

# MV Capital Management, Inc.

## **Form ADV Part 2A: Appendix 1 Wrap Fee Program Brochure Dated March 29, 2019**

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**This brochure provides information about the qualifications and business practices of MV Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us at (301) 656-6545. 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 MV Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to MV Capital Management, Inc. as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since its last Annual Amendment filing on March 29, 2018, MV Capital Management Inc. (MVCM) has not materially amended this Wrap Fee Program Brochure.

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## Item 4 Services, Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

Clients can engage MVCMM to provide discretionary investment advisory services on a wrap fee basis, meaning clients pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need.

### MVCM PORTFOLIO MANAGER PROGRAM

MVCM is the sponsor and investment manager of the MVCM Portfolio Manager Program (hereinafter the "Program"). Under the Program, MVCM offers participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees.

MVCM charges an annual wrap fee for participation in the Program. The wrap fee will be charged as a percentage of assets under management, as follows:

<u>Account Assets</u>	<u>Fees % of Assets</u>	<u>Incremental Maximum</u>	<u>Total Maximum</u>	<u>Minimum Fees</u>
First \$2,000,000	1.50%	\$30,000	\$30,000	\$0
Next \$2,000,000	1.40%	\$28,000	\$58,000	\$30,000
Next \$1,000,000	1.30%	\$13,000	\$71,000	\$58,000
Next \$1,000,000	1.20%	\$12,000	\$83,000	\$71,000
Next \$1,000,000	1.10%	\$11,000	\$94,000	\$83,000
Next \$3,000,000	1.05%	\$31,500	\$125,500	\$94,000
Over \$10 Million	To be individually assessed.			

Under the Program, MVCMM, if engaged on a discretionary basis, shall be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written agreement between each client and MVCMM. Clients may amend these limitations, in writing, at any time. The client shall have reasonable access to one of MVCMM's investment professionals to discuss their account.

Fidelity Investments Brokerage Services, LLC ("Fidelity"), Charles Schwab & Co. ("Schwab") or TD Ameritrade, Inc. are eligible custodians for Program accounts. Additionally, MVCMM may be able to accommodate other account custodians. Unless directed otherwise by the client, the custodian of the client's assets is also used as the broker-dealer.

**Fee Calculation:** The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

**Fee Payment:** Clients will be charged in advance at the beginning of each calendar quarter based upon the account valuation of the client's account(s) as of the last business day at the end of the previous quarter.

**Investment Performance:** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by MVCVM) will be profitable or equal any specific performance level(s).

- B. Participation in the Program may cost more or less than purchasing these services separately. Also the Program fee charged by MVCVM for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the fee charged by MVCVM, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of services if they were provided separately or if MVCVM were to negotiate transaction fees and seek best execution for the client's account.

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, fees charged by Independent Managers, transaction charges (including mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than the client's account custodian, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. These fees and expenses are in addition to the Program's wrap fee.
- D. MVCVM's related persons who recommend the Program to clients do not directly receive compensation because of a client's participation in the wrap fee program.

## **Item 5 Account Requirements and Types of Clients**

MVCVM's clients shall generally include individuals, business entities, trusts, estates and charitable organizations. MVCVM generally requires an aggregate minimum asset level of \$1,000,000 per household for investment advisory services. MVCVM, in its sole discretion, may waive or reduce its minimum asset requirement or charge a lower investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). Independent Managers may also impose an account minimum and have the discretion to close an account that falls below or does not maintain the minimum balance.

## **Item 6 Portfolio Manager Selection and Evaluation**

Participating portfolio managers for the Program are selected and reviewed on an on-going basis by the MVCVM Investment Committee ("Committee").

Based on information obtained from independent sources portfolio managers are selected for the Program by the Committee following the procedures set forth below:

## I. Performance Screening

- A. Quantitative Criteria: Quantitative criteria are evaluated both in terms of a portfolio managers absolute performance and performance relative to the managers investment style group and may include:
  - a. Rate of Return
  - b. Style Purity
  - c. Consistent Results with Emphasis on Long Term
  - d. Risk Adjusted Returns and related Statistical Risk Measures
  - e. Alpha and Beta Measures
  - f. Upside and Downside Capture
- B. Qualitative Criteria
  - a. Tenure in the Business
  - b. Professional and Educational Background
  - c. Publications, Articles, Books by Key Individuals at the Manager
  - d. Investment Philosophy and Process, Competitive Advantage
  - e. Adherence to Investment Philosophy and Process
  - f. Ownership in Investment Management Firm
  - g. Nature of Employment or other Contractual Agreements
  - h. Personal Investments
  - i. Financial, Operational and Client Servicing Resources
  - j. Assets Under Management
  - k. Firm Culture, Ethics, and Professionalism

## II. Due Diligence

MVCM provides portfolio managers, short-listed from the initial screening, with compliance & due diligence questionnaires in order to obtain and analyze further details about the manager. These are extensive questionnaires encompassing the firm's business and the investment style, fund or portfolio under consideration for addition to the MVCM program.

## III. Teleconference Interviews

MVCM Investment Committee members hold teleconference calls with portfolio manager representatives to fill in gaps from due diligence and further explore the manager's strategy, vision and team member composition.

## IV. Site Visits

MVCM may conduct a site visit to complete the information-gathering process including but not limited to interviews with a range of manager team members, viewing of principal facilities and cross-checking for consistency between information gathered thus far and actual circumstances.

## V. Review and Approval

The Investment Committee is responsible for final approval based upon a presentation and recommendation by one Committee member to a quorum of remaining members.

## VI. Ongoing Monitoring

The Committee meets periodically to review portfolio managers currently participating in the Program, typically allocating 1-2 asset classes for discussion in any given meeting. Although MVCMM calculates each client's portfolio's internal rate of return and time-weighted rate of return, MVCMM does not independently verify the rates of return for each private manager. Managers who comply with the CFA Institute's Global Investment Performance Standards (GIPS) and have third party opinions verifying compliance, are asked to make this information available to MVCMM in the due diligence process and ongoing monitoring process. In compiling and analyzing portfolio manager overall performance, the manager's performance is compared to the Zephyr StyleADVISOR group database universe which contains information on over 10,000 portfolio managers. During the monitoring process the Committee takes a number of quantitative as well as qualitative factors into consideration when evaluating a manager's performance.

The Committee may elect to replace a manager should it determine the manager has failed to meet one or more of the above selection criteria. In making a decision to replace a manager, the Committee takes into consideration all criteria; no one criterion is necessarily determinative in the replacement decision. The Committee places emphasis on long term overall portfolio manager performance from both a qualitative and quantitative viewpoint. Short-term developments are monitored but are not necessarily sufficient for a decision to replace a portfolio manager. Termination may also arise out of qualitative factors the Committee deems to be highly material to the well-being of the portfolios under this manager's auspices, including but not limited to: pricing and valuation issues, internal controls, suitability of investments, and clarity and transparency of the manager's investment style and strategy.

Termination requires a unanimous vote of the Committee, following which the Committee will agree on an appropriate plan for informing the manager and reallocating investments in a way that seeks to minimize the disruption to any given concerned portfolio. In the event the Committee deems it not suitable to redeploy these funds into the accounts of another active manager in that asset class, the Committee will evaluate other investments such as mutual funds and ETFs that may serve this purpose until such time as a suitable replacement manager is accepted by the Committee according to its regular standards of evaluation.

Currently, MVCMM has selected and developed relationships with the following professional managers:

<b><u>Company</u></b>	<b><u>Investment Style</u></b>	<b><u>Portfolio Manager(s)</u></b>
Gannett, Welsh & Kotler, LLC	Total Return	Stephen Weiss
Gannett, Welsh & Kotler, LLC	Intermediate Muni	Stephen Weiss
Navellier & Associates, Inc.	Small/Mid Cap Growth	Louis Navellier
Navellier & Associates, Inc.	Large Cap Growth	Louis Navellier
Navellier & Associates, Inc.	International	Louis Navellier
O'Shaughnessy Asset Management, LLC	All Cap Core	James O'Shaughnessy
O'Shaughnessy Asset Management, LLC	Enhanced Dividend	James O'Shaughnessy
O'Shaughnessy Asset Management, LLC	Small Cap Growth	James O'Shaughnessy
O'Shaughnessy Asset Management, LLC	Small Cap Value	James O'Shaughnessy
O'Shaughnessy Asset Management, LLC	International ADR	James O'Shaughnessy

At this time, participating managers generally execute and clear account transactions through the custodian for each client's account. Clients also receive trade confirmations and monthly account statements from the respective custodian.

In certain cases, clients may be unable to custody assets and execute trades through Fidelity, Schwab or TD Ameritrade, Inc. In such cases, a client may request the use of a broker-dealer other than these specific custodians. In addition, portfolio managers may execute trades through other broker-dealers.

## **OTHER ADVISORY BUSINESS SERVICES**

### **INVESTMENT ADVISORY SERVICES**

#### **NON-WRAP FEE BASIS**

Clients can engage MVCMM to provide discretionary or non-discretionary investment advisory services on a non-wrap fee basis, in which case a client will select individual services on an unbundled basis and pay for each service separately (i.e. investment advisory, brokerage, custody).

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, MVCMM may provide financial planning or consulting services (on investment and non-investment related matters, including estate planning and insurance planning) on a stand-alone separate fee basis. Prior to engaging MVCMM to provide planning or consulting services, clients are generally required to enter into a Financial Planning and Consulting Agreement with MVCMM setting forth the terms and conditions of the engagement. If requested by the client, MVCMM may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from MVCMM. If the client engages any recommended professional, and a dispute arises, the client agrees to seek recourse exclusively from the engaged professional. Clients are responsible for promptly notifying MVCMM if there is ever any change in their financial situation or investment objectives so that MVCMM can review, and if necessary, revise its previous recommendations or services.

### **MISCELLANEOUS ADVISORY SERVICES DISCLOSURE**

**Non-Investment Consulting/Implementation Services.** If requested by the client, MVCMM may provide consulting services regarding non-investment related matters, such as estate, tax and insurance planning. Neither MVCMM, nor any of its representatives, serves as an attorney or accountant and no portion of MVCMM's services should be construed as same. To the extent requested by a client, MVCMM may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including certain of MVCMM's investment adviser representatives in their separate licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from MVCMM. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged

professional. **Please Also Note:** Clients are responsible for promptly notifying MVCMM if there is ever any change in their financial situation or investment objectives so that MVCMM can review, and if necessary, revise its previous recommendations or services.

**Non-Discretionary Service Limitations.** Clients that determine to engage MVCMM on a non-discretionary investment advisory basis must be willing to accept that MVCMM cannot effect any account transactions without obtaining the client's consent. For instance, in the event of a market correction event where MVCMM cannot reach the client, a client may suffer investment losses or miss potential investment gains.

**Retirement Rollovers.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If MVCMM recommends that a client roll over their retirement plan assets into an account to be managed by MVCMM, such a recommendation creates a conflict of interest if MVCMM will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by MVCMM. MVCMM's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by rollover recommendations.**

**Independent Managers.** MVCMM may invest or recommend that the client invest using unaffiliated independent investment managers in accordance with the client's designated investment objectives. In these situations, the Independent Manager has the day-to-day responsibility for the active discretionary management of the client's assets. MVCMM will continue monitor and review the client's account performance, asset allocation and investment objectives. Factors that MVCMM considers in recommending Independent Managers include the client's designated investment objectives, and the manager's management style, performance, reputation, financial strength, reporting capabilities, pricing structure, and published research.

**Single Strategy Program.** MVCMM may also recommend that clients invest in one or more investment strategies offered in the Single Strategy Program (SSP) consistent with the client's investment objectives and risk profile. Assets using a strategy in the SSP will be managed in a separate account from all other assets and strategies. Although the strategies used may be considered part of a client's overall portfolio allocation, each strategy in the SSP is independently managed based on proprietary guidelines developed and implemented by MVCMM.

**Client Obligations.** MVCMM will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are responsible for promptly notifying MVCMM if there is ever any change in their financial situation or investment objectives so that MVCMM can review, and if necessary, revise its previous recommendations or services.

**Tailored Services.** MVCMM shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser



representative will discuss with each client, their particular investment objective(s). MVCMM shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at any time, impose restrictions, in writing, on MVCMM's services.

**Treatment of Wrap and Non-Wrap Fee Programs.** There is no material difference between how MVCMM manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage MVCMM on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage MVCMM on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody).

### **Performance Based Fees and Side-By-Side Management**

Neither MVCMM nor any supervised person of MVCMM accepts performance-based fees.

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

MVCMM may utilize the following methods of security analysis:

- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

MVCMM may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by MVCMM) will be profitable or equal any specific performance level(s).

MVCMM's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis MVCMM must have access to current/new market information. MVCMM has no control over the dissemination rate of market information; therefore, unbeknownst to MVCMM, certain analyses may be compiled with outdated market information, severely limiting the value of MVCMM's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

MVCMM's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies

require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

MVCM's approach to investing for long-term success is built upon values that its professional team members adhere to in all market environments:

- A changing world requires the *intelligence* and *agility* to anticipate and prepare for the unforeseen by constantly challenging our assumptions regarding the economic, geopolitical and socio-cultural influences that affect the risk and return characteristics of asset classes and investment choices. The world economy is currently in the early stages of a new phase of global capitalization that requires a fresh look at the twin sides of opportunity and risk.
- Successful investing requires the *patience* and *discipline* to manage a long-term strategy. We help our clients resist the natural temptation to act on emotion and maintain fidelity to a strategy suited to their individual goals, tolerances and circumstances.

Long-term investment success requires a deep understanding of fundamental portfolio value drivers and the ability to translate that understanding into a sustained process. Portfolio value drivers change in the face of short-term economic and geopolitical variables – X-factors – and evolve structurally over time as long-term global developments affect the interplay between different asset classes, sub-classes and the means of exposure thereto.

#### Strategic Framework:

At the core of MVCM's strategic framework is a three-fold investment process. The center of the process is beta-efficient asset class exposure according to our strategic (long-term) views on the major existing style classes across equities, fixed income and alternative assets. Flexible alpha is how we define our strategy for seeking excess returns. We term it "flexible" because where, when and how alpha may be achievable varies with capital market conditions and with our own abilities to source it either through the strategy of a particular money manager or through our own proprietary research, knowledge and models. Finally, peripheral positioning is a process by which we further refine our return-risk-correlation positioning through approaches such as sector, country or region overlays.

Consistent with our belief that there is no single "right" approach we employ both top-down and bottom-up methodologies. Top-down models are particularly important when considering the evolving structure of world markets and particularly the changing roles and texture of regional capital, consumer, service and manufacturing markets. On the other hand the relationship between any given asset's intrinsic value and its price in the market is driven by fundamental measures such as normalized cash flows, asset quality and capital structure. In our opinion there is strong evidence that different assets and even asset classes can demonstrate both short-term and systematic anomalies between price and value, and we look for effective ways to capture those anomalies when they exist.

X-factors are the short-term, unpredictable events that bring volatility to markets and risk assets. At any time we may have knowledge of potential X-factors – hurricanes, terrorist

attacks, credit market defaults – but very little ability to predict their actualization or the likely magnitude of their effect.

Event testing based on historical scenarios can help us prepare for X-factors but not with any predictive ability. Market tectonics, on the other hand, refers to changes that happen more gradually and affect the market's underlying structure much in the way that geological plates do – they can creep along for years without notice and suddenly collide and cause massive disruption. We study market tectonics with a view towards understanding trends and positioning ourselves to benefit from them over the long term.

We are not short-term traders. Generally speaking we believe the cost of executing multiple transactions in a very short-time period outweighs the potential benefits. We are also not passive buy-and-hold investors. Our experience and our view of the road ahead show that significant opportunities exist to obtain favorable returns through a dynamic mix of asset allocation discipline, selective alpha hunting and ongoing refinement and customizing of our risk exposure.

#### Strategic Asset Allocation:

MVCM believes that strategic asset allocation is our single most important strategic decision given its high level of attribution in explaining overall investment performance. Strategic allocation is driven by two primary considerations: the client's capacity and propensity for assuming risk, and our long-term views on the risk, return and correlation relationship between different asset classes. We use both risk and style benchmarks as tools to measure our strategic and tactical allocation and our investment selection decisions.

#### Tactical Asset Allocation:

Our tactical decisions tend to reflect shorter-term views and lead to changes more frequently than strategic decisions. We employ tactical decisions at least on a one-year basis through re-weighting our asset class exposures, typically in the same time frame as our annual systematic rebalancing. Each December our investment committee goes through an extensive review of top-down and bottom-up factors and arrives at a consensus view for tactical weights. Tactical decisions are not limited to the annual rebalancing and reweighting process, however. We make active use of shorter-term overlay strategies, for example in industry sectors, countries or world regions. We may also make tactical decisions in certain areas such as fixed income duration exposure in line with our bond and credit market views.

#### Investment Selection:

Central to the investment selection process is a core discipline that constantly asks: are we employing all of the best opportunities at hand to deliver the strongest portfolio returns? Mutual funds and money managers employ security-selection techniques to maximize their returns to benchmark, and we employ similar techniques in evaluating managers. This entails a continuous evaluation process of our investment choices and of the percentages we allocate to mutual funds, Independent Managers, exchange-traded funds (ETFs), customized products and other investment vehicles.

#### Monitoring, Rebalancing, and Communications:

Rebalancing is designed to periodically bring a portfolio's asset class weights back in line with the original policy portfolio. As a rule of practice we perform a strategic rebalancing on an annual basis (i.e. one year from the date on which the model portfolio was fully

invested). Rebalancing is a discipline shown to have significant benefits to investors over the long term.

On certain occasions portfolio weightings may move significantly out of line with the model as a result of capital market developments within the usual one-year rebalancing period. We retain the flexibility to react to these changes and take action if circumstances suggest. However, we do not maintain a strict percentage-of-portfolio threshold for making rebalancing decisions. On the basis of ongoing monitoring and the availability of significant-variance reports we will make a qualitative consideration as to the need to conduct interim systematic rebalancing.

#### Types of Securities:

Currently, MVCAM primarily invests client assets among various mutual funds, ETFs, individual equity (stocks) and fixed income securities on a discretionary or non-discretionary basis in accordance with the client's investment objectives.

#### **Voting Client Securities**

MVCAM does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.

MVCAM will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof. MVCAM is not obligated to render any advice or take any action on a client's behalf with respect to securities or other property held in the client's account, or the issuers thereof, which become the subject of any legal proceedings, including without limitation, bankruptcies and shareholder litigation, to which any securities or other investments held or previously held in the account, or the issuers thereof, become subject.

Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact MVCAM to discuss any questions they may have with a particular solicitation.

### **Item 7            Client Information Provided to Portfolio Managers**

MVCAM shall be the Program's portfolio manager. MVCAM shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Thereafter, MVCAM will invest or recommend that the client invest their assets consistent with their investment objectives. Clients may, at any time, impose restrictions, in writing, on MVCAM's services.

As indicated above, clients are responsible for promptly notifying MVCM if there is ever any change in their financial situation or investment objectives so that MVCM can review, and if necessary, revise its previous recommendations or services.

To the extent the Program uses Independent Managers, MVCM will provide the Independent Managers with each client's particular investment objectives. Any changes in the client's financial situation or investment objectives reported by the client to MVCM will be communicated to the Independent Managers within a reasonable period of time.

## **Item 8            Client Contact with Portfolio Managers**

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

## **Item 9            Additional Information**

- A. MVCM has not been the subject of any disciplinary actions.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

**Broker Dealer.** Neither MVCM, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

**Affiliated Insurance Firm / Licensed Insurance Agents.** MV Financial Group, Inc. ("MVFG") is an affiliated insurance agency, that licensed in various states to sell life and health insurance, as well as variable annuities. Certain of MVCM's representatives, in their individual capacities, are licensed insurance agents, working through MVFG, and may recommend the purchase of certain insurance-related products on a commission basis.

The recommendation by MVCM's representatives that a client purchase an insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from MVCM's representatives. Clients are reminded that they may purchase insurance products recommended by MVCM through other, non-affiliated insurance agents.

**MVCM's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

MVCM does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

MVCM has entered into a Soft Dollar Arrangement with Fidelity. In return for effecting securities transactions through Fidelity, MVCM may receive certain investment research

products or services that assist MVCM in its investment decision-making process pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a “soft-dollar” arrangement). Investment research products or services received by MVCM may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the commissions paid by MVCM’s clients shall comply with MVCM’s duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where MVCM determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although MVCM will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Although the investment research products or services that may be obtained by MVCM will generally be used to service all of MVCM’s clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client’s account. With respect to investment research products or services obtained by MVCM that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, MVCM shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to MVCM’s investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by MVCM with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are in addition to MVCM’s investment management fee.

MVCM’s clients do not pay more for investment transactions effected or assets maintained at *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* because of this arrangement. There is no corresponding commitment made by MVCM to *Fidelity*, *Schwab* and *TD Ameritrade, Inc.* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangements.

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

MVCM maintains an investment policy relative to personal securities transactions. This investment policy is part of MVCM’s overall Code of Ethics, which serves to establish a standard of business conduct for all of MVCM’s representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, MVCM also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by MVCM or any person associated with MVCM.

Neither MVCM nor any related person of MVCM recommends, buys, or sells for client accounts, securities in which MVCM or any related person of MVCM has a material financial interest.

MVCM and/or representatives of MVCM *may* buy or sell securities that are also recommended to clients. This practice may create a situation where MVCM and/or representatives of MVCM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if MVCM did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of MVCM’s clients) and other potentially abusive practices.

MVCM has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of MVCM’s “Access Persons”. MVCM’s securities transaction policy requires that Access Person of MVCM must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date MVCM selects.

MVCM and/or representatives of MVCM *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where MVCM and/or representatives of MVCM are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above, MVCM has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of MVCM’s Access Persons.

#### **REVIEW OF ACCOUNTS**

For those clients to whom MVCM provides investment services, account reviews are conducted on an ongoing basis by MVCM’s investment adviser representatives. All investment clients are advised that it remains their responsibility to advise MVCM of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with MVCM on an annual basis.

MVCM *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

As referenced above, receives economic benefits from Fidelity, Schwab and TD Ameritrade, Inc.

Neither MVCMM nor any related person of MVCMM directly or indirectly compensates any person for client referrals.

#### **FINANCIAL INFORMATION**

MVCMM does not solicit fees of more than \$1,200, per client, six months or more in advance.

MVCMM is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

MVCMM has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: MVCMM's Chief Compliance Officer, Mark Underwood, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**



**Disciplinary Information, Other Business Activities, and Additional Compensation:**

There are no legal or disciplinary events to disclose for any of the officers, advisors, or employees of MVCN as listed above to report. None of these individuals are involved in other outside business activities or receive additional compensation not disclosed in this document.

## **MV CAPITAL MANAGEMENT, INC.**

### **PRIVACY NOTICE**

MV Capital Management, Inc. (referred to as “MVCM”) maintains physical, electronic, and procedural safeguards that comply with federal standards to protect its clients’ nonpublic personal information (“information”). Through this policy and its underlying procedures, MVCM attempts to secure the confidentiality of customer records and information and protect against anticipated threats or hazards to the security or integrity of customer records and information.

It is the policy of MVCM to restrict access to all current and former clients’ information (i.e., information and records pertaining to personal background, investment objectives, financial situation, tax information/returns, investment holdings, account numbers, account balances, etc.) to those employees and affiliated/nonaffiliated entities who need to know that information in order to provide products or services in furtherance of the client's engagement of MVCM. In that regard, MVCM may disclose the client’s information: (1) to individuals and/or entities not affiliated with MVCM, including, but not limited to the client’s other professional advisors and/or certain service providers that may be recommended or engaged by MVCM in furtherance of the client's engagement of MVCM (i.e., attorney, accountant, insurance agent, broker-dealer, investment adviser, account custodian, record keeper, proxy management service provider, etc.); (2) required to do so by judicial or regulatory process; or (3) otherwise permitted to do so in accordance with the parameters of applicable federal and/or state privacy regulations. The disclosure of information contained in any document completed by the client for processing and/or transmittal by MVCM to facilitate the commencement/continuation/termination of a business relationship between the client and/or between MVCM and a nonaffiliated third party service provider (i.e., broker-dealer, investment adviser, account custodian, record keeper, insurance company, etc.), including, but not limited to, information contained in any document completed and/or executed by the client in furtherance of the client's engagement of MVCM (i.e., advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding nonaffiliated third party service provider.

MVCM permits only authorized employees and affiliates who have signed a copy of MVCM’s Privacy Policy to have access to client information. Employees violating MVCM’s Privacy Policy will be subject to MVCM’s disciplinary process. Additionally, whenever MVCM hires other organizations to provide services to MVCM’s clients, MVCM will require them to sign confidentiality agreements and/or the Privacy Policy.

Should you have any questions regarding the above, please contact Mark E. Underwood, Chief Compliance Officer.



# CAPITAL MANAGEMENT

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MV Financial Group, Inc. | MV Capital Management, Inc.  
Investment Advisory Services offered through MV Capital Management, Inc., a Registered Investment Advisor.  
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