Referrer direct access to the assets in your account and could facilitate misappropriation. Matson Money is not responsible for any losses you may suffer as a result of giving such information to your Referrer. However, Matson Money requires Referrers to certify annually that they have neither requested nor received Client authorization to access any Client account, do not have any Client's custodial account log ins or passwords and have not made or attempted to make transactions in Clients' accounts.

In order to heighten the security of Client assets, Matson Money has a policy against facilitating requests, either from Clients or their Referrers, to transfer your account assets from your custodial account to any party other than you at your address of record or to transfer your assets to an account in your name at another custodial institution once you have provided us with documents from the new custodian signed by you. Clients may, of course, contact their custodians directly to facilitate transfers, distributions or liquidations from their custodial accounts. Clients making such requests should notify us of any assets being removed from their Matson-managed portfolios to avoid the possibility that Matson Money invests assets intended for transfer.

To further increase the security of Client accounts, Matson Money has implemented additional custody procedures. If a custodian contacts us about an unverifiable or suspicious request to distribute assets from a Client account, our Operations Department will contact you directly by phone at your phone number on record with Matson Money to confirm that you actually requested the transaction. The Operations Department will attempt to confirm that the person called is the account holder. Methods of verifying account holders will vary depending on whether or not Clients have voluntarily elected to participate in Matson Money's investor website. For Clients with investor website logins, the verification process will use the account verification questions and answers chosen by the clients for website access. For Clients who do not have investor website login credentials, we will use some combination of questions from various personal data previously provided by the Client.

If a suspicious withdrawal request is properly confirmed, you will be asked either to submit freshly executed paperwork directly to Matson Money, not the Client's Referrer, or to contact the custodian directly. We will provide Clients with contact information for the custodian. If you disavow knowledge of the suspicious withdrawal request, the Operations Department will notify the CCO. The CCO or his designee will be responsible for notifying the custodian not to process the transaction. In addition, if a disavowed withdrawal request originated from your Referrer, the CCO or his designee will be responsible for following up with the Referrer to inquire about the source of the withdrawal request and for making a determination of whether other client accounts represented by the same Referrer have recently experienced disavowed withdrawal requests.

These procedures apply to unverified or suspicious transactions involving Client requests to withdraw assets, initiate a systematic withdrawal plan ("SWP") or alter a currently effective SWP amount, but do not apply to monthly or other periodic payments made to Clients by custodians under an established SWP, because these transactions are between the Client and the custodian and do not involve Matson Money. In addition, these procedures are inapplicable to withdrawals designed to transfer client assets from an existing account to another existing account in the same Client's name, such as an IRA or SEP-IRA, since such transfers cannot result in depriving Clients of their assets.

### ***Educational Products***

We also sell educational and client coaching products to Referrers. These products include pamphlets, books, audio compact disks, DVDs and downloadable audio and/or video files. Referrers are required to attend Matson Money-produced training conferences, some of which rely on these educational products. The fact that Referrers are required to attend training sessions and read Matson Money materials does not prevent them from attending training sessions produced by other firms or from referring prospects to other investment advisers.

In addition to our primary business, we publish investor education materials through our affiliate, McGriff. These materials are sold both to the general public and to persons being trained to solicit advisory clients for us. In particular, McGriff publishes "*Main Street Money: How to Outwit, Outsmart, and Out-invest Wall Street's Biggest Bullies*," written by Mark Matson, CEO of Matson Money, which is available to the general public and, among other things, describes the Matson Money investment philosophy.

### ***Matson Money Blue©, an eMoney-hosted Data Consolidation Platform***

Matson Money provides Clients with on-line access to their Matson Money account statements and other Client account information. In addition, Matson Money also provides, through eMoney Advisor, LLC ("eMoney"), its Matson Money Blue© service, a web-based platform for the consolidation and maintenance of personal financial information, including bank, brokerage, insurance and managed account statements plus legal documents like wills, trusts, guardianship and other materials, in a single location. As noted on its website, eMoney provides financial advisers and their clients with "Client data aggregation, needs-based analysis, online document storage, and marketing communication tools" all in a single platform. <http://emoneyadvisor.com/emacorp/360.aspx>. Referrers may choose to access Matson Money Blue© by reimbursing Matson Money for access to the platform at a reduced rate from revenues

received for managing Client accounts. In either case, Clients of Referrers who participate in the program will have free access to their own data storage space with no increase in existing advisory fees. Referrers who do not choose to pay for access themselves either by reimbursing Matson Money for reduced rate access or purchasing their own access directly from eMoney will not be able to provide their Clients with access to Matson Money Blue®. In order to use the platform, Clients and Referrers must enter into a standardized written Terms of Service Agreements with eMoney. This program creates an inherent potential conflict of interest as a result of Referrers' ability to see a complete picture of each participating Client's assets, including potential access to Clients' nonpublic personal information. See Item 11, below, for a discussion of the potential conflicts. In addition, Matson Money warns Clients not to provide Referrers with their personal log in or password credentials for this platform or for any asset-bearing account the statements for which may be stored on the platform.

Clients who choose to participate in the data storage platform should understand that Referrers who leave the Matson Money program, whether voluntarily or involuntarily, will not be permitted to access or move any Client data upon termination. Clients whose Referrers leave the Matson Money program will be able to continue to access their stored data as long as they remain Clients of Matson Money by entering into a relationship with a new Referrer. Clients who choose to terminate their relationship with Matson Money at any time for any reason may seek continued access to their data directly from eMoney. Since the data platform is maintained by eMoney, not by Matson Money, we are unable to provide either electronic or hard copy downloads of documents to former Clients. However, it is Matson Money's understanding that eMoney will, upon written request from a Client, transfer Client's stored data electronically to another money manager if such manager has entered into an agreement with eMoney to provide its own clients with a data storage platform, and such data is still stored by eMoney. If no such relationship exists, we understand that eMoney will provide former Clients with a hard copy of their personal data upon written request in accordance with applicable law assuming that the information is still stored on the eMoney platform. However, Matson Money will not be responsible for any fees associated with former Clients' requests to eMoney to move their stored documents, whether in electronic or hard copy format, upon termination of their relationship with us.

#### *Other Information*

As of February 28, 2018, we had \$8,671,886,749 in assets under management, all of which we advise on a discretionary basis. To avoid the appearance of double counting assets undermanagement, this figure does not include direct assets under management for the registered investment companies ("RIC") Matson advises, and which are included on the Form ADV Part 1, Item 5(D)(3).

From time to time, Clients may decide to hold certain securities or other property for which we do not provide investment advisory services ("Unsupervised Assets") in their custody, brokerage or managed accounts. We may request that any Clients doing so confirm in writing the identity of any Unsupervised Assets. We do not provide investment advisory services of any kind with regard to Unsupervised Assets and we assess no investment advisory fee even if the Unsupervised Assets are held in an account intended to include managed assets only. Once a Client has designated any assets as unsupervised, we will have no duty, responsibility or liability with respect to the Unsupervised Assets and will not take the Unsupervised Assets into consideration when managing

the portion of the account for which we provide discretionary or non-discretionary investment advice.

Throughout this Brochure, we disclose a number of conflicts of interest and provide summaries of a number of our policies and procedures designed to detect and address these conflicts and others. Clients and prospective clients may inquire directly with us about our conflicts. Our compliance policies and procedures are available for review in our offices. In addition, specific risks related to the Funds are also identified in their prospectus and statement of additional information. The most recent versions of the fund documents are available online at: <http://hosted.rightprospectus.com/MatsonMoney/>.

### **Item 5 – Fees and Compensation**

Clients are assessed fees at different levels and in different ways depending upon the program(s) in which they participate.

#### *Matson Fund Platform & Frontier Adjusted Portfolio Platform*

Clients participating in the Matson Fund Platform and the Frontier Adjusted Portfolio Platform ultimately bear all Fund-related fees and expenses, including brokerage fees and operating expenses, as well as the expenses derived from the underlying mutual funds in which the Free Market Funds or Matson Money Funds invest. Assets invested in shares of the Funds are subject to embedded advisory and other fees and expenses, as set forth in the prospectus. These fees are paid by the Funds, but ultimately borne by investors. We receive a maximum annual fee rate of 0.50% on each Fund's average daily net assets as described in the prospectus. As funds of funds, the Matson Funds invest in shares of other registered investment companies. Advisers to the underlying funds, including DFA, are paid an advisory fee by each underlying fund they manage. Thus, Clients bear their asset-based share of the fees and expenses of each underlying fund as well as of the Free Market Fund series or Matson Money Fund series in which their assets are invested. Neither we, nor any other party, receive a sales load in connection with Client investments in the Funds. Matson Money does not "double dip" advisory fees, meaning that Clients do not pay Matson Money any separate advisory fee above or beyond the fees embedded in the Funds to participate in the Matson Fund Platform or the Frontier Adjusted Portfolio Platform.

However, Clients do pay fees to Referrers separate and apart from the fees and expenses associated with the Funds. Historically, these fees generally ranged from 0.25% to 1.4% of client assets under management, however, Matson Money has reduced the maximum allowed fee for all new clients to 1.2% of client assets under management moving forward. This fee is agreed to either in the co-adviser's tri-party contract or the separate Matson Money contract for solicited clients. These fees are charged quarterly in advance.

For non-ERISA accounts, we typically automatically debit 100% of the advisory fees from the Client's account and pay that amount to the Referrer. We comply with the requirements of the Custody Rule, Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended ("Advisers Act") with respect to automatic deduction of advisory fees. We are also willing, upon request, to accept agreements under which the Client pays its advisory fee directly to the Referrer. Such an arrangement may be made between the Client and the Referrer, with notice to us. This fee

compensates the Referrer for maintaining the Client relationship, ensuring that the Questionnaire remains up-to-date, and responding to Client inquiries. Although we may collect fees for and remit fees to Referrers, we do *not* retain any portion of the fee paid, directly or indirectly, to the Referrer. Clients who invest in the Free Market Funds or insurance policies invested in the Matson Money Funds through different Referrers may pay lower fees to their Referrer than other Clients who invest in the same Funds.

For ERISA accounts, the advisory fee is typically debited by a third-party custodian selected by the plan and may be paid directly to the Referrer. We do *not* receive any portion of the Referrer's fee on ERISA accounts and we do *not* debit the fee from the accounts. However, we do instruct the custodian on the amount to be debited.

#### *Private Account Asset Allocation*

Private Account Asset Allocation Clients pay fees generally in line with the following representative fee schedule. Fees on Clients over \$1 million may be negotiable, and fees for Clients of \$1 million or less, and the timing of payment, may be negotiable under special circumstances in our discretion.

<u>Assets Under Management</u>	<u>Annual Rate</u>
First \$500,000	2.00%
Next \$500,000	1.00%
Next \$3 million	0.75%
Over \$4 million	0.50%

In the Private Account Asset Allocation Program, we sometimes enter into arrangements to manage the accounts of Referrers and their immediate families for reduced fees, based on the amount of assets a Referrer has referred to us. We also provide our Private Account Asset Allocation investment advisory services to Referrers at low or no cost to themselves and at reduced costs to family members. Specifically, if a Referrer referred at least \$20 million in client assets to us, we would manage the Referrer's account at no charge and would charge 0.5% on all assets under management in the accounts of the Referrer's immediate family. At this time, we offer the Private Account Asset Allocation Program only on a very limited basis as described above. However, Referrers already participating in the program or whose accounts fall within the new limitations may still participate. We may change the amount of the reduced fee and may alter the amount a Referrer must refer in order to receive free services and reduced fees for members of his or her immediate family.

Lower fees for comparable services may be available from other sources. Some Clients may pay lower fees than the fees stated above for the same services. Also, some accounts may be under historically different fee arrangements than the representative fee schedule set forth above.

#### *General Information Applicable to Fees*

Whether calculating Referrers' fees under any program or Matson Money's fee under the Private Account Asset Allocation program, calculations are based on the value of your assets under management by Matson Money. For purposes of calculating your fee, we value publicly traded

securities at the current market price, and value annuities and life insurance contracts at their accumulated value.

Clients and Referrers should note that referral fees cannot be adjusted upward as a result of an existing Client's decision to participate in Matson Money Blue© after the Client's Referrer decides to access the program. However, Referrers may decide to charge prospective Clients higher advisory fees than other Referrers charge similarly situated Clients in order to recoup their eMoney access fees prior to entering into an investment management agreement. In no event, however, may any Referrer charge more than the maximum Referrer fees established by Matson Money for any of our advisory services as disclosed in this Brochure.

All fees collected by us, whether for Referrers or for Matson Money, are payable quarterly in advance in increments of one-fourth the annual rate. Fees are generally based upon the value of an account as of the last business day of each quarterly period. However, when a Client adds assets to, or withdraws assets from, an account during the quarter, we refund a portion of your fee for withdrawals (on a prorated basis) and we charge an additional fee for additions to your account (also on a prorated basis). We will make any applicable refunds or collect additional fees within 90 days of our receipt of notice of each withdrawal or addition.

A Client's initial fee is based on the value of the account at the time of inception of our relationship with the Client and is prorated for the number of the days remaining in that quarter. In calculating the initial fee, we consider the inception date to be the date(s) a Client's assets first become available for us to manage. Sometimes, a new Client's assets become available for us to manage on various dates during the first quarter. This can happen, for example, due to difficulties in transferring assets to a new custodian. In these instances, we charge an initial fee at the time of each contribution, prorated from the date the contributed assets become available until the end of the quarter.

**Example:** If a portion of an account's assets become available for management on December 15 of a given year and another portion of the account's assets become available for our management on February 15 of the following year, we will base our first fee on the value of the assets placed under management on December 15 and prorate that amount for the fifteen days remaining in the quarter. We will charge an additional fee on assets placed under management on February 15 and prorate that fee for the 45 days remaining in that quarter. Thus, during the first quarter of the following year, the account will be paying a fee for the entire quarter on the value of the assets under management on December 31 of the prior year, and a prorated fee on the additional assets from February 15.

Our standard client agreements generally include authorization allowing Matson Money to automatically deduct fees, whether for us or for your Referrer, from your custodial account. However, Clients may pay fees directly by check or credit card in our discretion. Fees are payable within thirty days of receipt of an invoice.

Under most circumstances, the terms of a Client's variable annuity or insurance investment do not permit withdrawal of fees from the Client's variable annuity or insurance investment account. In these circumstances, we request that the Client: (1) open a separate account at the Client's

custodian, designating us as the discretionary manager, with sufficient assets to cover billing for the variable annuity or insurance investment(s) we manage; and (2) authorize payment of our fees for managing the variable annuity or insurance investment(s) from this separate account. This account is treated as a related, fee-based account and managed pursuant to our asset allocation methodology. The fee charged to this related account includes the asset value of the variable annuity or insurance contracts even though these assets are not technically in the account. Clients of the Matson Fund Platform whose insurance investments include the Matson Money Funds are not billed a Matson advisory fee on the portion of insurance so invested, but are billed Referrer fees on the value of such assets. Fees charged to the account where such assets actually reside is reduced by an equivalent amount. Similarly, with client authorization, we will agree to bill fees owed by IRA accounts to related non-IRA accounts. Assets in all related accounts are stacked for purposes of attaining fee breakpoints across all related accounts.

For all Matson advisory programs, assets invested in mutual fund shares, including shares of the Matson Funds, or other commingled investment vehicles such as ETFs, variable annuities or money market funds, are included in calculating the value of the account for purposes of computing Referrers' fees. The same assets are also subject to additional advisory and other fees and expenses, as set forth in the prospectuses of those mutual funds or other commingled investments. These additional fees are paid by the investment vehicle, but ultimately borne by investors. For Clients of the Matson Fund Platform and the Frontier Adjusted Portfolio Program, Clients' advisory fees, none of which are retained by Matson Money, are intended to compensate Clients' Referrers. However, Clients also pay the advisory fees embedded in each mutual fund or commingled investment vehicle, including the advisory fee embedded in the Matson Funds, which is intended to compensate the managers of the funds. Thus, Clients, in effect, pay two levels of advisory fees. For Clients of the Private Account Asset Allocation Program, a portion of the advisory fee charged by Matson Money is retained by Matson Money. However, to the extent that we invest any Private Account Asset Allocation Client's assets in shares of the Matson Funds, we do *not* "double dip", or include those assets, when calculating Matson Money's portion of the Client's Private Account Asset Allocation advisory fee.

#### *Educational Products and Other Advisory Services*

The educational and client coaching products that we sell to Referrers may cost up to \$10,000. Fees include training courses for Referrers associated with their participation as co-advisers or solicitors in the Matson Money advisory programs, some of which are required by Matson Money prior to permitting participation as a Referrer.

#### *Additional Expenses*

Our fees do not include brokerage commissions, transaction fees, custodial fees, fees associated with underlying products such as mutual funds (including the Funds) or ETFs held in Client accounts, and other related costs and expenses, all of which are incurred by the Client. Please refer to Item 12, below, for additional information regarding the factors we consider in selecting broker-dealers for Client transactions, and in determining the reasonableness of their compensation.

### *Additional Information*

We do not receive any compensation from DFA in exchange for allocating Client assets among various DFA mutual funds. We do not charge fees to employees for management of their accounts, and we charge a reduced fee to employees' immediate family members. However, all employees and related family members who invest in the Matson Funds invest on the same footing as all other shareholders. In addition, Referrers and related family members who invest in the Matson Funds invest on the same footing as all other shareholders.

Clients may terminate their advisory agreements with us on 30 days' written notice. Any prepaid fees will be refunded on a pro-rata basis upon termination.

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

We do not charge performance-based fees to any Clients. Moreover, based on our investment strategies, we generally do not face side-by-side management issues for any other reasons. Our asset allocation advisory strategy makes use of investment products not directly dependent on market price (*i.e.*, mutual funds and certain insurance products) and is used for all Clients. In addition, although Clients may pay differing fees to their Referrers, we receive roughly equivalent advisory fees from Clients because we are primarily compensated through the asset-based advisory fee embedded in the Matson Funds.

### **Item 7 – Types of Clients**

As noted in Item 4, above, our Clients include individuals, high net worth individuals, pension and profit-sharing accounts, corporations and other business entities, including other investment advisers.

The Matson Fund Platform, the Frontier Adjusted Portfolio Program and the Private Account Asset Allocation Platform have no minimum investment requirements. However, only existing clients of the Private Account Asset Allocation Platform may open new accounts in that platform.

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

As described in Item 4, above, the investment strategy we use in managing Client accounts is an asset allocation strategy using the Free Market Funds (for the Matson Fund Platform and the Frontier Adjusted Portfolio Program) or other no-load mutual funds (for the Private Account Asset Allocation Program), primarily mutual funds offered by DFA. We may also use ETFs, variable annuities and life insurance contracts as investment vehicles. As noted in Item 4, since the creation of the Matson Money Funds, our dedicated insurance product-related mutual funds, Clients of the Matson Fund Platform may also invest in variable insurance products the underlying investments of which are Matson-managed mutual funds.

If you have existing securities in your portfolio when Matson Money begins managing your account, we will request that you sell those securities, or allow us to instruct your custodian to sell them on your behalf, in order to make funds available for us to purchase the mutual fund shares or other commingled investment vehicles we recommend. Unless these assets closely resemble mutual fund products that fit within our investment philosophy and your investment objectives,

Matson Money does not charge an asset based management fee on legacy assets held in Client accounts. See discussion of “Unsupervised Assets” in “Other Information” in Item 4, above.

We utilize Modern Portfolio Theory and the Efficient Market Philosophy to create and manage portfolios that fall on an efficient frontier. As discussed in Item 13, below, these portfolios are typically reviewed on a quarterly basis and rebalanced as needed. We do not make asset allocation decisions based on the conditions of the economy or the current market, but rather on academic and long-term market research related to the manner in which various asset classes have performed and the correlation of their performance over time.

We use computer software from Morningstar that generates hypothetical portfolios based on asset class correlations. Morningstar software may be updated as frequently as monthly or quarterly, but at least annually. We also use DFA-provided software that analyzes mutual funds and index funds on a risk-adjusted basis and is updated monthly. These hypothetical portfolios are used in various Matson Money marketing materials to demonstrate the availability of market returns, but are neither designed nor intended to represent actual Matson Money performance. Matson Money also has GIPs-verified composite portfolios showing actual performance of composites of Client accounts. Clients and prospects may be provided with these composites with the disclosure that, among other things, past performance is no guarantee of future success.

Our investment strategy involves asset allocation with periodic rebalancing and/or re-optimization of portfolios and target allocations as needed. Each Client’s account is invested in accordance with the Client’s asset allocation strategy. Upon opening an account, we invest your assets in specific asset class mutual funds or cash items based on target percentages of the total assets in the account. As markets fluctuate and values of account holdings change, the amounts actually allocated to each asset type in the account will either exceed or fall below the original target allocations. To correct these imbalances, we periodically rebalance or adjust the account holdings back to the original target. However, rebalancing is not a constant activity. As a result, between rebalancing, asset allocations may drift away from their targets over time. When we rebalance accounts, we sell holdings that have become overweighted to buy other holdings that have percentage weights that are below their targets. This is consistent with our investment philosophy. Our strategy is to be positioned in various asset types so that as asset values change, accounts are positioned to take advantage of the change.

In addition to this periodic rebalancing, our authority also permits us to reallocate assets in Client accounts. In a reallocation, we change the target percentages that some or all of the asset classes or types will have relative to the total account. Reallocations occur with less frequency than rebalancing. With respect to the Frontier Adjusted Portfolio Program, annual reallocation is a program requirement from the time the initial portfolio is selected by the Client until such time as the Client account reaches its ending objective. Thereafter, the account will not be reallocated, *i.e.* target percentages will not change. However, we retain discretion to re-balance such portfolios as needed to position those accounts appropriately.

### *Risk of Loss*

Investment returns are not guaranteed, and our clients may lose money on their investments. It is very important that the client work with their coach to help understand the clients' risk tolerance.

Investing in securities involves risk of loss that Clients should be prepared to bear as a result of risks associated with particular issuers, market conditions, exchange rules, political developments, governmental intervention, currency fluctuations, natural disasters and other unpredictable events.

Clients who choose to invest in equities will have a percentage of their investments allocated to small and value stocks, including micro-cap securities. Securities of small companies are often less liquid than those of large companies and this could make it difficult to sell a small company security at a desired time or price. As a result, small/micro-cap company stocks may fluctuate relatively more in price. In general, smaller capitalization companies are also more vulnerable than larger companies to adverse business or economic developments and they may have more limited resources. There is a risk that value stocks may perform differently from the market as a whole and following value-oriented investment strategies may cause client portfolios to at times underperform equity funds that use other investment strategies.

Clients in Matson managed strategies with allocations to equities are invested indirectly in mutual funds with underlying investments in foreign securities, including emerging markets. These investments may be affected unfavorably by changes in currency rates or exchange control regulations, or political or social instability in the particular foreign country or region. Investments in emerging markets may develop unevenly and may never fully develop. Furthermore, emerging securities markets have lower trading volumes and less liquidity than developed markets.

Matson investment strategies utilize various fixed income asset categories. Because the value of client investments in fixed income will still fluctuate, there remains the risk that clients will lose money. Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of fixed income securities owned by Matson portfolios to rise or fall. Fixed income securities are also subject to credit risk, or the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value, and thus, impact the investment portfolio's performance. Fixed income securities are also subject to interest rate risk because a change in market interest rates may adversely affect the value of fixed income securities. When interest rates increase, the value of fixed income securities generally will fall, and longer-term securities will be affected to a greater degree.

In addition, due to the fact that Matson's fixed income strategy may utilize foreign government debt, there is the risk that (a) the governmental entity that controls the repayment of government debt may not be willing or able to repay the principal and/or to pay the interest when it becomes due, due to factors such as political considerations, the relative size of the governmental entity's debt position in relation to the economy, cash flow problems, insufficient foreign currency reserves, the failure to put in place economic reforms required by the International Monetary Fund or other multilateral agencies, and/or other national economic factors; (b) governments may default on their debt securities, which may require holders of such securities to participate in debt rescheduling; and (c) there is no legal or bankruptcy process by which defaulted government debt may be collected in whole or in part.

Additional risks include:

Fund of Funds Risk. As discussed above, the Matson Fund Platform and the Frontier Adjusted Portfolio Program each invest in the Free Market Funds, which are funds of funds. Similarly, the Matson Money Funds are also funds of funds. A fund of fund's NAV will fluctuate due to business developments concerning a particular issuer or industry as well as general market and economic conditions affecting securities held by the particular underlying funds in which the Fund invests. Investment decisions by the investment advisers of the underlying funds are made independently of us and the Funds. Each Fund will be affected by the losses of its underlying funds and the risks involved in the investment practices of such funds. Neither we nor the Funds have any control over the risks taken by the underlying funds. Our judgment about the attractiveness or potential appreciation of a particular underlying fund could prove to be wrong or the Fund could miss out on an investment opportunity because the assets necessary to take advantage of such opportunity are tied up in less advantageous investments. Some underlying funds may concentrate their investments in various industries or sectors and may have the authority to invest in derivative instruments, options or futures.

Investments in Third Party Mutual Funds or Commingled Investment Vehicles. Under the Private Account Asset Allocation Program, Client accounts are directly invested in certain third party mutual funds (*e.g.*, the DFA funds). Account values will fluctuate due to business developments concerning a particular issuer or industry as well as general market and economic conditions affecting securities held by the particular underlying funds held in Client accounts. Investment decisions by the investment advisers of the underlying funds are made independently of Matson Money. Each account will be affected by the losses of its underlying funds and the risks involved in the investment practices of such funds. We do not have any control over the risks taken by the underlying funds. Our judgment about the attractiveness or potential appreciation of a particular underlying fund could prove to be wrong or the Fund could miss out on an investment opportunity because the assets necessary to take advantage of such opportunity are tied up in less advantageous investments. Some underlying funds may concentrate their investments in various industries or sectors and may invest in derivative instruments, options or futures.

We encourage Clients participating in the Matson Fund Platform and the Frontier Adjusted Portfolio Program to review the prospectus of the Matson Funds for additional information regarding the risks of investing in the Funds. In addition, we encourage Clients participating in the Private Account Asset Allocation Program to review the prospectuses or offering memorandum of the DFA mutual funds or any other third party commingled investment vehicle used in their account for additional information regarding the risks of those investments.

Investments in Exchange Traded Funds. ETFs are a type of investment company bought and sold on a securities exchange. An ETF represents a fixed portfolio of securities designed to track a particular market index. The risks of owning an ETF generally reflect the risks of owning the underlying securities that they are designed to track, although lack of liquidity in an ETF could result in more volatility. Underlying index-based ETFs may use derivatives, including futures contracts, options on futures contracts, forward currency contracts, options and swaps to help the ETF track its underlying index. These derivative instruments are subject to a number of risks including liquidity, interest rate, market, credit and management risks, and the risk of improper valuation. Changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index, and it is possible to lose more than the principal amount invested. A derivative contract will obligate or entitle an underlying investment company to deliver or receive an asset

or cash payment that is based on the change in value of one or more securities, currencies or indices. Even a small investment in derivative contracts can have a big impact on an underlying investment company's stock market, currency and interest rate exposure. Therefore, using derivatives can disproportionately increase losses and reduce opportunities for gains when stock prices, currency rates or interest rates are changing. A Fund may incur brokerage fees in connection with its purchase of ETF shares. Investments in ETFs will be valued at their market price.

**Cyber Security Risk.** The Funds and their service providers, including Matson Money, may be prone to operational and information security risks resulting from breaches in cyber security. A breach in cyber security refers to both intentional and unintentional events that may cause a Fund to lose proprietary information, suffer data corruption, or lose operational capacity. Breaches in cyber security include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cyber-attacks. Cyber security breaches affecting a Fund or its adviser, custodian, transfer agent, intermediaries and other third-party service providers may adversely impact a Fund. For instance, cyber security breaches may interfere with the processing of shareholder transactions, impact a Fund's ability to calculate its NAVs, cause the release of private shareholder information or confidential business information, impede trading, subject a Fund to regulatory fines or financial losses and/or cause reputational damage. The Funds may also incur additional costs for cyber security risk management purposes. Similar types of cyber security risks are also present for issuers of securities in which a Fund may invest, which could result in material adverse consequences for such issuers and may cause the Fund's investment in such companies to lose value.

### **Item 9 – Disciplinary Information**

Investment advisers are now required to disclose in this Brochure any legal or disciplinary events involving the firm or our officers or principals that are material to your evaluation of our advisory business or the integrity of our management. We have no such information to report at this time.

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

Matson Money is a closely held corporation in which ninety percent of ownership is currently held by founder and CEO, Mark Matson. As discussed in Item 4, above, we advise six series of a no-load mutual fund which are offered by prospectus only. The six series are: RBB Free Market International Equity (FMNEX), RBB Free Market U.S. Equity (FMUEX), RBB Free Market Fixed Income (FMFIX), Matson Money U.S. Equity VI Portfolio (FMVUX), Matson Money International Equity VI Portfolio (FMVIX), and Matson Money Fixed Income VI Portfolio (FMVFX). All of the funds are funds of funds, meaning that they invest primarily in shares of other funds. The Free Market Funds are used as investment options in the Matson Fund Platform and the Frontier Adjusted Portfolio Program. The Matson Money Funds, which are based on the same investment strategies that are used to manage the Free Market Funds, are available only as investment options underlying the variable annuities or variable life insurance policies of certain insurance companies. As noted in Item 5, above, we do not charge Clients a separate Matson Money advisory fee for the portion of their assets that are invested in any of the funds managed by

Matson Money in order to avoid a “double-dip” advisory fee on those assets. However, Clients remain responsible for the fees of their Referrers, none of which are affiliated with Matson Money.

Our educational publishing activities are conducted by our wholly-owned affiliate, McGriff Video Productions, LLC. This affiliated legal entity is responsible for publishing educational and training materials formerly housed in the McGriff division of Matson Money. In addition, Mark Matson operates The Matson Family Foundation (formerly known as “The Wolf Pack Foundation”), a 501(c)(3) charitable foundation to receive tax-exempt gifts, primarily from our Referrers and our founder, Mark Matson, to be distributed to other charitable organizations.

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

*Code of Ethics and Personal Trading.* We strive to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. We have adopted and implemented a Code of Ethics (“Code”) to help us meet these standards.

The Code was adopted in accordance with both Advisers Act Rule 204A-1 and Company Act Rule 17j-1 to govern personal transactions by certain of our principals and employees and the Matson Funds and to ensure that the interests of our principals and employees do not conflict with the interests of Clients and the Matson Funds (and their shareholders). Our principals and employees are required to direct their brokers to forward copies of all personal securities transactions confirmations as well as brokerage statements for every account in which they or their immediate family members have a beneficial interest. These confirmations and statements are submitted to and reviewed by our CCO.

The Code prohibits our principals and employees from purchasing any initial public offerings or private placements. Principals and employees may buy and sell open-end mutual funds that we also recommend to Clients, including shares of the Matson Funds. Our principals’ and employees’ transactions may be placed at the same time as orders for Clients’ accounts. We do not believe these transactions present any conflict of interest because the shares of each mutual fund are bought and sold at net asset value by every investor who purchases or redeems on a given day. Shares are readily available to satisfy both Client and employee transactions, and the price of the open-end mutual funds is not affected by the size or timing of purchase or sale transactions. Therefore, employee transactions in these mutual funds cannot influence the price Clients receive in their transactions with the same mutual funds. However, transactions in shares of the Funds must be reported to and reviewed by the CCO.

The Code also includes a Code of Conduct designed to emphasize that our principals and employees are in a position of trust with respect to our Clients. All personnel are required to comply with ethical restraints relating to Clients and their accounts, including restrictions on giving gifts to, and receiving gifts from, Clients in violation of our gift policy. Violations of the Code may result in demotion, suspension, firing, fines and other punishments for individuals. A copy of the Code is available to any Client or prospective client upon request. To request a copy, please contact us using the information provided on the cover page of this Brochure.

*Reporting Violations of Code of Ethics*

Any supervised person who becomes aware of an apparent violation of the Code of Ethics shall promptly report such apparent violation to the Chief Compliance Officer or the President of Matson who will then notify the Chief Compliance Officer and/or the Chief Executive Officer.

A person acting in good faith in reporting an apparent violation of the Matson Code of Ethics and who has reasonable grounds for believing a deliberate misrepresentation has been made regarding accounting or audit matters or a breach of Matson Money's Code of Ethics shall not be retaliated against by Matson Money.

### *Insider Trading Policy*

We may, from time to time, come into possession of material nonpublic and other confidential information which, if disclosed, might affect an investor's decision to buy, sell or hold a security. Under applicable law, we may be prohibited from improperly disclosing or using such information for our benefit or for the benefit of any other person, including Clients. Accordingly, if we come into possession of material nonpublic or other confidential information, we may be prohibited from communicating that information to you or using it for your benefit.

We have adopted a "Policy Statement on Insider Trading" in accordance with Advisers Act Section 204A that establishes procedures to prevent the misuse of material information by us and our personnel. Any officer, director or employee who fails to observe the above-described policies may face serious sanctions, including dismissal and personal liability.

*Participation or Interest in Client Transactions.* Under the Matson Fund Platform and the Frontier Adjusted Portfolio Program, we recommend the purchase and sale of shares of the affiliated Funds from which we receive advisory fees. Other than the Funds' fees, we do not receive any additional advisory or sales-related compensation in connection with recommending and selecting the Funds as investments for Client accounts.

*Personal Trading.* From time to time, our principals and employees may have interests in the same securities owned by or recommended to Clients, in the same or different concentrations as used in Client accounts. Our principals and employees may also buy or sell securities for their own accounts that are different than those we recommend purchasing for Clients. As these situations may represent a potential conflict of interest, we have adopted procedures relating to personal securities transactions and insider trading designed to prevent actual conflicts of interest related to personal trading activities, as noted above in the description of the Code.

### *Other Related Conflicts and Practices:*

Gifts and Entertainment. Brokers, counterparties, service providers and other third parties with whom we do business occasionally provide gifts and entertainment to our principals and employees. We and our affiliates may enter into business transactions and relationships on behalf of a Client with the donors of such gifts and entertainment. Such gifts and entertainment create a conflict of interest in our selection and retention of these donors as service providers for Clients. To address this conflict, we have adopted policies and procedures to: 1) monitor gifts and entertainment given and received by our principals and employees; and 2) limit the value of gifts and entertainment given and received. We also have policies and procedures in place to help us

monitor, and limit, the political contributions that our principals and employees make to public officials and candidates for elected office in accordance with the requirements of Advisers Act Rule 206(4)-5.

Matson Money Blue©. Our eMoney-supported platform for assisting clients in the consolidation and maintenance of their financial records clearly benefits Clients, but may also benefit Matson Money and Clients' Referrers, which creates a potential conflict of interest. By providing an on-line storage site for Clients' financial data, both Matson Money and Referrers will have access to a more complete picture of the assets and liabilities of our Clients and will have an incentive to recommend investment of a greater percentage of Clients' total assets in Matson-managed products. While each Client will have a unique username and password to be used for entering and accessing data stored on the eMoney platform, both the Client's Referrer and Matson Money will be able to view stored data. Client usernames and passwords should never be given to Matson Money or Referrers. In addition, Clients may use certain eMoney Privacy features to limit access to certain data they choose to store on the platform, which may limit the potential conflict of interest. According to eMoney, privacy features available to Clients using eMoney include the ability to: (1) block an adviser from seeing their Spending Tool; and (2) create a Private folder in the eMoney "Vault" called the My Documents folder. However, eMoney also provides advisory clients with a service called Digital Mailbox, under which various service providers, including banks and brokerage firms, allow clients to set up a provider link that automatically delivers statements directly to the Client's Digital Mailbox rather than by mail or email. If a Client creates a digital connection to any institution, the connection can be seen by Matson Money and the Client's Referrer.

It is anticipated that Referrers will use the platform as a tool for advising Clients on how to deploy their assets in a more effective or efficient manner, including recommending investing more through Matson Money. Access to client data may also raise privacy concerns, since stored data may include personal information such as social security, bank, savings or brokerage account numbers. When uploading documents manually to the platform, Clients may exercise their own discretion on whether to "black out" or otherwise edit privacy-related information in personal records and should never upload documents containing usernames or passwords to online accounts such as bank, savings or brokerage accounts. When information is transferred electronically from a Client's service provider to the Digital Mailbox, according to eMoney, such information never includes a complete Client account number, but in some cases will include a partial account number.

In addition, Clients should understand that although data may be transferred interactively by data feeds between eMoney and service providers, data stored on the platform is merely a snapshot for purposes of Matson Money or a Referrer. In other words, neither Matson Money nor a Referrer can manipulate the data or communicate directly with a Client's service providers. Also, neither Matson Money nor a Referrer can obtain direct access to Clients' assets or accounts through the eMoney platform. In addition, Matson Money and all registered investment advisers and/or broker-dealers serving as Referrers are subject to federal privacy laws and required to adopt written privacy policies and procedures. Matson Money provides Clients with its Privacy Notice annually and each Referrer should provide clients with the Privacy Notice associated with the Referrer's registered adviser or broker-dealer.

## **Item 12 – Brokerage Practices**

### *General Brokerage Practices*

Clients generally provide us with limited discretionary authority to make the following determinations in accordance with the Client's specified investment objectives without Client consultation or consent before a transaction is effected:

- Invest Client assets into a portfolio consisting of a diversified mix of asset classes and investment securities;
- Modify or change the mix of asset classes and investment securities within the portfolio; and
- Rebalance and/or reallocate the portfolio periodically.

In order to establish an advisory account with us, a Client must first designate a broker-dealer and a custodian acceptable to us. Advisory Clients with non-ERISA assets must open custody accounts with either TCA or Schwab and brokerage accounts with their affiliated broker-dealers: (1) TCAdvisors Network Inc. ; or (2) Charles Schwab & Co., Inc., respectively. Matson Money will provide information to all Referrers about use of Pershing, LLC and their affiliated broker-dealer, Pershing Advisor Solutions, once that option becomes available. No matter which is selected, the Client will sign a limited power of attorney giving us the authority to trade stocks, bonds and mutual funds on a discretionary basis in the Client's account. For 401(k) and other accounts subject to ERISA, Clients may select either TD Ameritrade or Charles Schwab Trust as their custodian and either ASpire or Alliance Benefit Group as recordkeeper. Both of these custodians work with both of these recordkeepers. Alliance Benefit Group is also a third party administrator and ASpire works with a third party administrator acceptable to Matson Money for our clients. Additionally, 401(k) accounts/clients may select Trust Company of America (TCA) as their custodian and recordkeeper. Again, Matson Money will provide information to all Referrers as soon as The Mid Atlantic Capital Group, and its affiliated broker-dealer Mid Atlantic Capital Corporation, become an option. For 403(b) accounts as well as some 401(k) accounts, clients may select MG Trust as the custodian and ASpire as their recordkeeper. An additional option, which should be available in the future, for 403(b) accounts as well as some 457 accounts, clients may select FPS Trust as the custodian and TSA Consulting Group as their administrator/recordkeeper

Because we primarily trade in mutual funds on behalf of our Clients, and because brokerage fees for mutual funds are generally established by the mutual fund sponsor and set forth in the funds' prospectuses, we do not generally consider all of the factors associated with best execution when deciding to purchase or sell securities. For purchases and sales of securities other than mutual funds, we acknowledge that Clients may be able to obtain lower brokerage transaction or custody fees with other brokerage firms or custodians than those we recommend, but we believe that the joint custodial and brokerage arrangements we have in place generally provide best execution for our Clients.

In selecting the recommended custodians we evaluated the services they offer, the quality of those services and the cost indirectly borne by Clients, and determined that they provide overall best

quality of services for the price. We periodically compare the services and price of the recommended service providers against other broker-dealers and custodians that provide comparable services. Although another broker-dealer may offer these services at a lower overall cost, we are not required to move accounts to that other broker-dealer.

With respect to variable annuity or insurance contracts, the Client's custodian and broker are typically specified in the variable annuity or insurance contract. We have no discretion to select the custodians and broker-dealers for these instruments.

As noted above, we generally invest in "no-load" mutual funds, meaning that they are not accompanied by sales commissions, or mutual funds for which commissions are set by each fund's prospectus. With respect to other investments, we have no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular portfolio transaction or to select any broker or dealer on the basis of its purported or "posted" commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to minimize the expenses incurred for effecting portfolio transactions to the extent consistent with the interests and policies of the accounts. Although we generally seek competitive commission rates, we will not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker or dealer involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

#### *Research and Other Soft Dollar Benefits*

We do not currently use soft dollars to pay for any specific service or for any portion of "mixed use" items. However, the brokerage firms we use for Client transactions have in the past and may in the future offer us certain services free of charge in exchange for charges or fees earned on Client transactions. See also, Item 14, below. As a result of receiving these services, we may obtain things for free that we would otherwise have to pay for ourselves. We therefore have an incentive to use the brokerage firms that provide us with these services.

Clients should be aware that the services furnished by these brokerage firms in exchange for transaction fees or charges paid by certain Client accounts may be used to service *all* Client accounts and not just the accounts whose transactions paid for the services.

#### *Directed Brokerage*

With the exception of variable annuity and life insurance contracts, Clients are generally not permitted to select broker-dealers or custodians other than those referenced above. Where a Client directs the use of a particular broker-dealer, or broker-dealers, we may not be able to negotiate commission rates or spreads, or to obtain volume discounts. As a result, we may not be able to achieve the best price for the execution quality.

In addition, transactions for a Client that directs brokerage may not be combined or "batched" for execution purposes with orders for the same securities for other accounts, as described below. Because mutual funds and variable annuities are acquired from their issuers at their current net asset value at the time of the transaction, the direction of trades to a specific broker-dealer does not change the price at which such securities are acquired. Client direction of a particular broker

or dealer to execute non-mutual fund transactions may result in higher commissions, greater spreads, or less favorable net prices than might be the case if we could negotiate commission rates or spreads freely, or select brokers or dealers based on best execution.

### *Trade Aggregation and Allocation*

Our policy is that when a decision is made to aggregate transactions on behalf of more than one account, these aggregated transactions will be allocated to all participating Client accounts in a fair and equitable manner. However, since shares of open-end funds are only priced once a day, we do not usually have any reason to aggregate transactions in fund shares. In addition, there is seldom any reason to aggregate or to allocate acquisitions of fund shares since all shares purchased during a single trading day are executed at the same daily price and there is seldom, if ever, any problem obtaining sufficient shares to satisfy all acquiring accounts. These shares are purchased from the issuer and sold at the net asset value next determined after an order is received. Shares of mutual funds are redeemed by the issuer (not sold in the secondary market) and because we only buy open-end funds, each issuing mutual fund must stand ready to buy the shares back at the share's net asset value, as next determined after receipt of the redemption order. Variable annuities are purchased directly from the issuer and no aggregation of transactions in variable annuities occurs.

### *Other Brokerage Practices, Issues, and Conflicts*

Allocation of Our Time and Resources. Generally, we are not subject to specific obligations or requirements concerning the allocation of our time, efforts, resources, or investment opportunities to any particular Client. We are not obligated to devote any specific amount of time to the affairs of any Client and are generally not required to accord exclusivity or priority to any Client in the event of limited investment opportunities arising from the application of speculative position limits or other factors. Matson Money and our personnel devote such time to the affairs of our Clients as Matson Money, in its discretion, determines to be necessary for the conduct of our business. We also devote such time to our Referrer training programs and to our charitable Foundation as is needed under the circumstances.

Trade Errors. Matson Money has policies and procedures for the handling of trade errors in Client accounts (e.g., the purchase or sale of a security in the wrong amount, or contrary to Client investment guidelines). Errors should be corrected as soon as practicable after discovery to minimize loss. Any gains resulting from errors are credited to the applicable Client accounts. We make clients whole for losses resulting from a trading error we caused. If a third party (such as a broker) causes the loss, we try to make the responsible party make our Clients whole, but cannot guarantee this result.

## **Item 13 – Review of Accounts**

We review accounts daily for cash additions and withdrawals. Our Chief Executive Officer, President, Portfolio Manager, and Chief Compliance Officer meet periodically to review academic research and data, quantitative analytics, tax and other relevant issues; to determine whether any changes in strategy are warranted; and, if so, to implement such changes. We also review accounts

at least quarterly, and more frequently if necessary, to “rebalance” and “re-optimize” Client accounts.

Because performance of the underlying instruments in each account is not uniform, over time, the actual allocation in each account will begin to “drift,” or deviate, from the original asset allocation targets we set. Accounts are rebalanced by reallocating assets to original asset targets. Accounts are re-optimized when we set new target asset category percentages.

We monitor Client accounts on an on-going basis and we rebalance or reallocate assets as warranted. Changes in the portfolio, which include adding, removing or replacing securities at our discretion, are made infrequently based on significant changes in academic research and data; quantitative analytics; the tax code; the management of the securities used by the portfolio; and/or the client’s personal circumstances, including health, employment, marital and family status. We may replace a particular security if it significantly diverges from its relevant index in terms of risk or return with a security that is more in line with the risk/return profile of the relevant index.

We provide Clients with written reports on a quarterly basis. Copies of these reports are also posted on our internal website and are made available to Referrers that referred clients to us. Quarterly reports show shares currently owned by Clients and their current asset mix. You may also request a report showing the quarterly and annual rate of return for your account(s) from your Referrer. Clients are expected to address questions or concerns to their Referrers. Unless requested, you will not receive a report showing the quarterly and annual rate of return for your account. Our fees and/or our Referrers’ fees are reported on your custodian’s quarterly custody statements (see Item 15, below) and our quarterly reports. You may also receive additional reports from your custodians or broker-dealers.

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

##### *Benefits We Receive*

We invest Client assets (directly or indirectly) primarily in our own Funds, in exchange traded funds managed by BlackRock or mutual funds managed by DFA, both of which are unaffiliated investment advisers. DFA has provided us with software that calculates investment returns, which we use as part of marketing our services, among other uses. BlackRock provides limited assistance in researching iShare ETFs for use in Matson investment strategies. In addition, both firms may also provide certain assistance in our marketing efforts. None of the assistance provided by BlackRock or DFA is dependent upon us investing a specified amount of Clients’ assets in BlackRock ETFs or DFA managed funds.

DFA’s mutual funds are generally not available to individual investors with small accounts except through the services of an investment adviser. As a courtesy to us, DFA generally has not permitted persons who solicit clients for us (*i.e.*, our Referrers) to purchase interests in DFA mutual funds directly for their clients other than through us (or other investment advisory firms that have separately established relationships with DFA). We receive no cash compensation from DFA.

All of the custodians used by our Clients provide us with various data services, which may include file downloads, on-line services and performance monitoring software at a discounted fee or free of charge. In addition, the custodians we recommend provide us with services typically provided

to institutional investment managers (which generally are not provided to retail customers). These services include:

- duplicate client statements and confirmations;
- access to a trading desk serving adviser participants;
- access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts);
- the ability to deduct advisory fees directly from client accounts; and
- access to mutual funds with no transaction fees.

Client accounts are generally custodied through TCA or Schwab unless a Client has other specific needs.

### *Referral Arrangements*

As more fully described in Item 4, above, our services are marketed almost exclusively by Referrers. Agreements entered into with Referrers are made in compliance with Advisers Act Rule 206(4)-3, the Cash Solicitation Rule.

Under the Matson Fund Platform and the Frontier Adjusted Portfolio Program, co-advisers are paid pursuant to a tri-party agreement under which the Client either directs Matson Money or the custodian to pay the co-adviser an advisory fee out of the account, or pays the co-adviser directly. Solicitors are paid pursuant to a separate solicitation agreement with Clients. In either case, the fee charged by the Referrer generally fell within a range from 25 basis points (0.25%) to 140 basis points (1.4%), although Matson Money has reduced the maximum fee allowed for new clients to 120 basis points (1.2%) moving forward. Some Clients may pay a higher fee to their respective Referrers than other Clients pay to their respective Referrers for access to the same mutual funds. Generally, this difference is based on assets under management and the level of personal service provided by the Referrer to the Client. However, the difference is not intended to take into consideration whether or not an existing Client chooses to participate in Matson Money Blue®; except that, Referrers who pay eMoney for access to the platform may choose to charge new Clients more than similarly situated Clients of other Referrers as long as such fees do not exceed the maximum fee established by Matson Money. Under Private Account Asset Allocation, we pay Referrers a portion of the advisory fee that we receive from the Client(s) they have referred to us.

The Referrers provide a variety of services to Clients. As a result, the total fee you pay may vary depending upon the additional services provided by the firm or individual that referred you to us. For solicitors, the fee that is paid to the soliciting firm and shared with or paid to an individual employee solicitor is set forth in a separate Disclosure Statement that was provided to you at the time you were solicited. With the exception of accounts owned by our employees or Referrers and certain of their respective family members, Clients come to us only through Referrers.

In addition to entering into agreements with individuals who serve as Referrers, we also enter into arrangements with many different forms of business entities (e.g. partnerships, corporations and

limited liability companies) operating as investment advisers, broker-dealers or insurance firms, which permit us to enter into agreements with their salespersons. If an individual Referrer is an employee of an investment adviser, brokerage firm or insurance company and otherwise appropriately licensed, we typically pay the referral fee to the firm rather than to the individual. The firm then pays a substantial portion of the referral fee to the individual Referrer.

We also provide marketing assistance to our Referrers. Initially, the Referrers pay for such assistance. However, as the amount of assets referred to us by a Referrer increases, the amount of free marketing assistance we provide to the Referrer generally increases.

We generally require that our Referrers refer at least \$100,000 of client assets to us within the first year the Referrer acts as a Referrer. If the Referrer does not meet this minimum, we will provide virtually no marketing support to the Referrer and we may terminate our relationship with the Referrer. However, we have allowed persons to remain as Referrers without satisfying a minimum amount of referred assets and exceptions are made in the sole discretion of Matson Money. In addition, Referrers seeking Private Account Asset Allocation have received Matson Money advice at low or no cost to themselves and at reduced costs to family members and Referrers and their family members who participate in the Matson Fund Platform and/or Frontier Adjusted Portfolio Program are generally charged no advisory fees other than the fees embedded in the Matson Funds since the Referrer has discretion to waive the referral fees. Thus, persons who solicit clients for us may have incentives, in addition to the receipt of compensation, for referring clients to us.

From time to time, Matson Money or a related party may make a charitable contribution to charitable organizations that are related to or supported by a solicitor or co-advisor, which could be viewed as a form of indirect compensation. As a result, Matson Money maintains records of charitable contributions and requires that all contributions are made directly to the charitable organization, a 501(c)(3) organization. No contribution will be made if the contribution implies that continued or future business with the Referrer depends on making such contribution.

Some Referrers, on their own and not related in any way to their agreements with us, and not on our recommendation, may also sell life insurance, annuities, mutual funds, stocks, bonds, and/or limited partnership interests to you. However, as explained in Item 4 above, Clients wishing to invest a portion of their assets outside of Matson Money at the suggestion of a Referrer cannot request, either directly or through their Referrer, that Matson Money facilitate the transfer of any assets from their Matson-managed account to any third party. Matson Money will only assist Clients in directing that a Client's custodian transfer money directly to the Client or to an account in the Client's name at a qualified custodian. Referrers may receive commissions on the sale of securities products outside of Matson Money and may receive trail commissions on the sale of unaffiliated mutual funds. If we recommend the purchase of any securities or insurance products which will result in payment of a commission to a Referrer, you are free to decide whether you will make these purchases through the Referrer or any other source you choose.

### **Item 15 – Custody**

Matson Money does not maintain physical custody of any client assets. However, Matson Money may be deemed to have custody over certain client assets for purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"). In particular, as described in the "Fees and Compensation"

section (Item 5) of this Brochure, Matson Money 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 the client's account. Additionally, due to recent interpretations of the Custody Rule by the SEC Staff, an adviser may be deemed to have custody if the client's custodial agreement includes language conferring authorities over the client's assets that would allow the adviser to withdraw or move client assets other than in connection with transactions that settle on a delivery versus payments basis – even where the adviser has no intention to exercise such authority and where the client's advisory agreement confers narrower authority. Based on a review of client custodial arrangements, Matson Money has determined that such language exists in certain client custody agreements with Trust Company of America. As a result, Matson Money may be deemed to have custody over client accounts held at TCA and covered by that particular form of custody agreement.

Where Matson Money has custody of client assets, the client should receive, at least quarterly, account statements from the broker-dealer, bank or other “qualified custodian” that maintains the Clients’ assets as required by the Custody Rule. Because the custodian doesn't calculate the amount of the fee to be deducted, it is important for you to review your custodial statement to verify the accuracy of the calculation, if your account is subject to fee deductions. In addition, Matson Money prepares and sends to Clients quarterly statements. The Matson Money statements contain pricing and valuations based on best available data, noting that prices and values are not guaranteed. Insurance and annuity contracts are displayed at their accumulated values as of the date shown. Each Matson Money statement urges you to compare your statement with the statement you receive from the qualified custodian that holds your assets. You should note that our statements may vary from your custodian's statements due to differences in transaction posting times, accounting procedures, or other reasons. Please contact us immediately if you have any questions about your statements or if you don't receive them promptly.

As discussed in Item 4, above, Matson Money has implemented enhanced procedures both to increase the security of Client assets and to better oversee Referrers’ activities. However, Matson Money urges all Clients to exercise caution with respect to granting any authority, including powers of attorney, trustee or executor status, over their brokerage, bank or custodial accounts or providing information such as usernames and passwords relating to such accounts and to understand that Referrers are not employees or affiliates of Matson Money.

#### **Item 16 – Investment Discretion**

As explained in Item 4, above, we generally receive and exercise discretionary authority to manage investments on behalf of Clients. We typically assume our investment discretion authority through a contract provision entered into by each Client granting us a limited power of attorney for investment purposes. These contracts do not provide us with a general power of attorney to access your custodial accounts. In addition, our contracts do not provide your Referrer with any authority to access, or to make or direct transactions in, your accounts. You should not give your Referrer any such authority over your Matson-managed account. Matson may, at its sole discretion, terminate its management of the account(s) of any Client who provides to a Referrer discretionary

authority or more expansive authority, such as trustee powers, over the Matson-managed account(s).

Clients that participate in the Private Account Asset Allocation Program may impose some limited restrictions on our discretion regarding their account. For example, Clients may request that particular securities or types of securities not be purchased, or that such securities are to be sold if held in the account. However, we do not control the investment activities of the mutual funds, variable annuity products, and other pooled investment vehicles that we purchase for accounts participating in the Private Account Asset Allocation program. We cannot accept restrictions at the fund level for any advisory program we offer.

### **Item 17 – Voting Client Securities**

Matson Money has adopted written proxy voting policies and procedures as required by Advisers Act Rule 206(4)-6.

#### *Matson Fund Platform & Frontier Adjusted Portfolio Platform*

Under these policies and procedures, for Client assets held in the Matson Funds, Clients authorize us to vote proxies on the underlying mutual funds held by the Matson Funds, including proposals relating to increases in a mutual fund's advisory, 12b-1 (distribution and/or service) or other fees. For proxies related to the Matson Funds themselves, Clients are generally responsible for voting all proxies. For Clients subject to ERISA, we will vote on all proxies for, and take action concerning legal proceedings regarding, Matson Fund shares held in the account unless the right to vote such proxies and take such action has been expressly reserved to another person.

#### *Private Account Asset Allocation Platform*

Under our proxy voting policies and procedures, with respect to the Private Account Asset Allocation platform, Clients generally retain proxy voting responsibility under our advisory agreements. For Clients subject to ERISA, we generally expect Clients to expressly retain the authority and responsibility for voting of any such proxies and to specify, in writing, who has voting authority. In each case, Clients should expect to receive proxies and other solicitation materials directly from their custodian. We generally do *not* provide specific advice to Clients about proxies that we do not vote on their behalf. To the extent that we do accept a discretionary account which requires us, in writing, to vote proxies for the account, we will vote such proxies in the best interests of Clients.

#### *How We Vote*

We have written guidelines for certain issues on which votes may be cast which may determine how we vote on those matters. We would, if required to vote, generally cast proxy votes in favor of management proposals given that we invest, on a discretionary basis, primarily in mutual funds or variable annuities, which have, in large part, been chosen based on their historical track records and existing management.

Our proxy administrator is responsible for ensuring that votes are cast in accordance with our policy, and that appropriate records are maintained.

### *Material Conflicts*

In the event of a material conflict of interest, we will follow our procedures for resolving material conflicts.

We acknowledge our responsibility to identify material conflicts of interest relating to voting proxies. Our senior management and advisory personnel must disclose to the proxy administrator any personal conflicts such as officer or director positions held by them, their spouses or close relatives in the portfolio company. To the extent that any conflicts exist based solely on business relationships between the portfolio company and us (or our affiliates), they will only be considered to the extent that we have actual knowledge of such relationships.

When a material conflict appears to exist between our interests and Clients' interests, we may eliminate the conflict by choosing one of several options which include:

- (1) voting in accordance with our policies and procedures if the vote involves little or no discretion;
- (2) voting as recommended by a third party service if we utilize such a service;
- (3) "mirror voting" the proxies in the same proportion as the votes of other proxy holders that are not Clients;
- (4) if possible, erecting information barriers around the person or persons making voting decisions sufficient to insulate the decision from the conflict;
- (5) if practical, notifying affected Clients of the conflict of interest and seeking a waiver of the conflict; or
- (6) if agreed upon in writing with the Clients, forwarding the proxies to affected Clients allowing them to vote their own proxies.

You may obtain a copy of our written proxy voting policies and procedures, as well as information on how proxies were voted for your account. To request such information, please contact us using the information provided on the cover page of this Brochure. We will not disclose proxy votes for a Client to other Clients or to third parties unless specifically requested, in writing, by the Client, or as required to do so by applicable law or regulation.

### **Item 18 – Financial Information**

Investment advisers are now required to disclose in this Brochure any financial condition reasonably likely to impair their ability to meet contractual commitments to clients. We have no such information to report at this time.

## **APPENDIX 1: Privacy Policy**

### **How Matson Money, Inc. protects clients' ("Account Owner") personal information:**

Matson Money, Inc., ("Matson Money") takes precautions — including administrative, technical, and physical measures — to safeguard personal information against loss, theft, and misuse, as well as unauthorized access, disclosure, alteration, and destruction. We restrict access to Account Owners' personally identifiable financial information ("Nonpublic Personal Information") to employees who need to know that information in order to provide services to Account Owner. Matson Money also maintains physical, electronic, and procedural safeguards to protect Account Owners' non public personal information.

### **Integrity of Account Owners' personal information:**

Matson Money has safeguards in place to keep Account Owners' information complete and up to date. Matson Money has proprietary software that provides the tools to review and update Account Owner information. No other software used at Matson Money can affect the Account Owner's account information. This software logs every change made to an account so that it has a paper trail for tracking and accountability. Only a select group of people have the ability to alter Account Owners' data. Website access is strictly read-only; no changes can be made via the website.

### **Technologies:**

The Matson Money website that Account Owners may access, <http://www.matsonmoney.com>, is a forced SSL site (meaning all traffic is encrypted) that does not allow saving of login information. Matson Money requests the username and password upon each login. Matson Money maintains an integral difference between what is contained in the database and what Account Owners and Authorized Representatives can access. Full database backups are performed every night. These backups are rotated on an abbreviated GFS scheme; translating into daily, weekly and monthly backup tapes in whatever amount may be required. This is an industry standard approach modified for limited archival retrieve based on our constantly changing data. Backups are encrypted on both disk and tape using 168-bit encryption.

### **Company-wide commitment to privacy of Account Owners:**

Matson Money does not sell Account Owners' personal information to anyone. Matson Money collects Nonpublic Personal Information from Account Owners from the following sources:

- Account applications and other forms, which may include an Account Owner's name, address, social security number, and information about the Account Owner's investment goals and risk tolerance;
- An Account Owner's professional advisors, such as an Account Owner's broker, financial planner, attorney or accountant (an "Authorized Representative"), who may provide financial or investment history and tax information about the Account;
- History of account(s), including information about the transactions Matson Money has ordered for Account Owner and balances in Account Owner's account(s);

- Correspondence, written or telephonic, between Account Owner and Matson Money; or
- Account Owner's Authorized Representative, or custodian and Matson Money.

Matson Money does not disclose any Nonpublic Personal Information about Account Owner to any entity that is not an affiliate of, or related by common ownership or affiliated by corporate control ("Unaffiliated Third Party") with, Matson Money except as permitted or required by law. Accordingly, Matson Money may disclose all of the information Matson Money collects about the Account Owner or the Account Owner's account(s), as described above, under the following circumstances:

- Matson Money receives an Account Owner's prior consent.
- Matson Money believes the recipient to be an Account Owner's Authorized Representative.
- The recipient is an Authorized Representative, custodian, or other service provider with whom we must share information in order to manage or service an Account Owner's account properly.
- The recipient is an Unaffiliated Third Party that performs marketing services on Matson Money's behalf.
- Matson Money is required by law to release the information to the recipient.

Matson Money will only use information about Account Owner and Account Owner's account(s) to:

- Service Account Owner's investment and financial needs.
- Manage and service Account Owner's account(s).
- Administer Matson Money's business.

Matson Money will adhere to the practices described in this policy whether Account Owner is a current or non-current Account Owner with Matson Money.

Matson Money will not directly contact Account Owner to ask for Nonpublic Personal Information for Account(s).

- Any request or verification of Nonpublic Personal Information will be directed to an Authorized Representative.
- If Nonpublic Personal Information is requested by someone other than an Authorized Representative, Matson Money will verify social security number and date of birth of Account Owner prior to release of said information. This type of request would occur in the event Account Owner closes account(s) and assets are being transferred to a new investment firm.