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FORM ADV PART 2A  
FIRM BROCHURE

April 26, 2024

This brochure provides information about the qualifications and business practices of Motley Fool Wealth Management, LLC ("MFWM") a registered investment adviser. **Registration does not imply a certain level of skill or training but only indicates that MFWM has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission (our SEC number is 801-77616).** Additional information about MFWM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). 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. If you have any questions about the contents of this brochure, please contact us by email at [support@foolwealth.com](mailto:support@foolwealth.com).

MFWM is a fiduciary under the Investment Advisers Act of 1940 and when we provide investment advice to clients regarding their retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

## **Item 2            Material Changes**

This amendment to the Motley Fool Wealth Management, LLC (“MFWM”, “us”, “we”, or “our”) Brochure is dated April 26, 2024, and replaces the brochure, which was filed December 22, 2023. The following have been revised or updated to reflect the following material changes:

- As of March 31, 2024, MFWM had \$2,169,726,731 assets under management.
- Item 4: MFWM will no longer be adding replacement ETFs to Client accounts custodied at Schwab. Accounts holding Replacement ETFs will be traded out of those Replacement ETFs and into Model Portfolio holdings appropriate for the Client’s investment allocation and specific investment strategies.
- Item 8: The following risk disclosures were added: (1) Mortgage-Related and Other Asset Backed Securities Risk (2) Margin Risk and (3) Issuer Risk.

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## Item 4            Advisory Business

### A. The Firm - Motley Fool Wealth Management, LLC

Motley Fool Wealth Management, LLC (“MFWM”, “us”, “we”, or “our”) is an investment adviser registered with the United States Securities and Exchange Commission since February 12, 2013.

MFWM is a wholly-owned subsidiary of Motley Fool Investment Management, LLC (“MFIM”). In turn, MFIM is wholly-owned by The Motley Fool Holdings Inc. (“TMF Holdings”). MFWM has two indirect owners, David H. Gardner and Thomas M. Gardner, who each own 30% or more of TMF Holdings.

### B. Advisory Services Offered

MFWM provides nondiscretionary advice and discretionary account management services. Our nondiscretionary advice consists of: (i) financial review and counseling services for clients investing \$300,000 or more in our separately managed account or “Personal Portfolio Program” (“Counseling Services”); (ii) financial planning services for Clients with \$1,000,000 or more invested in our Personal Portfolio Program (“Financial Planning Services,” and together with our Counseling Services, our “Planner Services”); and (iii) model delivery services (“Model Delivery Services”). MFWM’s discretionary management services are delivered exclusively through our Personal Portfolio Program.

Our Planner Services and Personal Portfolio asset allocations are based upon Clients’ responses to an online questionnaire regarding their financial and portfolio information, risk tolerance levels, time to retirement, need to access assets, and the Client’s plans to add funds to or withdraw funds from their Personal Portfolio account(s) (the “Profile”). Our Planner Services also incorporate additional information we receive from Clients, through their interaction with a financial planner and through Aggregation Software (as described below), regarding their personal financial situation. With respect to MFWM’s Personal Portfolio Program, our proposed asset allocations for Clients investing \$300,000 or more may be adjusted as part of our Counseling Services.

**Clients investing less than \$300,000 in our Personal Portfolio Program but who have combined investable assets of \$300,000 or more are encouraged to schedule time with a MFWM financial planner to discuss how our Personal Portfolios fit into their overall portfolio.**

Our Planner Services and Personal Portfolios are provided to Clients pursuant to an Investment Advisory Agreement, which permits either the Client or MFWM to terminate the agreement with notice. We do not separately charge eligible Clients for our Planner Services. Model Delivery Services are generally provided to institutions, such as broker-dealers and other investment advisers, pursuant to a licensing agreement or comparable arrangement.

#### 1. **Nondiscretionary Advisory Services**

##### a. Planner Services

MFWM’s Planner Services are based upon the Client’s personal situation and goals, as communicated to MFWM through the Profile and any information provided by the Client in emails, telephone calls, web conferences, or face-to-face meetings. **Since these services rely heavily on the information provided to us by the Client, if the Client provides inaccurate or incomplete information at any point, MFWM’s advice may not be fully tailored to that Client’s needs.**

i. Counseling Services

Clients that have invested \$300,000 or more in our Personal Portfolio Program are eligible to receive financial review and counseling services, which include one or more of the following:

- Meetings and consultations with a financial planner;
- Reviewing the Client's online questionnaire inputs and advising on possible changes;
- Assisting the Client in determining which Model Portfolios (as defined below) in MFWM's Personal Portfolio Program to follow and providing related asset allocation advice, taking into consideration, among other things, Client portfolio holdings that are not currently under our management;
- Answering specific questions that a Client may have about financial goals and circumstances, including meeting retirement goals and the suitability of current investments; and/or
- Counseling on tax efficiency and general tax considerations.

Counseling Services are generally ancillary services provided in connection with our Personal Portfolio Program and are offered free of charge. We may also offer Counseling Services (free of charge) to Clients that are evaluating investments in Private Funds (as defined below) sponsored and managed by affiliated advisory entities, even though these Clients may not meet the \$300,000 Personal Portfolio investment minimum. **Please see Item 11.B. below for a discussion of the conflicts of interest associated with Counseling Services provided in connection with affiliated Private Funds.**

Consultations are generally conducted via telephone or email, but a Client may also request to meet with MFWM via web conference or, in limited circumstances, in-person. Face-to-face meetings are by appointment.

ii. Financial Planning Services

Clients that have invested \$1,000,000 or more in our Personal Portfolio Program are eligible to receive complimentary financial planning services.

Financial Planning Services include one or more of the following nondiscretionary services:

- Retirement savings and income planning;
- Investment planning;
- Estate planning;
- Tax planning;
- Risk management and insurance planning; and
- Education planning.

Each Client that is eligible for Financial Planning Services is paired with a financial planner, who is available for regular consultations. Consultations primarily take place via telephone, but web conference or in-person visits to MFWM's offices may also be accommodated. Clients may also elect to receive a detailed financial plan.

iii. Eligibility for Planner Services

Eligibility for Planner Services is determined based on Aggregate Assets (as described in Item 5 below with respect to fee breakpoints). One important difference, however, is that Clients are permitted to combine stock-based and index-based accounts for purposes of calculating eligibility for Planner Services (but not fee breakpoints).

Clients that have (or will invest) at least \$100,000 invested in our Personal Portfolio Program are also permitted to count (towards the \$300,000 or \$1,000,000 minimum associated with Counseling Services and Financial Planning Services, respectively) their investments in products and services offered by certain of our affiliated investment advisory entities (“Affiliated Products”).

“Affiliated Products” include funds managed by 1623 Capital LLC and Motley Fool Ventures Management LLC. Exchange-traded funds (“ETF”) managed by Motley Fool Asset Management LLC (“MFAM”) and publication products and services offered by The Motley Fool (or any other publishing, non-regulated affiliate) are excluded from the definition of “Affiliated Products” and, therefore, are not counted for purposes of Planning Services eligibility.

If an adult member of the Client’s household (as described below under Item 5.A.1.) is an investor in (or client of) our Personal Portfolio Program and/or an Affiliated Product, their assets will be aggregated for purposes of determining eligibility for our Planning Services. However, Financial Planning Services are limited to one Client per household (unless, of course, each Client separately qualifies without the need for aggregation).

**Clients that are investors in or clients of Affiliated Products (or have an eligible member of their household who is invested in our Personal Portfolio Program and/or an Affiliated Product investor or client) are responsible for notifying us of their eligibility, which can be done by emailing [support@foolwealth.com](mailto:support@foolwealth.com) or speaking with a financial planner or a member of the client experience team.**

MFWM reserves the right to waive the above investment minimums with respect to Planner Services, and in so doing, we may consider, among other things, a Client’s overall relationship with MFWM and its affiliates.

b. Asset Aggregation Software

MFWM may make available to Clients third-party asset aggregation software (“Aggregation Software”). The Aggregation Software allows Clients to view managed and non-managed accounts on a dashboard including calculation of net worth and cash flow through real-time syncing with third-party account-holders. Clients may also add financial assets and liabilities manually to reflect the full breadth of their financial situations.

i. Clients Not Eligible for Planner Services (“Non-Planning Clients”)

When making asset allocation recommendations with respect its Personal Portfolio Program, MFWM does not take into consideration any information entered into the Aggregation Software by Non-Planning Clients. Asset allocation recommendations for Non-Planning Clients are based solely on their Profile. Clients are solely responsible for any investment decisions that they make based on their use of Aggregation Software.

ii. Client Eligible for Planner Services Clients (“Planning Clients”)

Planning Clients may use the Aggregation Software as part of their interaction with MFWM’s financial planners, or as a means of communicating personal financial information to our financial planners. In connection with providing Planner Services (including recommendations with respect to our Personal Portfolio Program), financial planners may utilize information provided by Planning Clients through the Aggregation Software.

There is no charge associated with access to Aggregation Software. Client use of Aggregation Software is voluntary, and is exclusively governed by third-party Aggregation Software providers’ respective terms, conditions

and policies. By accessing and using Aggregation Software, Clients expressly agree to be bound by such terms, conditions and policies as stated on the third-party service provider websites. Any and all claims or disputes regarding Aggregation Software services are solely between Clients and the service provider in question. **MFWM cannot guarantee the accuracy, timeliness or security of the information entered into Aggregation Software.**

c. Model Delivery Service

Model Delivery Services are provided through the licensing and delivery of MFWM's Model Portfolios (defined below), including regular updates thereto (such as changes in the Model Portfolio composition and recommended rebalancing). Under the Model Delivery Services, MFWM does not manage any client assets, execute trades, vote proxies or exercise any form of investment discretion over client accounts. The "clients" of MFWM that receive the model portfolio(s) are typically institutions, such as broker-dealers and investment advisers ("MDS Clients"). MDS Clients are responsible for assessing (initially and on an ongoing basis) the suitability of any investment portfolio decision they make for themselves or their underlying clients, including decisions made based on our Model Portfolios.

**2. Discretionary Account Management**

a. Model Portfolios & Asset Allocation

MFWM's Personal Portfolio Program enables Clients to own individually tailored portfolios that employ a mix of strategies and asset classes (the "Model Portfolios"). Each Model Portfolio focuses on a particular investment strategy (such as long term buy and hold), type of security (such as growth stocks) or asset class (such as international equities). The Model Portfolios represent different investing strategies and asset classes that allow Clients to hold balanced and diverse portfolios through various stages in their lives. Rather than choosing a portfolio comprised primarily of our traditional stock-based Model Portfolios, Clients may elect a portfolio comprised exclusively of ETFs. We refer to our Model Portfolios that exclusively utilize ETFs as "Index-Based Model Portfolios." Generally, MFWM does not offer clients blended portfolios consisting of both Index-Based Model Portfolios and stock-based Model Portfolios, although exceptions may be made after consultation with a financial planner. Unless we make an explicit exception below, all references to "Model Portfolios" in this Brochure include Stock-Based and Index-Based Model Portfolios. MFWM may on occasion modify, revise or discontinue Model Portfolios when it feels it is in the best interests of our Clients.

Using a Client's Profile, MFWM will recommend (for each account) an allocation of assets across Stock-Based Model Portfolios or, based on a Client's election, Index-Based Model Portfolios (the "Allocated Approach"). The exact allocations will be based on the Client's risk tolerances, needs and goals. As part of our Counseling Services available to Clients investing \$300,000 or more in our Personal Portfolio Program, proposed allocations for Planning Clients may be adjusted. **Asset allocation recommendations for Non-Planning Clients are based solely on their Profile.**

A Client may choose to reject MFWM's Allocated Approach. Instead, a Client may choose an account following one Model Portfolio, with an optional allocation to the Fixed Income Model Portfolio (for ease of reference, these account structures, which may or may not have an allocation to Fixed Income, are referred to as "Single Strategy Accounts"). Not all the Model Portfolios are made available in Single Strategy Accounts. Generally, a Client cannot create a Single Strategy Account following an Index-Based Model Portfolio. Clients may also choose to adjust the allocations within our Allocated Approach, but generally will not be able to remove a Model Portfolio entirely from the Allocated Approach unless the Client chooses a Single Strategy Account (subject to the restriction discussed above with respect to Index-Based Model Portfolios in Single Strategy Accounts).

For temporary defensive purposes in times of adverse or unstable market, economic or political conditions, or if MFWM does not believe, in its exclusive investment discretion, that there are suitable investments for the Model Portfolios at that time, a portion of a Client's account may consist of un-invested cash beyond what would otherwise be retained in cash for account management purposes. In addition, the various short strategies utilized by our Hedged Equity Model Portfolio may generate cash. Although permitted to do so at the portfolio manager's discretion, MFWM generally does not create leverage in Client Accounts by reinvesting the cash proceeds of short sales and, as a consequence, Clients may see a cash balance in their Account after MFWM executes a short sale. The cash balances associated with short sales that are not reinvested act as collateral for the short position, and Clients do not earn interest on it.

Depending on the account size and Model Portfolio strategies, amounts of un-invested cash may be significant. Holding significant amounts of cash may be inconsistent with the account's investment strategies, and the account might not achieve its investment objective.

b. Securities Selection

The selection of individual securities is not personally tailored for Client accounts. Rather, the individual securities purchased and sold for Client accounts are based upon and track the holdings in the applicable Model Portfolio(s).

Client accounts held at Charles Schwab & Co., Inc. ("Schwab") lack fractional share functionality, which means that these Client accounts will only hold full shares of the securities that are held in our Model Portfolios. As a result, these Client accounts may hold more cash due to the inability to purchase full shares (generally applicable to higher priced securities). Prior to December 22, 2023, to keep Client accounts held at Schwab fully invested to the extent practicable, MFWM invested excess cash in ETFs that we believe offer comparable exposure to the desired asset class ("Replacement ETFs"). **Holding significant amounts of Replacement ETFs will result in deviations from our Model Portfolios, along with performance dispersion as compared to accounts held at Interactive Brokers, LLC ("IB"). In addition, Client accounts holding Replacement ETFs will be subject to higher ETF-related fees and expenses that are passed along to the Clients (as described in Item 5.B. below).**

We will no longer add Replacement ETFs to Client accounts held at Schwab. Accounts currently holding Replacement ETFs will be traded out of the Replacement ETF securities, resulting in the generation of cash. To the extent practicable given an account's cash balance and model allocation, the cash generated by the sale of Replacement ETFs will be reinvested pursuant to that account's current allocation model. Clients may in some instances continue to hold the Replacement ETFs for a period of time prior to the implementation of these trades in their respective accounts, and may continue to hold additional cash to the extent proceeds from the sale of Replacement ETFs are not able to be completely redeployed into allocation model securities. No action is required on the part of clients to effectuate the removal of Replacement ETFs from accounts. As a result of these sell transactions, as well as Schwab's inability to hold fractional shares, accounts custodied at Schwab may hold higher cash balances.

c. Basis of Advice

MFWM performs its own research by obtaining information from a wide variety of sources, including research prepared and distributed by its affiliates as part of investment newsletter services ("Affiliated Research"). AFFILIATED RESEARCH DOES NOT REPRESENT THE SOLE BASIS OF MFWM'S ADVICE, AND ALL INVESTMENT DECISIONS FOR CLIENT ACCOUNTS ARE MADE INDEPENDENTLY BY THE PORTFOLIO MANAGERS AT MFWM. ACCORDINGLY, MODEL PORTFOLIOS AND CLIENT ACCOUNTS COULD DIVERGE COMPLETELY FROM OUR



## AFFILIATES' STRATEGIES AND RECOMMENDATIONS.

### d. Account Monitoring, Rebalancing & Advice Updates

MFWM periodically reviews its asset allocation advice. As part of its annual rebalancing program, we may, in our sole discretion, modify allocations to Model Portfolios within a Client's Account to reflect, among other things, the need for reduced market risks, lower portfolio volatility, or for other reasons that MFWM believes are in a Client's best interest. While adjustments to allocations during rebalancing may result in the addition and/or removal of Model Portfolios from a Client's account, MFWM will only adjust a Client's allocation within the constraints of their current risk score or objective. For example, a moderate portfolio may be reallocated based on our capital market expectations, but will remain a moderate portfolio. Clients will receive advance notice (typically via email) of allocation changes five (5) to ten (10) business days prior to rebalancing. Clients that do not wish to participate in MFWM's rebalancing program may opt-out at any time. **Unless initiated by the Client (through a Profile update as described below or otherwise), we do not periodically monitor and adjust Client allocations beyond our annual rebalancing program. In addition, we do not take into consideration information entered into Aggregation Software as part of our annual rebalancing program.**

**In order to further ensure that our advice remains properly tailored, Clients are encouraged to promptly update their Profile should any information change with respect to their risk tolerance, needs or goals. MFWM will annually seek Client confirmation that the information in their Profile remains accurate.**

### e. Discretionary Authority & Fiduciary Status

MFWM has a fiduciary duty that requires us to act in the best interests of Clients and to place the interests of Clients before our own. MFWM acts as the Personal Portfolio Program's sponsor and manages the accounts for Clients on a discretionary basis, meaning that Clients have granted MFWM full and exclusive authority to manage their accounts in accordance with MFWM's asset allocation and securities selection determinations (including deviations from original allocations associated with MFWM's rebalancing program as described above).

With respect to Retirement Accounts (defined below), MFWM reasonably expects to provide services as a "fiduciary" (as that term is defined in Section 3(21)(A) of the Employee Retirement Income Security Act of 1974 ("ERISA") and/or Section 4975 of the Internal Revenue Code (the "Code")), and MFWM will act in a manner consistent with the requirements of a fiduciary under ERISA and the Code. For purposes of this Brochure, the term "Retirement Account" covers: (i) "employee benefits plans" (as defined under Section 3(3) of ERISA), which include pension, profit sharing or welfare plans sponsored by private employers; and (ii) individual retirement accounts ("IRAs") (as defined in Section 4975 of the Code).

### f. Brokerage, Trading & Custody

Brokerage and custody services for the Program are provided by Schwab and IB (Schwab and IB are collectively referred to as "Custodians," and each a "Custodian"). A comparison of the services offered by each Custodian can be found in our Custodian Frequently Asked Questions (or "FAQ") which can be found at <https://foolwealth.com/info/about/custodian-comparison-faq>.

### g. Account Funding

At initial funding, MFWM generally refrains, unless otherwise instructed by the Client, from trading in an account until the Client transfers or deposits at least 95% of the funding amount they have indicated in their account application (the "Anticipated Funding Amount"). This delay in trading is intended to minimize the transaction and tax costs associated with configuring a Client's Personal Portfolio Program account to our Model Portfolios. Similarly, when a Personal Portfolio Program account is initially funded with securities (via an Automated Customer Account Transfer Service or "ACATS") or the Client moves an existing account (held at a Custodian) to our Personal Portfolio Program, MFWM generally refrains (unless instructed otherwise by the Client) from trading securities in a Client's Personal Portfolio Program account until at least 95% of the Anticipated Funding Amount has been deposited in the account and all in-kind transfers are complete.

If a Client transfers a portfolio into their Personal Portfolio Program account, MFWM will sell the portfolio holdings that are not part of the Model Portfolios being followed by the Client and the proceeds will be reallocated accordingly. Similarly, MFWM may add to or reduce the size of transferred positions to align the weightings of those positions to the weightings in our Model Portfolios.

Upon receiving the required percentage of the Anticipated Funding Amount (and assuming that the account has been properly configured by the Client for trading at the Custodian), MFWM will generally begin placing trades for that Client account within five (5) business days.

After this initial investment period, additional investments are subject to a minimum, which is \$500. Additional investment amounts will be invested weekly according to MFWM's cash sweep schedule. **As such, these additional amounts may remain un-invested (in cash) for a period of up to five (5) business days.** Clients desiring to have additional amounts invested prior to MFWM's cash sweep schedule may contact MFWM to request expedited investment.

Cash deposits may not be invested for several reasons, including, but not limited to: (1) the deposit is debited to pay MFWM's management fees; (2) there is not enough cash to successfully effectuate a trade; (3) the cash available in your account is less than the cash allocation for your account; (4) the existence of trade or ticker restrictions placed on your account to align with one or more of your financial planning or account management objectives that prevents us from investing the cash in your account; or (5) if the cash is used to pay down account margin balances.

Clients that have access to our Planner Services may request that MFWM invest deposited funds on a monthly basis over a period of time ("Dollar Cost Averaging"). Funds that are deposited but marked for Dollar Cost Averaging will be held in cash in the Client's account pending investment. Clients must specify the overall amount they wish to Dollar Cost Average and the amount to be invested each month. If a Client deposits more or less than initially specified, Dollar Cost Averaging will continue at the specified monthly amount until all funds are invested. During the time that a Client's account is subject to Dollar Cost Averaging, no additional investment amounts will be invested in the weekly cash sweep (as described above). **MFWM's management fee will accrue and be payable with respect to cash balances held in a Client's account pending investment pursuant to the Dollar Cost Averaging program. Clients will not earn interest on those cash balances. Dollar Cost Averaging may not be available through certain Custodians. Clients are encouraged to read the Custodian FAQ at <https://foolwealth.com/info/about/custodian-comparison-faq>.**

### C. Tailored Advice and Investment Restrictions

#### 1. Planner Services

Our Planner Services include general asset allocation advice and, with respect to Financial Planning Services, guidance on goal modeling and other financial-related matters such as retirement, estate, tax, education and risk management and insurance planning. Our advice is based on the information conveyed to us by the Client. **We do not, and cannot, verify that such information is accurate or complete. It is the Clients' responsibility to update their information if their situations change.**

## **2. Personal Portfolio Program**

Using the Profile, MFWM will generate a proposed asset allocation across the Model Portfolios, along with the appropriate investment minimums associated with each account. Proposed allocations for Clients investing \$300,000 or more in our Personal Portfolios may be adjusted as part of our Counseling Services.

A Client may disagree with the proposed allocation and open an account by first acknowledging receipt of such advice and willingness to nonetheless participate in the Personal Portfolio Program with revised, Client-directed allocations and/or open a Single Strategy Account.

A Client may impose reasonable restrictions on the management of his or her account at any time. The Client must communicate such restriction(s) to a member of MFWM's planning or client-services team. MFWM will process such restrictions within two (2) to four (4) business days. Consequently, there could be a delay between when a restriction is entered and when it is implemented, resulting in trades made on a Client's behalf. In the event a Client requests that we restrict a security that is currently held in his or her account, MFWM will refrain from all trading activity in that security. We will not sell any shares that have subsequently been placed on restriction.

Depending upon the Custodian, capital that would have been invested in a restricted security may be held in cash or invested across the remaining unrestricted securities in the associated Model Portfolio.

**If a Client is paying an asset-based fee for access to the Personal Portfolio Program, the fee will continue to accrue and be payable with respect to assets restricted by the Client (including amounts held in cash as described in the immediately preceding paragraph). For this reason and potential operational issues, MFWM encourages Clients to transfer restricted assets out of their account.**

MFWM reserves the right to decline or cease management of an account if it deems a Client's restrictions to be unreasonable.

**WITH RESPECT TO ALL THE ADVISORY SERVICES WE OFFER, MFWM DOES NOT GUARANTEE OR ENSURE THE SUCCESS OF ANY FINANCIAL PLAN OR INVESTMENT. ALTHOUGH WE TAKE POSSIBLE TAX CONSEQUENCES INTO CONSIDERATION WHEN PROVIDING OUR NONDISCRETIONARY ADVICE, MFWM DOES NOT PROVIDE LEGAL OR TAX ADVICE. CLIENTS WHO NEED SUCH ADVICE SHOULD CONSULT LEGAL AND TAX PROFESSIONALS.**

### **D. Wrap Fee Programs**

Not applicable.

### **E. Assets Under Management**

As of March 31, 2024, MFWM had \$2,169,726,731 assets under management.

## Item 5 Fees and Compensation

### A. MFWM Compensation for Advisory Services

#### 1. Discretionary Management

Clients pay an annual asset-based fee (the “Asset-Based Fee”) that is calculated as a percentage of the market value of the assets in the Client’s accounts. The Asset-Based Fees paid to MFWM vary based on the type of strategy and offering made available to the Client. Certain legacy Clients have access to our Personal Portfolio Program for a flat advisory fee (“Flat Fee”), but we do not anticipate offering new Clients (nor new accounts to existing Clients) flat advisory fee pricing. Clients paying a flat advisory fee may convert their account(s) to the asset-based fee structure.

##### a. Asset-Based Fee

- i. Stock-Based Portfolios. The calculation of the Asset-Based Fee for our stock-based portfolios is detailed in the chart below.

| Client’s Aggregate Assets | Annual Fee                |
|---------------------------|---------------------------|
| First \$1,000,000         | 0.95% of aggregate assets |
| Amounts over \$1,000,000  | 0.75% of aggregate assets |

- ii. Index-Based Portfolios. The calculation of the Asset-Based Fee for our index-based portfolios is detailed in the chart below.

| Client’s Aggregate Assets | Annual Fee                |
|---------------------------|---------------------------|
| First \$1,000,000         | 0.40% of aggregate assets |
| Amounts over \$1,000,000  | 0.30% of aggregate assets |

From time to time, and under agreed upon specific situations (which may involve investment strategy, account servicing requirements and other material aspects of a Client’s overall relationship with MFWM and its affiliates), MFWM may agree to a lower Asset-Based Fee. MFWM may change its fee rate (or introduce new fee structures) for new Clients from time to time, and MFWM is under no obligation to adjust existing Client fees and/or provide refunds.

The accounts that are eligible to be combined for breakpoint purposes (“Aggregate Assets”) are those accounts in the name of the Client or accounts having the same address as the Client. If an account is in the name of an adult member of the Client’s household, that individual generally must be: (1) the Client’s spouse; (2) the Client’s parents, grandparents and great-grandparents; (3) the Client’s children, grandchildren, great-grandchildren and their spouses; (4) the Client’s siblings and their spouses; and (5) an individual whose relationship to the Client, while not listed in the foregoing, is similar to one of the enumerated relationships. The adjusted Asset-Based Fee will be applied to all combined accounts. **Clients are responsible for notifying MFWM of their eligibility for breakpoints or “household” billing, which can be done by emailing [support@foolwealth.com](mailto:support@foolwealth.com) or speaking with**

a financial planner or a member of the client experience team. Clients are not permitted to combine stock-based and index-based accounts for purposes of calculating breakpoints. Also, to avoid any doubt, Clients are not permitted to aggregate the assets that they, or any adult member of their household, have invested in Affiliated Products (as defined in Item 4.B.2.b above) for breakpoint purposes.

Clients paying an Asset-Based Fee agree to allow their Custodian to deduct the applicable fee directly from the Client's account. Fees are calculated and accrued daily (based on the daily closing balances of Client accounts). MFWM charges the Asset-Based Fee in the subsequent calendar month, which is debited directly from Client accounts. Accounts that leave our Personal Portfolio Program in the middle of a month may be subject to pro-rated billing.

The Asset-Based Fee will begin accruing on the day the Client's account begins trading. With respect to Clients converting from a flat advisory fee to an Asset-Based Fee, the Asset-Based Fee begins accruing on the latter of: (i) the day after the Client's flat advisory fee term expires and (ii) the date on which the Client accepts the Asset-Based Fee disclosures.

**The Asset-Based Fee will accrue and be payable with respect to all assets included in Personal Portfolio accounts, even those restricted by a Client.**

b. Flat Fee (No Longer Offered)

The Flat Fee is payable in advance, and is based on the length of the advisory term selected by the Client:

| Advisory Term | Advisory Fee | Refund           |
|---------------|--------------|------------------|
| 1 Year        | \$4,999      | Pro-rated refund |
| 3 Years       | \$8,999      | Pro-rated refund |
| 5 Years       | \$11,999     | Pro-rated refund |

Clients will receive a pro-rated refund if the Investment Advisory Agreement is terminated. Refunds are pro-rated on a monthly basis. Depending on the terms of a particular offering, certain clients may be provided more favorable refund terms.

**Given the nature of the Flat Fee, at certain assets levels clients may be paying (on a converted percentage basis) an annual asset-based fee of more than 2%. In some cases, these fees may substantially exceed those charged by other investment advisers that provide similar services. Clients paying a converted asset-based fee of more than 2% annually are encouraged to: (i) transition to the Asset-Based Fee discussed above; or (ii) contribute additional assets to their account.** With respect to conversions to an Asset-Based Fee, MFWM will provide a pro-rated refund of the remaining Flat Fee balance prior to charging the Asset-Based Fee.

Certain clients who are subscribers to Motley Fool One, a newsletter service published by The Motley Fool, LLC ("TMF"), were offered access to our Personal Portfolio Program. These Clients do not pay MFWM a separate fee for access to our Personal Portfolio Program. Instead, the newsletter subscribers pay a subscription fee to TMF at the then-prevailing rate and TMF, in turn, compensates MFWM as follows:

| Type of Fee | Amount                                                                           | Payer |
|-------------|----------------------------------------------------------------------------------|-------|
| Flat Fee    | \$600* per subscriber who enters into an Investment Advisory Agreement with MFWM | TMF   |
| AUM         | 0.25% per account**                                                              | TMF   |

*\*Fee paid annually by TMF as long as Client remains a Motley Fool One subscriber*

*\*\* Annual rate with a maximum of \$2,000. Fees accrue monthly.*

Fees paid by TMF to MFWM for its advisory services are nonrefundable. Clients do not pay MFWM for its services, but they can seek refunds for unused portions of their TMF newsletter service subscription by contacting TMF by telephone. Clients that terminate their subscription to the Motley Fool One newsletter may elect to continue their advisory relationship with MFWM. MFWM will provide services to these Clients for the Asset-Based Fee, as described above.

## **2. Fee Disclosure for Retirement Accounts**

In accordance with applicable law, MFWM is required to provide certain information regarding our services and compensation to assist fiduciaries and plan sponsors of those Retirement Accounts that are subject to the requirements of ERISA in assessing the reasonableness of their plan's contracts or arrangements with MFWM, including the reasonableness of MFWM's compensation. This information (the services provided as well as the fees) is provided to Retirement Account Clients at the outset of the advisory relationship and is set forth in this Brochure and in the Client Investment Advisory Agreement (including any fee table and other exhibits, and then at least annually to the extent that there are changes to any investment-related disclosures for services provided as a fiduciary under ERISA).

## **3. Fees for Nondiscretionary Services**

- a. Counseling Services. Clients investing \$300,000 or more in our Personal Portfolio Program and Affiliated Products (subject to the \$100,000 Personal Portfolio minimum) are eligible to receive Counseling Services free of charge. Counseling Services are ancillary services provided in connection with investments in our Personal Portfolio Program and are not independently offered for a separate fee.
- b. Financial Planning Services. Clients with \$1,000,000 or more invested in our Personal Portfolio Program and Affiliated Products (subject to the \$100,000 Personal Portfolio minimum) are eligible to receive complimentary financial planning services. MFWM does not offer Financial Planning Services as a stand-alone service for a separate fee.
- c. Model Delivery Services. MFWM's fees for Model Delivery Services are processed by and paid to us directly from the model delivery platform provider ("Platform Providers"). Platform Providers may debit fees (including our fee) directly from the accounts of their underlying clients.

MFWM typically receives an asset-based fee, charged quarterly in arrears, on the assets invested in the selected Model Portfolio. These fees often vary based on the specific Model Portfolio. The fee that MFWM ultimately receives from the Platform Provider may be net of certain administrative and maintenance fees owed by MFWM

for our use of the model delivery platform.

Our fee is separate and distinct from any fees that MDS Clients (or their underlying clients) may incur in using the Model Portfolios, including the fees of investment advisers, broker-dealers or custodians. **Underlying clients of our MDS Clients may pay, on an aggregate basis, a combined fee exceeding (perhaps materially) the Asset-Based Fee associated with our Personal Portfolio Program.**

#### **B. Underlying Fund Fees & Expenses**

Certain Model Portfolios in MFWM's Personal Portfolio Program utilize ETFs that are subject to fees and expenses that are passed along to the Client. Index-Based Model Portfolios that exclusively utilize ETFs will have higher fund-related fees and expenses. In addition, stock-based portfolios that include allocations to the International, Fixed Income and Hedged Equity Model Portfolios will have higher fund-related fees and expenses. The fund-related fees and expenses associated with Client accounts utilizing these Model Portfolios may be significant, and could range from 0.10 to 0.15% of assets under management. Similarly, accounts custodied at Schwab that hold Replacement ETFs will have higher fund related fees and expenses until those securities are traded out of the account.

#### **C. Other Fees**

MFWM does not offer any brokerage or custodian services. Clients bear any custodian, brokerage, insurance, mutual fund, ETF, and other fees related to transactions they choose to execute after receiving any nondiscretionary advice from MFWM.

Clients participating in the Personal Portfolio Program must open an account with a Custodian or link their existing account at a Custodian to MFWM's advisory services. Clients will pay the Custodian's transaction fees, account fees and other miscellaneous charges, if any.

#### **D. Compensation for the Sale of Securities**

MFWM and its personnel do not accept compensation for the sale of securities or other investment products.

**Item 6                    Performance-Based Fees and Side-by-Side Management**

MFWM does not charge performance-based fees.



## **Item 7            Types of Clients & Account Minimums**

Our Clients may include individual investors, trusts, business entities (such as limited partnerships, limited liability companies and corporations), pension and profit-sharing plans, plan participants, charitable organizations (including donor advised funds) and other entities. Pursuant to our Investment Advisory Agreement, Clients must consent to receiving all notices and information about MFWM's services electronically, including amendments to the Investment Advisory Agreement.

To participate in the Personal Portfolio Program, a Client must have an account held at IB or Schwab. MFWM will establish the minimum investment amount for each Client account, which is determined by: (i) the recommended Allocation Approach; (ii) applicable Model Portfolio holdings and strategies; and (iii) the Custodian at which a Client's assets are held. Account minimums start at \$6,000. Model Portfolios following more sophisticated strategies and accounts held at Schwab may require higher minimums. Additional investments are also subject to a \$500 minimum.

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

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

#### **1. Financial Plans**

Eligible Clients utilizing MFWM's Financial Planning Services may elect to receive a report that may include, depending on the scope of services, one or more of the following: (a) risk management assessments, (b) retirement sufficiency calculations, (c) investment reviews, (d) estate and tax planning, and (e) educational planning. The main source of information used by MFWM advisors in preparing the plan is the information provided by the Client. We may also use third party financial planning software to help create financial plans and answer specific financial planning questions.

#### **2. Personal Portfolio Program**

Several of our Model Portfolios share the same investment philosophies as certain real money portfolio services published by our affiliate, TMF. However, MFWM's Model Portfolios do not attempt to track these (or any) TMF services and, as such, Model Portfolios and Client accounts may diverge completely from TMF's services. Each of these Model Portfolios embody a specific strategy or area of focus. They are as follows:

- Long term buy and hold
- Growth investing
- Stable income (dividends)
- Hedged equity investing and equity substitutes
- Domestic stocks
- Domestic small/mid-cap stocks
- International stocks and Depositary Receipts (such as ADRs)
- Fixed income

Clients may also own portfolios consisting exclusively of Index-Based Model Portfolios. Index-Based Model Portfolios focuses on the following asset classes:

- Domestic large-cap stocks
- Domestic mid-cap stocks
- Domestic small-cap stocks
- International developed market stocks
- International emerging market stocks
- REITS
- Domestic bonds
- Treasury Inflation Protected Securities (TIPS)
- Municipal bonds

Using the Allocated Approach, MFWM will invest a Client's assets across the Model Portfolios to match the Client's risk profile, financial needs and goals. Currently, with limited exceptions, MFWM does not offer Clients blended portfolios consisting of both Index-Based Model Portfolios and stock-based Model Portfolios. In addition, Personal Portfolio accounts held at Schwab do not have access to our Hedged Equity strategy.

## **B. Risk of Loss**

All investments, including government debt, involve risk. MFWM does not guarantee the results of any of its advice or account management. Significant losses can occur from investing in securities, or by following any investment strategy, including those recommended or applied by MFWM. The financial markets may change, sometimes rapidly and unpredictably, and Clients (or MFWM acting on behalf of Clients) may not have the ability to avoid or prevent losses.

Clients participating in the Personal Portfolio Program should also be aware that their individual account results may not exactly match the performance of the Model Portfolios. Such variance is due to a number of factors, including without limitation differences in trade prices, transaction fees, market activity, any restrictions they have imposed on their accounts, and the amount and the timing of deposits or withdrawals a Client makes to an account.

If a Client transfers an existing portfolio into their account, MFWM will sell the holdings that are not part of the Model Portfolios being followed by the Client and the proceeds will be reallocated accordingly. Similarly, MFWM may at times be required to sell or reduce positions in Client accounts in order to maintain allocations that are similar to those of the Model Portfolios. **These transactions may generate unwanted tax consequences. Clients should consult with their personal tax advisors regarding the possible consequences of MFWM's recommendations and security trades.**

## **C. Risk Factors**

### **1. Asset Allocation Risk**

MFWM allocates its Clients' assets across one or more Model Portfolios, each of which embody a specific strategy or area of focus. As a result, Client assets are generally invested in a combination of strategies and securities. Whether Clients achieve their investment objective depends largely upon MFWM selecting the best mix of strategies and investments. There is the risk that the MFWM's evaluations and assumptions regarding its Allocated Approach may be incorrect, and the performance of a Client's account may be adversely affected by MFWM's asset allocation decisions. Client accounts more heavily invested in stocks may make it more difficult to preserve principal during periods of stock market volatility.

### **2. Model Portfolio Risk**

A Model Portfolio's use of a particular investment style might not be successful when that style is out of favor. Furthermore, any imperfections, limitations, or inaccuracies in Model Portfolios could affect the viability of the Model Portfolio, and the data and research used to manage the Model Portfolios may be inaccurate and/or may not include the most current information available.

### **3. Operational & Trading Risk**

Operational risk, such as breakdowns or malfunctioning of essential systems and controls can impact our ability to perform key functions, including managing Client accounts. Personnel and organizational changes can materially affect such risks.

Similarly, disruptions in the electronic trading and other systems (resulting from system upgrades or other reasons) and troubles at the exchanges through which orders are executed (resulting from, among other things,

extreme market volatility) could interrupt trading and availability of timely execution could diminish substantially. If this occurs during periods of volatility, substantial losses may be incurred.

#### **4. Market Risk**

Market and economic factors may adversely affect securities markets and could, in turn, adversely affect the value of Model Portfolio investments in stocks, regardless of the performance or expected performance of companies in which we invest. Periods of unusually high financial market volatility and restrictive credit conditions, at times limited to a particular sector or geographic area, have occurred in the past and may be expected to recur in the future.

Some countries, including the United States, have adopted or have signaled protectionist trade measures, relaxation of the financial industry regulations that followed the financial crisis, and/or reductions to corporate taxes. The scope of these policy changes is still developing, but the equity and debt markets may react strongly to expectations of change, which could increase volatility, particularly if a resulting policy runs counter to the market's expectations. The outcome of such changes cannot be foreseen at the present time. In addition, geopolitical and other risks, including environmental (e.g., climate change) and public health risks, may add to instability in the world economy and markets generally.

As a result of increasingly interconnected global economies and financial markets, the value and liquidity of a Model Portfolio's investments may be negatively affected by events impacting a country or region, regardless of whether the Model Portfolio invests in issuers located in or with significant exposure to such country or region.

#### **5. Issuer Risk**

The value of a security may decline for a number of reasons that directly relate to the issuer, such as management performance, major litigation, investigations or other controversies, changes in financial condition or credit rating, changes in government regulations affecting the issuer or its competitive environment and strategic initiatives such as mergers, acquisitions or dispositions and the market response to any such initiatives, financial leverage, reputation or reduced demand for the issuer's goods or services, as well as the historical and prospective earnings of the issuer and the value of its assets. A change in the financial condition of a single issuer may affect one or more other issuers or securities markets as a whole.

#### **6. Account Margin and Leverage Risk**

Utilizing margin loans in an account exposes the account to increased risks similar to those experienced when holding other forms of debt, such as associated interest charges, repayment obligations, and collateral maintenance requirements, and can significantly increase the risk of loss in the portfolio due to the expanded value of the underlying investments at risk in comparison to the underlying assets deposited into the account, which is also known as portfolio leverage. Portfolio leverage can magnify the impact of portfolio losses dramatically. Losses incurred on margin must be repaid with underlying account assets, which can quickly be depleted due to existing leverage in the account. In addition, if sufficient funds are not available in an account to satisfy a margin call, the custodian may liquidate securities positions to fund the call, which may result in undesired trading activity and related capital gains or losses.

#### **7. Geopolitical Risk**

Geopolitical risks, including those arising from trade tension and/or the imposition of trade tariffs, terrorist activity

or acts of civil or international hostility, are increasing. For instance, military conflict and escalating tensions globally could result in geopolitical instability and adversely affect the global economy or specific markets. Similarly, other events outside of MFWM's control, including natural disasters, climate change-related events, or health crises may arise from time to time and be accompanied by governmental actions that may increase international tension. Any such events and responses, including regulatory developments, may cause significant volatility and declines in the global markets, disproportionate impacts to certain industries or sectors, disruptions to commerce (including to economic activity, travel and supply chains), loss of life and property damage, and may adversely affect the global economy or capital markets and may cause client assets to decline.

## **8. Epidemic, Pandemic, and Public Health Emergencies**

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on investments and could adversely affect our ability to fulfill your investment objectives. The extent of the impact of any public health emergency on investment performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of your investments. In addition, MFWM's operations may be significantly impacted, or even halted, either temporarily or on a long-term basis, as a result of government quarantine and curfew measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

## **9. Financial Institution Risk**

Actual events involving reduced or limited liquidity, defaults, non-performance, or other adverse developments that affect financial institutions or other companies in the financial services industry, including banks and other custodians, or impact the financial services industry generally, as well as concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems, defaults on financial obligations, non-performance of contractual obligations, and other adverse impacts on these financial institutions, investors that deposit funds and securities at these institutions, lenders and borrowers of these institutions, and other companies in the financial services industry. For example, on March 10, 2023, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Investor concerns regarding the United States or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult to acquire financing on acceptable terms or at all. Any decline in available funding or access to cash and liquidity resources could, among other risks, adversely impact the ability to meet operating expenses, satisfy financial obligations, liquidate portfolio holdings, withdraw capital, or fulfill other obligations, or result in breaches of financial and/or contractual obligations. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on portfolio holdings, performance, or business operations.

## **10. Climate Change Risk**

Climate change and regulations intended to control its impact may affect the value of Model Portfolio investments. Our current evaluation is that the near-term effects of climate change and climate change regulation on Model Portfolio investments are not material, but we cannot predict the long-term impacts on Model Portfolio investments from climate change or related regulations. The ongoing political focus on climate change has resulted in various treaties, laws and regulations which are intended to limit carbon emissions. MFWM believes these laws being enacted or proposed may cause energy costs at properties owned by the real estate investment trusts (“REITs”) or other real estate companies in which the Model Portfolios may invest to increase. MFWM does not expect the direct impact of such risks to be material to the value of our investments. However, there can be no assurance that climate change will not have a material adverse effect on Model Portfolio investments.

## **11. Equity Risk**

- Equity Risk in General. The stock of any company may not perform as well as expected, and may lose value, because of factors related to the company, including adverse developments regarding the company’s business, poor management decisions, or changes in the company’s industry or popularity of its goods and services. In the event a company becomes insolvent, stockholders will generally have lowest priority among owners of that company’s obligations as to the distribution of the company’s assets. Stocks may also be affected by general market and economic factors, even when their companies’ respective business fundamentals are unchanged.
- Small and Mid-Capitalization Companies. The securities of smaller companies may involve greater risks than do those of larger, more established companies, because the small companies may, for example, lack the management experience, financial resources, product diversification and competitive strength of larger companies, and their trading may be more volatile.
- Foreign and Emerging Market Investments. Investing in securities of foreign companies involves risks generally not associated with investments in the securities of U.S. companies, including the risks associated with fluctuations in foreign currency exchange rates, unreliable and untimely information about issuers, and political and economic instability. Investing in emerging market countries involves risks in addition to and greater than those generally associated with investing in more developed foreign markets. In many less-developed markets, there is less governmental supervision and regulation of business and industry practices, stock exchanges, brokers, and listed companies than there is in more developed markets. The securities markets of certain countries in which MFWM may recommend investment may also be smaller, less liquid, and subject to greater price volatility than those of more developed markets.
- Depository Receipt Risk. American Depositary Receipts (“ADRs”) are typically trust receipts issued by a U.S. bank or trust company that evidence an indirect interest in underlying securities issued by a foreign entity. Global Depositary Receipts (“GDRs”), European Depositary Receipts (“EDRs”), and other types of depository receipts are typically issued by non-U.S. banks or financial institutions to evidence an interest in underlying securities issued by either a U.S. or a non-U.S. entity. Investments in non-U.S. issuers through ADRs, GDRs, EDRs, and other types of depository receipts generally involve risks applicable to other types of investments in non-U.S. issuers. Investments in depository receipts may be less liquid and more volatile than the underlying securities in their primary trading market. If a depository receipt is denominated in a different currency than its underlying securities, a portfolio will be subject to the currency risk of both the investment in the depository receipt and the underlying security. There may be less publicly available information regarding the issuer of the securities underlying a depository receipt than if those securities were traded directly in U.S. securities markets. Depository receipts may

or may not be sponsored by the issuers of the underlying securities, and information regarding issuers of securities underlying unsponsored depositary receipts may be more limited than for sponsored depositary receipts. The values of depositary receipts may decline for a number of reasons relating to the issuers or sponsors of the depositary receipts, including, but not limited to, insolvency of the issuer or sponsor. Holders of depositary receipts may have limited or no rights to take action with respect to the underlying securities or to compel the issuer of the receipts to take action.

- Options Trading and Short Selling. Shorting securities or writing option contracts involve additional risks. With short sales and certain forms of option trades, the risk of loss is hypothetically unlimited as investors who short may be required to purchase shares to cover at any time, and at any price. Options can be used to create leverage, which can increase the risk of total loss, since smaller fluctuations in value will have significant effects on the owner's portfolio. Writing options and shorting stocks also involves the risk of timing, where the counter party assigns the option holder shares or forces the short seller to cover a short, which may not allow the strategy to play out.
- Dividend Risk. There is no guarantee that the issuers of the stocks will declare dividends in the future or that, if dividends are declared, they will remain at their current levels or increase over time. High-dividend stocks may not experience high earnings growth or capital appreciation. A Client's performance during a broad market advance could suffer because dividend paying stocks may not experience the same capital appreciation as non-dividend paying stocks.

## **12. Fixed Income Risk**

- Fixed Income Risk in General. While often considered to be safer investments, fixed income securities do carry risks. For example, changes in interest rate levels generally cause fluctuations in the prices of fixed-income securities. So, if interest rates rise, the prices of these securities usually fall. Also, subsequent to the purchase of a fixed-income security, the ratings or credit quality of such security (and that of its issuer) may deteriorate, which could negatively affect the market price. Depending on the features of the fixed income investment, other risks such as inflation and lack of liquidity, may affect its market value.
- Inflation-Indexed Bonds. Unlike a conventional bond, whose issuer makes regular fixed interest payments and repays the face value of the bond at maturity, an inflation-indexed bond provides principal and interest payments that are adjusted over time to reflect a rise (inflation) or a drop (deflation) in the general price level for goods and services. Although inflation-indexed bonds seek to provide inflation protection, their prices may decline when interest rates rise and vice versa. In the event of deflation, the U.S. Treasury has guaranteed that it will repay at least the face value of an inflation-indexed bond issued by the U.S. government. However, if an inflation-indexed bond is purchased at a premium, deflation could result in a loss. Any increase in principal for an inflation-indexed bond resulting from inflation adjustments is considered by the Internal Revenue Service to be taxable income in the year it occurs. An ETF holding an inflation-indexed bond pays out (to shareholders) both interest income and the income attributable to principal adjustments in the form of cash or reinvested shares, and the shareholders must pay taxes on the distributions.
- Municipal Bonds. Municipal bonds can be significantly affected by political or economic changes as well as uncertainties in the municipal market related to taxation, legislative changes or the rights of municipal security holders, including in connection with an issuer insolvency. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by

the inability to collect revenues for the project or from the assets. Certain municipal bonds may provide exposure to the transportation industry and utilities sector. The transportation industry may be adversely affected by economic changes, increases in fuel and operating costs, labor relations, insurance costs and government regulations. The utilities sector is subject to significant government regulation and oversight and may be adversely affected by increases in fuel and operating costs, rising costs of financing capital construction and the cost of complying with U.S. federal and state regulations, among other factors.

- Mortgage-Related and Other Asset-Backed Securities Risk. Mortgage-related and other asset-backed securities, including mortgage-backed securities, represent interests in “pools” of mortgages or other assets such as consumer loans or receivables held in trust and often involve risks that are different from or possibly more acute than risks associated with other types of debt instruments. Generally, rising interest rates tend to extend the duration of fixed rate mortgage-related securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, mortgage-related securities may exhibit additional volatility since individual mortgage holders are less likely to exercise prepayment options, thereby putting additional downward pressure on the value of these securities and potentially causing holders of these interests to lose money. This is known as extension risk.

Mortgage-backed securities can be highly sensitive to rising interest rates, such that even small movements can cause a loss of value. Mortgage-backed securities, and in particular those not backed by a government guarantee, are subject to credit risk. In addition, adjustable and fixed rate mortgage-related securities are subject to prepayment risk. When interest rates decline, borrowers may pay off their mortgages sooner than expected. This can reduce the returns for holders of these securities because they may have to reinvest that money at lower prevailing interest rates. In addition, the creditworthiness, servicing practices, and financial viability of the servicers of the underlying mortgage pools present significant risks. For instance, a servicer may be required to make advances in respect of delinquent loans underlying the mortgage-related securities; however, servicers experiencing financial difficulties may not be able to perform these obligations. Additionally, both mortgage-related securities and asset-backed securities are subject to risks associated with fraud or negligence by, or defalcation of, their servicers. These securities are also subject to the risks of the underlying loans. In some circumstances, a servicer’s or originator’s mishandling of documentation related to the underlying collateral (e.g., failure to properly document a security interest in the underlying collateral) may affect the rights of security holders in and to the underlying collateral. In addition, the underlying loans may have been extended pursuant to inappropriate underwriting guidelines, to no underwriting guidelines at all, or to fraudulent origination practices. The owner of a mortgage-backed security’s ability to recover against the sponsor, servicer or originator is uncertain and is often limited.

Investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets. Payment of principal and interest on asset-backed securities may be largely dependent upon the cash flows generated by the assets backing the securities, and asset-backed securities may not have the benefit of any security interest in the related assets. Investments may be made in any tranche of mortgage-related or other asset-backed securities, including junior and/or equity tranches (to the extent consistent with other of the Fund’s guidelines), which generally carry higher levels of the foregoing risks.



### 13. Real Estate Risk

- Real Estate Sector Risk. An investment in a real property company may be subject to risks similar to those associated with direct ownership of real estate, including, by way of example, the possibility of declines in the value of real estate, losses from casualty or condemnation, and changes in local and general economic conditions, supply and demand, interest rates, environmental liability, zoning laws, regulatory limitations on rents, property taxes, and operating expenses. Some real property companies have limited diversification because they invest in a limited number of properties, a narrow geographic area, or a single type of property.
- Real Estate Investment Trusts (REITs). REITs are pooled investment vehicles that manage a portfolio of real estate or real estate-related loans to earn profits for their shareholders. REITs are generally classified as equity REITs, mortgage REITs, or a combination of equity and mortgage REITs. Equity REITs invest the majority of their assets directly in real property, such as shopping centers, nursing homes, office buildings, apartment complexes, and hotels, and derive income primarily from the collection of rents. Equity REITs can also realize capital gains by selling properties that have appreciated in value. Mortgage REITs invest the majority of their assets in real estate mortgages and derive income from the collection of interest payments. REITs can be subject to extreme volatility because of fluctuations in the demand for real estate, changes in interest rates, and adverse economic conditions. Similar to regulated investment companies, REITs generally are not subject to federal income tax on income distributed to shareholders, provided they comply with certain requirements. The failure of a REIT to continue to qualify as a REIT for tax purposes can materially affect its value. An investor indirectly bears its proportionate share of any expenses paid by a REIT in which he or she invests.

### 14. Non-Diversification Risk

Investments in a particular strategy may become concentrated in a small number of issuers. As a consequence, the aggregate returns realized by a Client (either on a strategy or account level) may be adversely affected if a small number of these investments perform poorly. To the extent that the MFWM takes large positions in a small number of investments, account returns may fluctuate as a result of changes in the performance of such investments to a greater extent than that of a more diversified account.

### 15. Sector & Industry Concentration Risk

- Concentration Risk Generally. To the extent MFWM invests more heavily in particular sectors or industries of the economy, Client performance will be especially sensitive to developments that significantly affect those sectors or industries. While investing in a particular sector is not a principal investment strategy of any Model Portfolio, Client portfolios may be significantly invested in a sector or industry, such as the information technology sector, as a result of the portfolio management decisions made pursuant to MFWM's investment strategies. MFWM does not place any restrictions on its level of sector or industry concentration.
- Communications Sector Risk. Communication companies are particularly vulnerable to obsolescence of products and services due to technological advancement and innovation or competitors. Companies in the communications sector may also be affected by other competitive pressures, such as pricing competition, as well as research and development costs, substantial capital requirements and government regulation. Additionally, fluctuating domestic and international demand, shifting demographics, and often unpredictable changes in consumer preference can drastically affect a

communication company's profitability. While all companies may be susceptible to network security breaches, companies in the communications sector may be more likely to be targets of hacking and potential theft of proprietary or consumer information or disruptions in service, which could have a material adverse effect on their businesses.

- Consumer Discretionary Sector Risk. The consumer discretionary sector includes companies that sell nonessential goods and services, including the retail, leisure and entertainment, media, and automotive industries. Because issuers in the consumer discretionary sector manufacture products and provide discretionary services directly to the consumer, the success of these issuers is tied closely to the performance of the overall domestic and international economy, commodity price volatility, imposition of import controls, depletion of resources and labor relations, exchange and interest rates, and competition. Success depends heavily on disposable household income and consumer spending, which may be strongly affected by social trends and marketing campaigns. Consumer discretionary companies may be adversely affected and lose value more quickly in periods of economic downturns given that the products of these companies may be viewed as luxury items during these times. Changes in demographics and consumer tastes can also affect the demand for, and success of, consumer discretionary products in the marketplace.
- Consumer Cyclical Sector Risk. Companies in the consumer cyclical sector are largely impacted by the performance of the overall global economy, changes in interest rates, fluctuations in supply and demand, and changes in consumer preferences. Success depends heavily on disposable household income and consumer spending. As a result, consumer cyclical companies may be adversely affected and lose value quickly in periods of economic downturns.
- Information Technology Sector Risk. Market or economic factors impacting information technology companies and companies that rely heavily on technological advances could have a significant effect on the value of a Model Portfolio's investments. The value of stocks of information technology companies and companies that rely heavily on technology is particularly vulnerable to rapid changes in technology product cycles, rapid product obsolescence, government regulation and competition, both domestically and internationally, including competition from foreign competitors with lower production costs. Stocks of information technology companies and companies that rely heavily on technology, especially those of smaller, less-seasoned companies, tend to be more volatile than the overall market. Information technology companies are heavily dependent on patent and intellectual property rights, the loss or impairment of which may adversely affect profitability. Additionally, companies in the technology sector may face dramatic and often unpredictable changes in growth rates and competition for the services of qualified personnel.

## **16. Exchange Traded Fund Risk & Index Tracking Risk**

- Exchange Traded Fund Risk. Investments in investment companies or other investment vehicles may include index-based unit investment trusts such as ETFs. Such index-based investments sometimes hold substantially all of their assets in securities representing a specific index. With respect to certain strategies, MFWM may use ETFs designed to track an index as a way of gaining exposure to equity or fixed-income markets, or a particular segment of such markets.

When MFWM utilizes ETFs, Clients will incur their pro rata share of the expenses of the ETF, such as investment advisory and other management expenses. In addition, Clients will be subject to those risks affecting the ETF, including the effects of business and regulatory developments that affect ETFs or the

investment company industry generally, as well as the possibility that the value of the underlying securities held by the ETF could decrease or the portfolio becomes illiquid.

ETF shares are listed for trading on a national securities exchange and are bought and sold on the secondary market at market prices. Although it is expected that the market price of an ETF share typically will approximate its net asset value (NAV), there may be times when the market price and the NAV differ significantly. Thus, we may pay more or less than the NAV when we buy ETF shares on the secondary market, and we may receive more or less than NAV when you sell those shares. Trading of ETF shares may be halted by the activation of individual or market-wide trading halts (which halt trading for a specific period of time when the price of a particular security or overall market prices decline by a specified percentage).

Certain ETFs may hold common portfolio positions, thereby reducing the diversification benefits of an asset allocation style. ETFs may engage in investment strategies or invest in specific investments in which MFWM would not engage or invest directly. The performance of those ETFs, in turn, depends upon the performance of the securities in which they invest.

- Index Tracking Risk. Index-Based Model Portfolios seek to track the performance of an index (i.e., achieve a high degree of correlation with an index) by investing in ETFs. However, the return of an ETF may not match the return of its index for a number of reasons. For example, the return on the sample of securities purchased by an ETF (or the return on securities not included in the index), to replicate the performance of the index may not correlate precisely with the return of the index. Each ETF incurs a number of operating expenses not applicable to its index, and incurs costs in buying and selling securities. In addition, an ETF may not be fully invested at times, either as a result of cash flows into or out of the ETF or reserves of cash held by the ETF to meet redemptions. Changes in the composition of an index and regulatory requirements also may impact an ETF's ability to match the return of its index. Index tracking risk may be heightened during times of increased market volatility or other unusual market conditions.

## **17. Cybersecurity Risk**

The widespread use of information technology systems in investing involves a high level of cybersecurity risk. This risk could be an unauthorized occurrence, or a series of related unauthorized occurrences, on or conducted through MFWM's or any of its third-party service providers' information systems that jeopardizes the confidentiality, integrity, operability, or availability of MFWM's or any of its third-party service providers' information system or any information residing therein. A cybersecurity incident can result in the loss or corruption of data, unauthorized release or misuse of confidential information, and generally compromise MFWM's ability to conduct business. It may also result in a third party obtaining unauthorized access to our proprietary information or clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. MFWM has limited ability to prevent or mitigate cybersecurity incidents affecting third-party service providers, and those third-party service providers may have limited indemnification obligations to MFWM. Cyber incidents affecting MFWM or its third-party service providers may adversely impact and cause financial losses to MFWM or its clients. Issuers of securities MFWM invests in are also subject to cybersecurity risks, and the value of these securities could decline if the issuers experience cybersecurity breaches.

**Item 9                    Disciplinary Information**

Neither MFWM nor any supervised person has been involved in any legal or disciplinary event that is material to a Client's or prospective Client's evaluations of MFWM's advisor business or the integrity of our management.

## **Item 10            Other Financial Industry Activities and Affiliates**

### **A. Broker-Dealer Registration**

TMF Investments LLC (“TMFI”), a wholly-owned subsidiary of MFIM, is a FINRA-member broker-dealer and member of SIPC. MFWM is not registered, nor does it have an application pending to register, as a broker-dealer. Certain of MFWM’s management persons and other supervised persons are registered representatives of TMFI.

### **B. Commodities Registration**

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

### **C. Related Persons**

MFWM is an indirect, wholly-owned subsidiary of TMF Holdings. In addition to MFWM, TMF Holdings also owns (either directly or indirectly through MFIM):

- Motley Fool Asset Management, LLC (“MFAM”), which is the investment adviser to exchange traded funds (the “MFAM Funds”);
- Motley Fool Ventures Management LLC (“MFV”), which is the investment adviser solely to venture capital funds;
- Motley Fool Ventures GP, LLC and Motley Fool Ventures II GP, LLC are general partners of venture capital funds managed by MFV;
- 1623 Capital LLC (“1623 Capital”), which is the general partner and investment adviser to certain private funds (“1623 Funds”);
- 1623 Pro Fund GP, Ltd., a Cayman Islands exempted company (“Pro GP”), serves as the general partner of the 1623 Pro Master Fund, LP (a private fund managed by 1623 Capital). Pro GP was established solely for internal governance purposes, and it does not directly conduct any external business; and
- TMFI (see Item 10.A above).

Pursuant to a shared services agreement, MFAM personnel perform research and asset management services for the Personal Portfolios. The two firms have procedures in place to ensure that both the MFAM Funds and the Personal Portfolios receive and have the ability to execute recommendations at the same time. Trading procedures for the MFAM Funds and the Personal Portfolios are separate with no overlap.

Under certain circumstances (such as when a potential client cannot meet the minimum account sizes associated with our Personal Portfolio Program), MFWM can refer Clients to MFAM to learn more about the MFAM Funds. MFWM representatives may discuss the MFAM Funds generally, but we typically do not make recommendations with respect to the MFAM Funds. MFWM does not buy MFAM Funds for Personal Portfolio Clients.

Similarly, if we believe that it is in our Clients’ best interest, MFWM can direct Clients and prospective clients to private funds sponsored and managed by affiliated advisory entities (collectively, “Private Funds”). In addition, certain of our investment adviser representatives that are also registered representative of TMFI (“Dual Representatives”) can provide investment advice with respect to Private Funds (and alternative investment vehicles generally) solely in their fiduciary capacity as MFWM investment adviser representatives.

Neither MFWM nor any of its employees receive compensation for directing Clients or prospective clients to affiliated advisory entities or to any product or service they offer. However, the purchase and holding of affiliated products or services by MFWM Clients or prospective clients would enhance the profitability of affiliated businesses, which would indirectly benefit MFWM. This conflict of interest is exacerbated with respect to Private Funds that have a performance fee.

#### **D. Other Investment Advisers**

MFWM does not recommend or select other investment advisers for its Clients, and it does not have other business relationships with those advisers that create a material conflict of interest. However, as discussed above in Item 10.C., MFWM may refer Clients and prospective clients to affiliated advisory entities and generally discuss the products or services offered by those affiliates.

### **Item 11 Code of Ethics, Participation of Interest in Client Transactions & Personal Trading**

#### **A. Code of Ethics**

In accordance with Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”), MFWM has approved and adopted a Code of Ethics (the “Code”). The Code establishes rules of conduct for all MFWM officers, employees and other persons under the supervision of MFWM, and is assigned to govern securities trading by employees and their households.

The Code further sets forth policies and procedures that are reasonably designed to prevent Access Persons, as defined in the Code, from engaging in conduct prohibited by the Advisers Act and establishes reporting requirements for Supervised Persons.

The Code explains that MFWM and its officers and employees have a fiduciary duty to MFWM’s Clients to place the Clients ahead of their personal interests. The Code is based upon the following principles:

- MFWM and its personnel must at all times place the interests of our clients first. All personal securities transactions must be conducted in a manner consistent with the Code and avoid any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility.
- Employees must not take any inappropriate advantage of their positions at MFWM. Independence in the process of making investment recommendations must be maintained at all times.
- MFWM and its employees must never take unfair advantage of their relationship with any affiliates that are in the publishing or investment business.

More specifically, the Code of Ethics provides that covered persons must:

1. Comply with all applicable laws and regulations;
2. On an annual and quarterly basis, disclose to our Compliance Officer all holdings in “covered securities,” including:

- a. Debt and equity securities;
  - b. Options on securities, on indices, and on currencies;
  - c. All forms of limited partnership and limited liability company interests, including interests in private investment funds (such as hedge funds), and interests in investment clubs;
  - d. Foreign unit trusts and foreign mutual funds;
  - e. any mutual fund for which MFAM serves as an investment adviser or sub- adviser, or any mutual fund whose investment adviser controls, is controlled by or under common control with MFAM or MFWM; and
  - f. ETFs.
3. Receive pre-clearance from our Compliance Officer (or his/her designee) for transactions in covered securities (with limited exceptions).

MFWM will provide a copy of its Code of Ethics to any Client or prospective client upon request.

#### **B. Conflicts of Interest**

As noted above in Item 10.C., MFAM personnel provide asset management services to the MFAM Funds, certain proprietary accounts and our Personal Portfolio Program (solely for purposes of this section and Item 12.C., “Portfolio Managers”). Conflicts of interest arise when a Portfolio Manager has day-to-day portfolio management responsibilities with respect to more than one fund or account, especially when managing or providing investment advisory services for other funds or accounts with similar investment strategies and different (higher) fees. These factors create conflicts of interest because Portfolio Managers have potential incentives to favor certain funds or accounts over others (including the Model Portfolios), with the result that other funds or accounts could outperform the Model Portfolios.

A conflict may also exist if the Portfolio Managers identify a limited investment opportunity that may be appropriate for more than one fund or account, but the Model Portfolios are unable to take full advantage of that opportunity because of the need to allocate that opportunity among multiple funds or accounts. In addition, the Portfolio Managers may execute transactions or make recommendations for another fund or account that may adversely affect the value of securities held by the Model Portfolios.

However, we believe that these risks are mitigated by the fact that funds and accounts with like investment strategies are generally managed in a similar fashion. Moreover, our Code and its ancillary policies and procedures seek to ensure that Clients’ accounts are not harmed by potential conflicts of interest. Our policies and procedures are designed to ensure that fair and appropriate allocation of investments (purchases and sales) are made among all funds and accounts (including the Model Portfolios), and that neither the MFAM Funds, Model Portfolios, or other funds or accounts (including proprietary accounts) can benefit from an informational or trading advantage over the other. Portfolio Managers are also aware that trades may not be made in one fund or account for the purpose of benefiting another fund or account. Investment decisions must be made only on the basis of the investment considerations relevant to the particular fund or account for which a trade is being made.

Similarly, MFWM personnel and Portfolio Managers may buy or sell securities that MFWM recommends to Clients,

and these persons may have positions in securities that we recommend. Such investment actions by MFWM personnel and Portfolio Managers pose potential conflicts of interest in that these persons may benefit from price movements of recommended securities. Our Chief Compliance Officer (“CCO”) or his/her delegate monitors the personal securities trading of MFWM’s personnel and Portfolio Managers to monitor for violations of the Code.

TMF publishes opinions and recommendations regarding the purchase and sale of securities. These opinions and recommendations are published on TMF’s website and through newsletter services. TMF’s opinions and recommendations may affect the prices of securities held by Clients or the prices at which Clients and MFWM (acting on behalf of Clients) can purchase or sell particular securities. MFWM has no advance or nonpublic knowledge of TMF’s recommendations or opinions. MFWM receives TMF’s trade alerts and other publications via email at the same time as other TMF subscribers.

As further described in Item 10 above, MFWM can direct Clients and prospective clients to affiliated advisory entities and generally discuss their products and services (such as the MFAM Funds). In addition, Dual Representatives can provide investment advice in connection with a Client’s potential investment in Private Funds. Neither MFWM nor any of its employees receive compensation for directing Clients or prospective clients to products or services managed by affiliated advisory entities. However, the purchase and holding of affiliated products or services by Clients may enhance the profitability of affiliated businesses, which may indirectly benefit MFWM. This conflict of interest may be exacerbated with respect to Private Funds that have a performance fee.

Pursuant to a shared services and licensing agreement, TMF provides (for direct and indirect compensation) MFWM with various support services, including accounting, information technology, human resources, and marketing services (such as assistance with drafting marketing content and access to prospect lists). If MFWM does not meet profit expectations, or if other affiliated businesses are more profitable than us, TMF Holdings may seek to reallocate these corporate resources to other affiliated business in order to enhance the overall profitability of The Motley Fool group of companies. Decreased access to these resources could impair our ability to grow and improve our business, which could negatively impact the scope and quality of services that we provide to our Clients. Similarly, any cutback in access to TMF marketing resources could impact MFWM’s ability to gather new assets, which could, in turn, affect our ability to achieve economies of scale and better pricing with respect to third-party services.

During discussions with our financial planners, they can provide advice with respect to 401(k) and IRA rollovers into Accounts that are managed by MFWM. Such recommendations pose potential conflicts of interest in that rolling retirement savings into a MFWM managed account will generate ongoing asset-based fees for MFWM that it would not otherwise receive.

As described further under Item 14 below, MFWM could offer compensation to current Clients who recommend MFWM’s services, and we may also enter into agreements to pay third parties to solicit and/or refer prospective Clients. Each of these referral and solicitation arrangements will be conducted in accordance with applicable law. Clients are not charged any fees, nor do they incur any additional costs for being referred to MFWM.

As further described under Items 12 and 14 below, Custodians make available to us products and services that benefit MFWM, but do not directly benefit our Clients. We receive economic benefits from Custodians in the form of technology, software, research and other support products and services they make available to us. While Clients do not pay more for assets maintained at a Custodian as a result of these arrangements, MFWM derives an economic benefit from them and, as such, these arrangements create conflicts of interest. These benefits create an incentive for us to use these Custodians rather than making such a decision based exclusively on our Clients’ interest in receiving the best value in custody services and the most favorable execution of Client transactions.



We attempt to mitigate this conflict of interest through a rigorous best execution analysis and oversight by a Best Execution Committee. Notwithstanding these controls, Clients should consider these conflicts of interest when selecting a Custodian.

## Item 12 Brokerage Practices

### A. Broker Selection

#### 1. Nondiscretionary advisory services.

Clients who receive nondiscretionary investment advice from MFWM and wish to implement our recommendations or advice must do so through brokers and agents of their choosing. MFWM does not recommend, request or require that a Client execute transactions through a specified broker-dealer.

#### 2. Personal Portfolio Program.

Brokerage services for the Personal Portfolio Program are provided by Schwab and IB, including custody of the accounts in the Program. Each Custodian is independently owned and operated and none are affiliated with MFWM.

To participate in the Personal Portfolio Program, Clients must either open an account with a Custodian or transfer their existing account held at a Custodian into the Program. Clients are subject to a Custodian's transaction fees, account fees and other miscellaneous charges, if any.

MFWM does not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with a Custodian, then MFWM cannot manage your account. **Clients are solely responsible for choosing the Custodian. We have prepared a list of Frequently Asked Questions, which can be found [here](#), to assist Clients in determining which Custodian is best suited for their personal financial situation, taking into consideration (among other things) the amounts they intend to invest in the Personal Portfolio Program and the Model Portfolios to be included in their account. Clients that have questions regarding Custodian services are encouraged to contact us at [support@foolwealth.com](mailto:support@foolwealth.com).**

When selecting brokers and custodians for the Program, MFWM considers a number of factors including:

- Commissions and fees both in aggregate and on a per-share basis
- Ability to provide both transaction execution and asset custodial services
- Execution, clearance and settlement capabilities
- Trading capabilities including the ability to handle large block and volumes of trade
- Technology
- Responsiveness
- Quality of services
- Reputation

MFWM periodically reviews the quality of services provided by the Custodians, along with their policies and controls designed to, among other things, ensure compliance with applicable law.

Custodians may make available products and services that benefit MFWM but do not directly benefit our Clients. These products and services assist us in managing and administering our Clients' accounts and operating our firm and may include, among other things, software and other technology that:

- provide access to Client account data (such as duplicate trade confirmations and account statements);

- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our Clients' accounts;
- assist with back-office functions, recordkeeping, and Client reporting; and
- provides financial planning/market research.

As discussed above under Item 11 (Conflicts of Interest) and below under Item 14 (Client Referrals and Other Compensation), if Clients did not maintain their account with these Custodians, MFWM would be required to pay for these products and services from our own resources.

Clients should be aware that some other advisers may utilize multiple brokerages. Also, without the ability to use different brokerages, MFWM may at times be unable to achieve most favorable execution of Client transactions. Under such circumstances, trades may cost Clients more than they otherwise would have.

MFWM and the Custodians are unaffiliated entities. Custodians, like other broker-dealers, may from time-to-time pay TMF to display advertisements on TMF's website, fool.com. Any advertising arrangement between the Custodians and TMF is separate from the agreement between the Custodians and MFWM.

#### **B. Soft Dollars**

MFWM does not engage in any "soft dollar" practices.

#### **C. Order Aggregation and Allocation**

##### **1. Allocation of Investment Opportunities**

When a Portfolio Manager encounters investment opportunities that are appropriate for one or more Model Portfolios and other funds or accounts over which the Portfolio Managers have investment discretion (including MFAM Funds and proprietary accounts, each as described above in Item 11.B. and, for purposes of this section, collectively referred to as "Other Accounts"), we will allocate the investment opportunity on a basis that is fair and equitable over time and in a manner consistent with MFWM's Allocation and Order Aggregation Procedures.

In determining how an investment opportunity is allocated, the Portfolio Managers will take into account the following considerations, to the extent relevant:

- The size, nature and type of investment or sale opportunity;
- The investment guidelines and restrictions of the Model Portfolios and Other Accounts;
- Regulatory and contractual requirements;
- The cash position of Model Portfolios and Other Accounts;
- Liquidity needs/constraints of the Model Portfolios and Other Accounts;
- Asset/liability management;
- Minimum trade denominations;
- Restrictions under ERISA or other applicable regulations;
- Tax issues;
- The size of the Other Accounts;
- The risk profiles of Model Portfolios and Other Accounts; and
- Such other factors as the Portfolio Managers deem relevant.

## 2. Order Aggregation

Currently, MFWM is only able to aggregate orders for Client accounts and proprietary accounts held at the same Custodian. For applicable accounts at each Custodian, Clients that participate in an aggregated order will participate based on the percentage allocation of that security in the Model Portfolio, as determined by the Portfolio Manager. The share price for each security will be allocated to each Client's account based on an algorithm on the trading platform of each Custodian. Deviations may occur in the allocation if a Client's account: (i) is restricted due to cash limitations; (ii) contains restricted securities (including those securities that are placed on a "do-not-trade" list by the Client), or (iii) any other Client specific limitations are on their account.

When transactions are so aggregated at each Custodian, they may be traded in multiple blocks and as each deployed portion of the order is filled, it is allocated among the participating Clients' accounts. Clients in each trade block get an average price. Consequently, the price obtained may be less favorable to a Client than it would be if similar transactions were not being made at the same time.

In order to ensure that MFWM can timely trade for a Client account by, among other things, including Client trades in aggregated orders, Clients are encouraged to configure their account as a "margin" as opposed to "cash" account. When an account is not enabled for margining, MFWM may be required to wait three (3) business days following the sale of securities for a Client account before MFWM can reinvest the proceeds of that sale in additional securities. **Please note that configuring your account to enable margin (for purposes of facilitating trading and order aggregation) is distinguishable from the use of margin for borrowing purposes, as discussed above the Item 12, Section A.2.**

## 3. Trade Rotation Policy

MFWM utilizes a two-bucket trade rotation system: (i) one bucket for accounts over which we have full investment discretion and trading authorization (*i.e.*, our Personal Portfolio Program); and (ii) nondiscretionary accounts that are part of our Model Delivery Service.

For each investment decision that leads to (i) transactions in discretionary Client accounts and (ii) model changes with respect to our Model Delivery Service, trading for discretionary accounts will typically begin prior to the model change being communicated to MDS Clients (generally upon completion of trading for Client accounts in the discretionary bucket).

### a. *Discretionary Client Accounts*

MFWM has adopted policies to ensure orders are not entered first on behalf of the Clients of the same Custodian each day. The trade rotation policy is designed to ensure that we do not trade on behalf of any group of Clients in a manner that unintentionally favors Client accounts held at one Custodian over another. To meet this objective, we have established written trade rotation procedures. Along with using block trades to aggregate Client accounts who use the same Custodian (as described above), we utilize a rotation schedule, which lists the trade rotation order used when MFWM places trades among different Custodians. The rotation schedule is designed as an internal control to ensure that all Client accounts are treated fairly and equitably over time to the extent it is practicable. Custodians are placed on a daily rotation schedule with the first Custodian to begin trading on a particular day then moving to the bottom of the order on the next day, and so on.

The potential impact to execution prices would be movement in the underlying security (of which the impact could be positive or negative to Client accounts held at any particular Custodian in the trade rotation on that trading

day). As such, where a Custodian falls in the rotation could favorably or adversely affect a Client's executions relative to other Clients. However, the nature of trade rotation is intended in the long run to provide fair placement and execution to all Clients across Custodians.

On rare occasion, certain trades may be entered outside the trade rotation policy when the CCO or General Counsel determines special circumstances exist that warrant immediate attention. In addition, circumstances may cause a particular Custodian platform to be unable to receive trade instructions and/or execute trades. In such cases, MFWM will place trades for the next Custodian in rotation until the issue is resolved and, as a result, Clients of the Custodian unable to receive trade instructions will receive different, and perhaps less favorable, prices for their transactions than they would have received under the original trade rotation.

MFWM conducts tests in an effort to identify if any pattern of treatment favors or disfavors any group of Clients. A copy of our entire trade rotation policy is available to any Client or prospective client upon request.

*b. Nondiscretionary Clients (Model Delivery Services)*

Model changes are generally communicated to MDS Clients on a straight rotational basis (*i.e.*, the MDS Client to last receive the model change is moved to the beginning for the next model change).

## **Item 13          Review of Accounts**

### **A. Financial Planning Services**

Financial planning recommendations, including financial plans (if provided), are not automatically updated. Therefore, financial planning Clients are urged to contact MFWM if their financial circumstances change and to check in on annual basis to determine whether the financial plan or advice previously provided needs updating.

### **B. Personal Portfolio Program**

#### **1. Account Monitoring**

As described under Item 4.B.2. above, MFWM periodically reviews its asset allocation advice. As part of its annual rebalancing program, we may, in our sole discretion, modify allocations to Model Portfolios within a Client's account to reflect, among other things, the need for reduced market risks, lower portfolio volatility, or for other reasons that MFWM believes are in a Client's best interest. While adjustments to allocations during rebalancing may result in the addition and/or removal of Model Portfolios from a Client's account, MFWM will only adjust a Client's allocation within the constraints of their current risk score or objective.

Clients will receive advance notice (typically via email) of allocation changes five (5) to ten (10) business days prior to rebalancing. Clients that do not wish to participate in the MFWM's rebalancing program may opt-out at any time. Unless initiated by the Client (through a Profile update or otherwise), we do not periodically monitor and adjust Client accounts beyond our annual rebalancing program.

In order to further ensure that our advice remains properly tailored, Clients are encouraged to promptly update their Profile should any information change with respect to their risk tolerance, needs or goals. MFWM will annually seek Client confirmation that the information in their Profile remains accurate.

MFWM does not monitor for tax loss harvesting ("TLH") events, nor do we initiate TLH at our discretion. A TLH strategy may be applied at your direction, or we may suggest it to you in certain instances as part of your financial planning services if it is deemed reasonable to your account(s). In requesting TLH from MFWM, you should consult with your professional tax advisors or otherwise confirm the consequences of TLH in light of your particular circumstances and its impact on your tax return. MFWM does not and is not permitted to provide tax advice, nor do we represent that any particular tax benefit or consequence will be obtained.

TLH involves certain risks, including, among others, unintended tax implications and the risk that the performance of securities subsequently purchased may be better or worse than the performance of the securities that were sold for TLH purposes. The effectiveness of the TLH strategy to reduce your tax liability will depend on your entire tax and investment profile and the holding periods (e.g., short-term or long-term) of such investments. MFWM will only assist with TLH for accounts in the MFWM Personal Portfolio Program.

#### **2. Client Reporting**

Clients will receive trade notifications as well as quarterly written account statements from their Custodian (copies of which MFWM will have access to). The quarterly statements describe all account activity and detail the account returns for the previous quarter. Clients are also able to access this information directly on their Custodian's portal, using their username and password.

MFWM may also provide Clients with periodic reports on market conditions, investment performance and other investment topics. For example, to supplement Custodian quarterly account statements, MFWM provides Clients with quarterly reports generated through Orion Advisor Technology using trade and account data feeds imported directly from the Custodian ("Orion Reports"). Orion Reports provide Clients with, among other things, detailed information regarding account asset allocation, account-level performance, and advisory fees paid.

**Clients are strongly encouraged to compare all statements or reports received from MFWM against their brokerage account statements received from their Custodian.** Discrepancies between statements or reports received from MFWM and a Custodian should be reported to MFWM and the Custodian immediately.

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

From time to time to run, MFWM runs promotional campaigns to measure interest, attract prospects to open accounts, and/or incentivize Clients to contribute more capital to their Personal Portfolio account. These promotions are offered on a limited basis to select prospective and current Clients and include, but are not limited to, gift cards (issued by third parties), reduced or waived advisory fees, and additional account services (such as Planner Services). In addition, some of MFWM's clients are subscribers to TMF's Motley Fool One newsletter service, and TMF pays MFWM to provide its services to those subscribers.

MFWM will enter into agreements with current Clients or third parties (collectively "Promoters") to recommend, refer, or solicit, for compensation, (collectively "solicitation") prospective clients who may need or find value in the investment services provided by MFWM. MFWM, to the extent required by the Advisers Act, will comply with solicitation requirements under Rule 206(4)-1 and all compensation for such solicitation will be paid in accordance with applicable law. Prospective clients will be advised of such compensation at the time of solicitation, as well as the Promoter's relationship to MFWM and any material conflicts of interest resulting from MFWM's relationship with the Promoter or the terms of the compensation agreement. Clients are not charged any fees, nor do they incur any additional costs for being referred to MFWM.

Our custodians may run promotional campaigns. These campaigns are facilitated and managed through the custodian only. MFWM does not participate in these programs and cannot provide any information to further the custodian's promotional activities.

We receive economic benefits from Custodians in the form of technology, software and other support products and services they make available to us. In addition, Schwab has agreed to pay for certain products and services once the aggregate value of our Clients' assets in accounts at Schwab reaches a certain size. While Clients do not pay more for assets maintained at a Custodian as a result of these arrangements, they create conflicts of interest. MFWM benefits from these arrangements because the cost of these services would otherwise be borne directly by MFWM.



## Item 15 Custody

Client assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. Custody and brokerage services for our Personal Portfolio Program are provided by eligible Custodians, each of which is a qualified custodian, registered broker-dealer, and member of SIPC.

MFWM does not maintain custody of Client assets, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account. In the event that Custodian account documentation purports to give MFWM broad authorization to transfer funds or securities out of a Client’s account, these authorizations are broader than those in the Client’s Investment Advisory Agreement with MFWM, and MFWM’s authority is specifically limited to the authority set forth in the Investment Advisory Agreement regardless of broader authorization in Custodian documentation.

Clients will receive quarterly statements directly from their Custodian, which will be sent to the email (whether through an attachment or linking) or postal mailing address that Clients provide to the Custodian. **Clients should carefully review those statements promptly when they receive them. We also urge our Clients to compare Custodian account statements with the periodic account statements and/or portfolio reports Clients receive from us.**

Such account information can also be accessed on the Custodian’s site with a Client’s username and password.

**Item 16            Investment Discretion**

Under the terms of the Investment Advisory Agreement, Personal Portfolio Clients grant MFWM full authority and designate MFWM as their agent and attorney-in-fact to buy, sell, pledge, lend and otherwise deal in securities and contracts relating to securities on their behalf in their applicable accounts. Similarly, Clients have the option of granting a Limited Power of Attorney to open Personal Portfolio accounts on the Client's behalf, initiate ACAT transfers to the Client's account and handle other related account opening matters. In addition, as part of the account opening or transferring process, a Custodian may require that Clients enter into a discretionary authority and/or limited power of attorney agreement, designating MFWM as the investment manager with the power to execute trades, request information, receive account statements and confirmations, and generally manage the Personal Portfolio account on the Clients' behalf.

**Item 17            Voting Client Securities**

MFWM does not have, and does not accept, authority to vote Client securities. For Retirement Accounts that are maintained on behalf of a plan subject to ERISA, MFWM will verify that the plan documents state that the right to vote proxies has been reserved to the plan trustees, and that the plan trustees will maintain exclusive responsibility for determining all proxy voting decisions.

**Item 18            Financial Information**

**A. Prepayment is Required for Certain Services**

An audited statement of financial condition for MFWM, dated as of September 30, 2023, is attached.

**B. Financial Condition**

As described in Item 11 (Conflicts of Interest) above, MFWM is dependent upon various support and marketing services provided by our affiliates under a shared services agreement. Decreased access to these resources could impair our ability to grow and improve our business, which could negatively impact the scope, quality and cost of services that we provide to our Clients.

MFWM does not have any other financial conditions that are reasonably likely to impair our ability to meet contractual obligations to Clients.

**C. No Bankruptcy Petitions**

MFWM has not been the subject of a bankruptcy petition at any time during the past ten (10) years.

Statement of Financial Condition and  
Independent Auditors' Report

**Motley Fool Wealth Management, LLC**

(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

(SEC File No. 801-77616)

September 30, 2023

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

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## **Independent Auditors' Report**

To the Management and Board of Managers of  
Motley Fool Wealth Management, LLC

### **Opinion**

We have audited the accompanying statement of financial condition of Motley Fool Wealth Management, LLC (a Delaware limited liability company) as of September 30, 2023, and the related notes (collectively referred to as the financial statement).

In our opinion, the statement of financial condition referred to above presents fairly, in all material respects, the financial position of Motley Fool Wealth Management, LLC as of September 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Motley Fool Wealth Management, LLC and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statement**

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Motley Fool Wealth Management, LLC's ability to continue as a going concern within one year after the date that the financial statement is available to be issued.

### **Auditors' Responsibilities for the Audit of the Financial Statement**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Motley Fool Wealth Management, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Motley Fool Wealth Management, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

*Baker Tilly US, LLP*

Tysons, Virginia  
December 13, 2023



**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

Notes to Statement of Financial Condition

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*September 30, 2023*

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**ASSETS**

|                                             |    |                |
|---------------------------------------------|----|----------------|
| Cash and cash equivalents                   | \$ | 2,136,497      |
| Marketable equity securities, at fair value |    | 2,994,330      |
| Accounts receivable                         |    | 1,276,029      |
| Prepaid expenses and other current assets   |    | 278,259        |
| Property and equipment, net                 |    | <u>406,692</u> |

|                     |           |                         |
|---------------------|-----------|-------------------------|
| <b>Total Assets</b> | <b>\$</b> | <b><u>7,091,807</u></b> |
|---------------------|-----------|-------------------------|

**LIABILITIES AND MEMBER'S EQUITY**

**LIABILITIES**

|                                     |    |                |
|-------------------------------------|----|----------------|
| Accounts payable                    | \$ | 63             |
| Accrued expenses                    |    | 78,507         |
| Accrued payroll, benefits and taxes |    | <u>353,953</u> |

|                          |  |                |
|--------------------------|--|----------------|
| <b>Total Liabilities</b> |  | <u>432,523</u> |
|--------------------------|--|----------------|

**COMMITMENTS AND CONTINGENCIES**

**MEMBER'S EQUITY**

|                 |  |                  |
|-----------------|--|------------------|
| Member's Equity |  | <u>6,659,284</u> |
|-----------------|--|------------------|

|                              |  |                  |
|------------------------------|--|------------------|
| <b>Total Member's Equity</b> |  | <u>6,659,284</u> |
|------------------------------|--|------------------|

|                                              |           |                         |
|----------------------------------------------|-----------|-------------------------|
| <b>Total Liabilities and Member's Equity</b> | <b>\$</b> | <b><u>7,091,807</u></b> |
|----------------------------------------------|-----------|-------------------------|

## **Motley Fool Wealth Management, LLC**

(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

### Notes to Statement of Financial Condition

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*September 30, 2023*

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#### **NOTE A—ORGANIZATION AND NATURE OF OPERATIONS**

Motley Fool Wealth Management, LLC (the Company) was formed on January 3, 2013, and is a wholly owned subsidiary of The Motley Fool Holdings, Inc. (TMFHI).

The Company is a registered investment advisor with the Securities and Exchange Commission (SEC). The Company offers financial advisory services including providing investing advice, financial planning and managing assets on behalf of individual investors. The Company provides these services through a variety of online tools and direct interaction with customers, some of which are currently provided in conjunction with subscriptions to services provided by an affiliate corporation, The Motley Fool, LLC (TMF), another wholly owned subsidiary of TMFHI.

TMF is a provider of financial education and independent advice intended to help consumers make better financial decisions.

The Company and the affiliated entities are headquartered in Alexandria, Virginia.

**Motley Fool Wealth Management, LLC**  
(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

Notes to Statement of Financial Condition

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*September 30, 2023*

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Use of Estimates***

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

***Cash and Cash Equivalents***

As of September 30, 2023, cash and cash equivalents consisted of money market accounts totaling \$2,136,497. The Company considers all highly liquid investments with an original maturity date of three months or less when purchased to be cash equivalents. The Company's cash is held in banks and brokerage firm accounts. Cash held in banks periodically exceeds the Federal Deposit Insurance Corporation's (FDIC) insurance coverage of \$250,000. Cash held in brokerage firm accounts periodically exceeds the Securities Investor Protection Corporation's (SIPC) insurance coverage of \$250,000. As a result, there is a concentration of credit risk related to amounts in excess of FDIC or SIPC insurance coverage. As of September 30, 2023, the Company had funds of approximately \$1,930,000 deposited in brokerage firm accounts in excess of SIPC coverage.

**Motley Fool Wealth Management, LLC**  
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Notes to Statement of Financial Condition

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*September 30, 2023*

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Fair Value Measurements***

Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset occurs in the principal market for the asset or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1** - inputs that are quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2** - inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly
- Level 3** - inputs that are unobservable for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability

The Company's investments consist of equity securities traded in active markets and thus has classified the related fair value estimates as Level 1.

***Concentrations of Credit Risk***

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash and cash equivalents, investments and accounts receivable. The Company's cash transactions are on deposit with a reputable commercial bank and/or reputable registered investment advisor, all in the United States. As of September 30, 2023, the Company has not incurred losses related to cash and cash equivalents. The Company's investments are in a variety of equity securities and, by policy, the Company limits its credit exposure through diversification and by restricting its investments to highly rated securities. Accounts receivable consist primarily of balances due for advisory fees due from its customers and collected by the brokerage firm that serves as custodian for the Company's managed accounts.

**Motley Fool Wealth Management, LLC**  
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Notes to Statement of Financial Condition

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September 30, 2023

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Concentrations of Credit Risk—continued***

Substantially all of the Company's assets are invested in publicly traded securities. Weak market performance may adversely affect the Company's own investments as well as its investment offerings and cause potential purchasers of these offerings to refrain from new or additional investments, and may cause current investors to withdraw from the market or reduce their rates of ongoing investment. Poor market performance may affect the value of the assets under management in clients' managed accounts. Changes in the regulatory environment may also adversely affect the Company's investment offerings. Because of the significance of the Company's investment assets to member's equity, these factors could impact the financial condition of the Company.

***Income Taxes***

The Company is a Delaware single-member limited liability company and is a "disregarded" entity under the Internal Revenue Code for tax purposes and, as such, is not directly subject to federal income taxes and most state income taxes. Instead, the participating member includes the Company's taxable income or loss, tax deductions and credits on its income tax return. The Company's share of current and deferred income tax expense (benefit) is allocated as if the Company filed on a stand-alone basis. See Note G for further discussion on related party transactions.

The Company recognizes the financial statement benefit of an income tax position only after determining that the relevant taxing authority would more likely than not sustain the position following an audit. For tax positions meeting the more likely than not threshold, the amount recognized in the financial statement is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant taxing authority. The Company applies the uncertain tax position guidance to all tax positions in the tax returns filed, as well as any un-filed tax positions. The Company has chosen to treat interest and penalties related to unrecognized tax benefits as income tax expense and as an increase to the income tax liability. Based on Company's evaluation as of September 30, 2022, there have been no uncertain tax positions identified and as such no penalties or interest have been recognized.

The Company is subject to U.S., state and local tax examinations by tax authorities for all tax years since formation in 2013. For returns that have been filed, the statute of limitations would be three to four years depending on the jurisdiction. The Company is not currently under examination by any taxing authorities.

**Motley Fool Wealth Management, LLC**  
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Notes to Statement of Financial Condition

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*September 30, 2023*

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**NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued**

***Future Accounting Pronouncements***

During June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Measurement of Credit Losses on Financial Instruments. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, and November 2019, the FASB also issued ASU No. 2018-19, Codification Improvements to Topic 326, Financial Instruments – Credit Losses, ASU No. 2019-04, Codification Improvements to Topic 326, Financial Instruments – Credit Losses; ASU No. 2019-05 Targeted Transition Relief; and ASU No. 2019-11, Codification Improvements to Topic 326, Financial Instruments – Credit Losses. ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASUs Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU No. 2019-11 amends ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2016-13 (as amended) will have on its financial position.

***Subsequent Events***

The Company has evaluated the statement of financial condition for subsequent events through December 13, 2023, the date the statement of financial condition was available to be issued. The Company is not aware of any subsequent events which would require additional recognition or disclosure in the statement of financial condition.

**Motley Fool Wealth Management, LLC**  
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Notes to Statement of Financial Condition

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*September 30, 2023*

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**NOTE C—MARKETABLE EQUITY SECURITIES, AT FAIR VALUE**

The Company investments consist of marketable equity securities. Marketable securities are reported in the statement of financial condition at fair value. Fair values are determined as the last reported sales price on the valuation date. The unrealized gains and losses are recorded in income in the period to which they relate. Realized gains and losses are determined using the specific identification method and are recorded in income on the trade date. Dividends are recorded as income on the ex-dividend date and interest is recorded on the accrual basis.

The Company held \$2,994,330 of marketable equity securities at September 30, 2023. The marketable securities have a cost basis of \$2,278,913 and are presented inclusive of unrealized gains of \$264,746 on the statement of financial condition. The marketable securities also include \$439,736 of cash in money market funds, \$505 in dividend receivables, and \$10,430 in interest receivables designated for future investment as of September 30, 2023

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**NOTE D—ACCOUNTS RECEIVABLE**

As of September 30, 2023, the Company's accounts receivable included \$1,276,029 for advisory fees collected by the custodians for its managed accounts, Interactive Brokers, LLC (IB) and Charles Schwab (CS). The advisory fees for a given month are calculated daily, then collected by IB and CS from client accounts and remitted to the Company, typically within the first five to ten business days of the following month. Accounts receivable are written off when they are determined to be uncollectible. Any allowance for doubtful accounts is estimated based on the Company's historical losses, existing conditions in the industry, and the financial stability of the individual that owes the receivable. No allowance for uncollected accounts is considered necessary.

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**NOTE E—CLEARING AGREEMENT**

For separately managed accounts (SMA), the Company establishes a direct brokerage relationship with clients. Direct brokerage transactions are cleared with and for customers on a fully-disclosed basis with IB and CS. Client SMA funds and securities are maintained by IB and CS.

**Motley Fool Wealth Management, LLC**  
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Notes to Statement of Financial Condition

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*September 30, 2023*

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**NOTE F—DEFINED CONTRIBUTION PLAN**

The Company participates in a defined contribution retirement plan covering all eligible full-time employees. The plan is sponsored and administered by TMFHI through The Motley Fool Holdings, Inc. 401K Plan. TMFHI's Board of Directors determines the contributions made by the Company annually. As of September 30, 2023, the Company had \$32,799 in contributions payable that is included as part of accrued payroll, benefits and taxes in the statement of financial condition.

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**NOTE G—RELATED PARTY TRANSACTIONS**

The Company is dependent upon continued financial support from its parent and sole member, TMFHI. TMFHI has agreed to provide such support to the extent necessary to fund the

Company's operations. Funds are advanced from time to time by TMFHI and its subsidiaries to the Company for funding the Company's operations.

The Company generates certain income and incurs certain expenses based on transactions with TMFHI and affiliates. Those transactions or transaction types are described below:

Certain fee income generated by the Company results from management fee income allocated from TMFHI and affiliates for services rendered by the Company to the customers of the affiliates.

TMFHI and its affiliates incur certain general and administrative expenses such as rent, legal services, insurance, and employee benefits on behalf of the Company. TMFHI and its affiliates allocate such common costs based primarily on an estimate of the percentage of these costs from TMFHI and affiliates that are attributable to the efforts to support the Company based on Management's judgement. Management believes that the method used to allocate the costs and expenses is reasonable; however, such allocated amounts may or may not necessarily be indicative of what actual expenses would have been incurred had the Company operated independently of TMFHI.

As of September 30, 2023, funds advanced from TMFHI to the Company, together with allocations of management fee income and general and administrative expenses, amounted to a balance due from the Company to TMFHI. The parties have agreed these advances do not require repayment and there is no intention to repay such amounts. Accordingly, the Company has classified cumulative advances as a component of member's equity as of September 30, 2023.



## **Motley Fool Wealth Management, LLC**

(A Wholly Owned Subsidiary of The Motley Fool Holdings, Inc.)

### Notes to Statement of Financial Condition

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*September 30, 2023*

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#### **NOTE H—CONTINGENCIES**

The Company is subject to lawsuits, investigations, and claims arising out of the ordinary course of business. In the opinion of legal counsel and management, resolution of these matters, if disposed of unfavorably, will not have a material adverse effect on the Company's statement of financial condition. The Company intends to defend itself vigorously in these matters.