



Form ADV Part 2A

Firm Brochure

March 15, 2019

This Brochure provides information about the qualifications and business practices of MarketsFlow, Inc. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer via email at [info@marketsflow.com](mailto:info@marketsflow.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.

MarketsFlow, Inc. is a registered investment advisory firm. Registration of an investment advisory firm does not imply a particular level of skill or training.

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

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## ITEM 2

# Material Changes

### Annual Update

The Material Changes section of this brochure will be updated annually, or when material changes occur since the previous release of our Firm Brochure. This Item discusses only specific material changes that are made to this Brochure and provides our clients with a summary of such changes.

### Material Changes since the Last Update

MarketsFlow, Inc. was a newly registered investment advisory firm in 2018. Since becoming registered in May, the firm has started utilizing Charles Schwab & Co., Inc. as custodian for client accounts. There have been no additional material changes since becoming registered.

### Full Brochure and Additional Information

Full Brochure and additional information about MarketsFlow, Inc. are available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered or are required to be registered, as investment adviser representatives ("IAR").

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## Advisory Business

### Firm Information

MarketsFlow, Inc. (“MarketsFlow,” “we,” “us,” “our”), a Corporation formed in January 2018, is a registered investment advisory firm located in Boston, Massachusetts.

### Principal Owners

MarketsFlow is owned and controlled by its parent company MarketsFlow, Ltd which is controlled by Thomas Nash, the CEO and Chief Compliance Officer.

### Investment Advisory Services

MarketsFlow provides web-based interactive investment advice through its online portal at [www.marketsflow.com](http://www.marketsflow.com). We offer a Portfolio Management Optimisation Platform grounded in Machine Learning (“ML”) and Artificial Intelligence (“AI”) to retail and institutional clients.

Our platform provides clients with four (4) product options designed to meet their financial needs and experience level:

#### **MarketsFlow ML-Based Trader**

This product is ideal for the sophisticated short/medium term trader and is best suited for clients new to equity trading with capital appreciation in mind. Clients will receive buy/sell signals, ensuring optimized investing periods based on market conditions and sector rotations. The trader product will identify options income-yielding securities.

#### **MarketsFlow ML-Based Asset Allocator + Trader**

Similar to the Trader product above, this tool is ideal for the sophisticated short/medium term trader and will help identify strong options income-yielding securities. With this product, not only will the platform provide buy/sell signals, but it also includes our Optimised Asset Allocation constructions. This particular product is best suited for clients looking for a mix of income plus capital appreciation and will identify options income-yielding securities.

#### **MarketsFlow ML-Based Portfolio Manager**

This product is available on our platform for clients with a medium- to long-term horizon in need of a tool to professionally manage their portfolio. This option will enable clients to plan, build, and manage their complete portfolios on the platform. The system will systematically realize profits and ensure optimal position sizing while driving the reallocation and rebalancing strategy. This tool is best suited for clients new to equity trading with capital appreciation in mind. Clients will receive both buy/sell signals ensuring optimised investing periods based on market conditions and sector rotations and our Optimised Asset Allocation constructions. The portfolio manager product helps to identify strong options income yielding securities

#### **MarketsFlow ML-Based Full-Service Portfolio Manager**

This product is suited for savvy investors looking to capitalize from the market in any cycle by using a mix of options and equities. The full-service portfolio manager product was created using back-testing data to build a test and live portfolio. Clients utilizing this product on our platform will benefit from having access to MarketsFlow's managed portfolio strategies. This

product includes five (5) hours of support per month from MarketsFlow to assist with the platform's investment worksheet.

## **Services**

We offer two ways in which clients can utilize the products on our online platform: through our Self-Managed Service or via our MarketsFlow Platform Managed service, both described in greater detail below. Clients may choose the service that best suits their current financial needs and the level of service desired. Either service may include investment recommendations in securities primarily in stocks and options as well as other securities.

To sign up for either service, clients must create a login and account profile on our portal. Clients will input personal information such as their age, income, net worth, investment goals, personal and financial objectives, and risk tolerance into our interactive questionnaire. The resulting information is used by MarketsFlow's algorithms in creating client-specific portfolio recommendations.

### **Self-Managed Service**

Through our Self-Managed Service, clients will be able to select the any of the abovementioned products on our platform. Depending on the product chosen, the client will receive a customized portfolio strategy based on their account profile and questionnaire response. The program will then send clear and actionable signals as to when to buy and/or sell securities in their portfolio in order to optimize their portfolio's performance. This allows clients to actively manage their assets on a daily basis, inclusive of rebalancing, readjustments, and risk management.

This service is offered through our portal on a non-discretionary basis. Each Self-Managed Service client is solely responsible for implementing any recommendations given.

### **MarketsFlow Platform Managed Service**

With our MarketsFlow Platform Managed Service, clients meeting certain account minimum requirements (See Item 7) will receive all of the services provided under our Self-Managed Service but on a discretionary basis in which we will build, execute and manage the client's portfolio. Through our online portal, we will manage clients' investments in customised portfolios with optimal rule-based position sizing in-line with the client's investment objectives, restrictions, and risk tolerance.

## **Client Investment Objectives/Restrictions**

MarketsFlow does not permit clients to place restrictions on the types of investment recommended to clients. MarketsFlow offers the same suite of services to all our clients. However, specific recommendations and their subsequent implementation are dependent on the responses provided by the client in their account profile and suitability questionnaire which outlines a client's current financial situation such as income, net worth and risk tolerance levels. This information is essential in the development of a client-specific plan in the selection of investments that matches risk aversion, needs, and targets. Clients are responsible for verifying the accuracy of the information they provide us and must ensure their information is kept up to date. Clients must inform us of any changes in their situation by updating their online account profile.

### **Wrap Fee Programs**

MarketsFlow does not participate in, recommend, or offer wrap fee programs.

### **Assets under Management**

As of December 31, 2018, MarketsFlow managed \$360,000 on a discretionary basis.

## **ITEM 5**

## **Fees and Compensation**

### **Advisory Fees and Billing**

MarketsFlow is compensated for providing its online investment advisory services. The fee charged varies based on the service chosen by the client.

Clients utilizing our platform's Self-Managed Service will be charged a set monthly fee ranging from \$100 to \$300 depending upon the product selected. This monthly fee is invoiced and billed directly to the client payable monthly, in arrears.

Clients utilizing our MarketsFlow Platform Managed Service will be charged a fee of 0.10% of the total assets under management by MarketsFlow. These clients may also be charged a fee based on the performance of their account. Please see Item 6 below for more detail.

MarketsFlow's fees are non-negotiable.

All fees are invoiced and billed directly to the client. Payments are due at the beginning of the proceeding month. The fee billing will be pre-determined in writing in the investment advisory agreement electronically executed by the client and MarketsFlow.

Clients are responsible for all third-party fees (i.e., custodian fees, mutual fund fees, transaction fees, etc.). These fees are separate and distinct from the fees and expenses charged by MarketsFlow.

### **Termination of Agreement**

Either party may terminate our online services by providing 30-days advance written notice. Upon termination of any account, any earned, unpaid fees will be due and payable up to and including the effective date of termination.

Notwithstanding the above, if we do not deliver the appropriate disclosure statement to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this us, then the client has the right to terminate the contract without penalty within five (5) business days after entering into the contract.

### **Other Expenses and Fees**

The fees discussed above include payment solely for our Self-Managed Service and MarketsFlow Platform Managed services provided by us and are distinct from certain fees or charges imposed by third parties in connection with investments made for the client's account on the client's behalf. Third-party fees may include markdowns, markups, brokerage commissions, other transaction costs and/or custodial fees.

Also, all fees paid to us for Self-Managed Service accounts and MarketsFlow Platform Managed services are separate from the expenses charged by exchange-traded funds and

mutual funds to their shareholders. These fees and expenses will be used to pay management fees for the funds, other fund expenses, account administration, and a possible distribution fee. Exchanged traded funds and mutual funds can be invested in directly by the client without our services. However, the client would not receive our services in determining which products or services are most suitable for their financial situation and objectives. Clients should review both the fees we charge and the fees charged by the fund(s) to understand the total fees to be paid fully.

## ITEM 6

# Performance-Based Fees

## Sharing of Capital Gains

We charge performance-based fees which are fees based on a share of capital gains on or capital appreciation of the assets of a client. Clients signed up for our managed accounts service will be charged a performance-based fee of 10%, subject to a high-water mark.

Receiving a performance-based fee creates an incentive for MarketsFlow to make investments that are riskier or more speculative than would be the case in the absence of those performance-based arrangements. Such fee arrangements could also create an incentive to favor higher fee paying accounts over other accounts. However, MarketsFlow has procedures designed and implemented to ensure that all clients are treated fairly and equally. Much of this risk is mitigated by the fact that all account recommendations derive from the platform's underlying algorithms as opposed to human-made recommendations.

## ITEM 7

# Types of Clients Description

We provide our investment advisory services to:

- Individuals
- High Net Worth Individuals
- Corporations
- Other business entities

Because we receive a performance-based fee, we comply with the requirements of SEC Rule 205-3 (17 Code of Federal Regulations §275.205-3), which prohibits the use of such fee unless the client is a "qualified client." In general, a qualified client may include:

1. a natural person or company who at the time of entering into such agreement has at least \$1,000,000 under the management of the investment adviser;
2. a natural person or company who the adviser reasonably believes at the time of entering into the contract:
  - a. has a net worth of jointly with his or her spouse of more than \$2,100,000; or
  - b. is a qualified purchaser as defined in the Investment Company Act of 1940, §2(a)(51)(A) (15 U.S.C. 80a-2(51)(A)); or

3. a natural person who at the time of entering into the contract is:
  - a. An executive officer, director, trustee, general partner, or person serving in the similar capacity of the investment adviser; or
  - b. An employee of the investment adviser (other than an employee performing solely clerical, secretarial, or administrative functions with regard to the investment adviser), who, in connection with his or her regular functions or duties, participates in the investment activities of such investment adviser, provided that such employee has been performing such functions and duties for or on behalf of the investment adviser, or substantially similar function or duties for or on behalf of another company for at least 12 months.

To open and maintain an account under our MarketsFlow Platform Managed Service, we require an account minimum of \$100,000.

## ITEM 8

# Methods of Analysis, Investment Strategies, and Risk of Loss

### Methods of Analysis

MarketsFlow's online service utilizes its own proprietary machine-based analysis that is based on technical analysis. Our proprietary analysis calculates optimal momentum based allocation strategies using Machine Learning in formulating investment advice for clients.

**Technical Analysis** – This method involves the evaluation of securities by performing an analysis of static information that is generated by market activity, such as past prices and volume. Technical analysis does not attempt to measure a security's intrinsic value but instead, use charts and other tools to determine the patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

### Investment Strategies

When formulating investment advice or managing client assets, our online platform and its algorithms will use both long-term and short-term investment strategies. There are inherent risks associated with each of these strategies. A long-term strategy may not take advantage of short-term gains or may experience more volatility over the life of the portfolio. While a short-term strategy may incur more trading and brokerage costs and runs the risk that certain anticipated market movements do not occur resulting in the client holding a security for longer than intended.

### Potential Risks

Investing involves different levels of risk that can result in loss of any profits and/or principal clients have not realized. Our platform manages client accounts in a manner consistent with each client's pre-determined risk tolerance and suitability profile. However, we cannot guarantee that our efforts via our platform will be successful. Investing in securities involves a risk of loss that clients should be prepared to bear.



Investing involves the assumption of risk including:

**Financial Risk:** which is the risk that the companies we recommend to you perform poorly, which affect the price of your investment.

**Market Risk:** which is the risk that the stock market will decline, decreasing the value of the securities we recommend to you with it.

**Inflation Risk:** which is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.

**Political and Governmental Risk:** which is the risk that the value of your investment will be affected by the introduction of new laws or regulations.

**Interest Rate Risk:** which is the risk that the value of the investments we recommend to you will fall if interest rates rise.

**Call Risk:** which is the risk that your investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.

**Default Risk:** which is the risk that issuer is unable to pay the contractual interest or principal on the investment promptly or at all.

**Manager Risk:** which is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.

**Industry Risk:** which is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.

## ITEM 9

### Disciplinary Information

#### Regulatory and Disciplinary

As of the date of this brochure, we have not been subject to any disciplinary, legal, or regulatory events related to past or present investment clients. There has been no disciplinary, legal, or regulatory events related to us or any of our management persons.

## ITEM 10

### Other Financial Activities and Affiliations

#### Financial Industry Activities

Neither MarketsFlow nor its management persons are registered or have an application pending to register as a broker-dealer or representative of a broker-dealer.

Neither MarketsFlow nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or commodity trading advisor or an associated person of such entities.

#### Affiliations

MarketsFlow is wholly owned and controlled by MarketsFlow Ltd. Neither have any material relationship or arrangement with other organizations in the financial industry.

## ITEM 11

# Code of Ethics, Participation in Client Transactions and Personal Trading

## Code of Ethics

MarketsFlow has developed a code of ethics that will apply to all of our supervised persons. We and our investment adviser representatives must act in a fiduciary capacity with regard to our clients and clients' accounts. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. This fiduciary duty is considered the core underlying principle of our code of ethics, which also covers our insider trading, and personal securities transactions policies and procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand and agree to comply with our Code of Ethics.

Our Code of Ethics is available to clients and prospective clients upon request at [info@marketsflow.com](mailto:info@marketsflow.com).

## Participation or Interest in Client Transactions

Our platform may recommend securities to clients that we or our investment adviser representatives have purchased or sold for our own accounts. Any trading for personal accounts must be in accordance with our personal trading policy outlined below. In no case, will we or our investment adviser representatives place our own interests above our those of our clients. Affiliated and client accounts trading in the same securities will share execution costs equally. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained in the trade order.

## Personal Trading

Employees are permitted to have personal securities accounts as long as personal investing practices are in line with fiduciary standards and regulatory requirements, and do not conflict with their duty to MarketsFlow and our clients. MarketsFlow monitors and controls personal trading through pre-approval of all personal securities transactions or blackout periods imposed upon employees trading in the same securities as MarketsFlow. We forbid any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information or to communicate such information to others in violation of the law.

## ITEM 12

# Brokerage Practices

MarketsFlow currently has arrangements with Charles Schwab & Co., Inc. ("Schwab"). Schwab is the custodian whereby MarketsFlow requires its online MarketsFlow Platform Managed Service clients to custody their accounts. Schwab is an independent SEC-registered

broker-dealer and is a member of FINRA and SIPC. Additionally, Schwab generally does not charge separately for custody as it is compensated by commissions or other transaction-related fees from trades executed on its trading platform.

As a fiduciary, we are obligated to seek out the best execution of client transactions for that accounts that we manage through our online platform. In general, the execution of securities transactions is at a total cost to process each transaction and are the most favorable under the circumstances. However, we do not limit the best execution to the lowest available price. Additional factors are taken into consideration when determining the arrangement and services in the selection of a broker-dealer or qualified custodian. Our review consists of reviewing the commission and fee structures of various broker/dealers, research platform, and execution services. Accordingly, while MarketsFlow does consider competitive rates, it does not necessarily obtain the lowest possible commission rates for account transactions.

We do not receive soft dollar benefits; however, Schwab may make available to us other products and services such as trade execution software, investment research, pricing information, market data, recordkeeping, publications, and conferences. These services are available to all of retail and professional clients of the custodians on an unsolicited basis.

Clients with Self-Managed Service accounts will be permitted to select any broker/dealer of their choosing. In these situations, we may be unable to achieve most favorable execution for client transactions. Directing brokerage may cost clients more money in that the client may pay higher brokerage commissions because we may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.

We attempt to allocate trade executions in the most equitable manner possible, taking into consideration current asset allocation and availability of funds using price averaging, proration and consistently non-arbitrary methods of allocation. We may aggregate orders in order to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients' differences in prices and commission or other transaction costs. In aggregated orders, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

## ITEM 13

# Review of Accounts

### Periodic Reviews

Clients will be provided with continuous access to their accounts via our online portal. Through the portal, clients will receive current reporting information about their account status, securities positions, and balances. We will provide reviews of accounts on a periodic, as needed basis.

### Review Triggers

MarketsFlow Platform Managed Service accounts will receive periodic reviews to evaluate asset allocation, sector weight reports, cash balance, position count, position size, and country weight on an as-needed basis. Account reviews for clients under the Self-Managed Service will take place as needed based on client requests. All clients may receive ad hoc reports that

supplement the review process. Our CCO oversees the daily operations of the existing account review process.

### **Regular Reports**

The client may receive monthly reports showing asset value by cash balances, security, unit cost, total cost, current per share values, etc. Clients are urged to review any reports that MarketsFlow provides to those provided by the client's custodian and notify us of any differences.

## **ITEM 14**

### **Client Referrals and Other Compensation**

We do not engage in referral relationships with vendors and/or unaffiliated third-party custodians which provide services that may include custody of securities, trade execution, and clearance and settlement of transactions.

### **Other Compensation**

We do not pay a referral fee to third party solicitors.

## **ITEM 15**

### **Custody**

#### **Account Statements**

We are not a broker-dealer and do not take possession of client assets. Client's assets are housed in internationally recognized brokerage firms, otherwise known as qualified custodians. We may utilize Schwab as our custodian. In certain instances as described below, we have a limited power of attorney to place trades on the client's behalf.

The custodian will issue monthly statements and trade confirmations directly to the client. Clients are urged to compare the information in the monthly statements provided by us with the statements provided by the custodian.

## **ITEM 16**

### **Investment Discretion**

#### **Discretionary Authority for Trading**

For clients participating in the MarketsFlow Platform Managed Service and upon receiving written authorization via our executed online investment advisory agreement, we will maintain trading authorization over the client's designated account and may also implement trades on a discretionary basis.

When discretionary authority is granted, we will have the limited authority to determine the type of securities to be purchased, sold or exchanged and a number of securities that can be bought, sold or exchanged for the client's portfolio without obtaining prior consent for each transaction.

Self-Managed Services are provided on a non-discretionary basis.

**ITEM 17**

## Voting Client Securities

### Proxy Voting

We do not have the authority to vote proxies as it pertains to the issuers of securities held in clients' accounts. The responsibility for voting clients' securities places increased liability to us and does not add enough value to the services provided to our clients to justify the additional compliance and regulatory costs associated with voting client securities.

Therefore, clients are responsible for voting all proxies for securities held in accounts managed by us. Typically, our qualified custodian will forward clients' their proxy information.

**ITEM 18**

## Financial Information

### Financial Condition

We are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

We are currently not in, nor have been historically in a financially precarious situation or the subject of a bankruptcy petition.