

## **Wrap Fee Program Brochure**

### **Mercantil Investment Services, Inc.**

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As of: March 30, 2016

**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Mercantil Investment Services, Inc. [“MIS”, “Adviser”, “Firm” and/or “We”]. If you have any questions about the contents of this Brochure, please contact us at (305) 460-8599. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about MIS also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2 – Material Changes**

The material changes to report as of the date of our last Wrap Brochure dated March 31, 2015 are as follows:

## **Item 4 – Services, Fees and Compensation**

### ***Advisory Fees***

The following reflects the standard advisory fee schedule charged to clients for the FIP.

### **FIP Fee Schedule**

0.55% until 06/30/2016 (or later if explicitly extended in writing)

0.85% starting 07/01/2016 (or later if explicitly extended in writing)

Additional information about MIS is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with MIS who are registered, or are required to be registered, as investment adviser representatives of MIS.

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## Item 4 – Services, Fees and Compensation

### *Overview*

The Fixed Income Portfolios (the “FIP”), is a Wrap product, whereby MIS, as investment adviser, registered with the U.S. Securities and Exchange Commission<sup>1</sup> (“SEC”), has discretionary authority over clients’ assets. Discretionary services require the customer to grant MIS limited discretionary powers to actively manage the portfolio as per agreed upon Investment Guidelines. Discretion refers to MIS being empowered by customers to implement, without prior consent, decisions related to Component Selection and Execution, as well as Periodic Rebalancing. MIS charges customers a single fee that covers research, advice, ongoing account management, brokerage executions, custody and other related services.

Research, advice, ongoing discretionary management and other investment adviser related services are provided by MIS. Execution services are provided by MIS as broker dealer. Clearing, custody and other brokerage related services are provided by the clearing firm and custodian, Pershing LLC.

### *Features of MIS’s FIP*

The client’s Investment Consultant (“IC”) will assist the client in clarifying their investment needs, including but not limited to investment objective, tolerance for risk, investment experience, and investment time horizon; and will provide professional advice for a single advisory fee. The IC will work with the client in selecting the appropriate model portfolio in an effort to assist the client in achieving their investment goals.

The FIPs are intended as a low turnover **buy-and-hold** strategy and do not attempt to time the market or extract returns from active trading. MIS’ approach to analysis includes a series of filters to identifying the proper **companies and securities** for the model/strategy, **including the proprietary MIS Company Scoring Tool**. The filters MIS utilizes for this analysis may include but are not limited to, inclusion attributes of fixed income securities, such as duration, credit quality and coupon, and exclusions, such as minimum investable piece. Attributes of fixed income securities are examined so that securities that MIS does not want in end client portfolios are excluded.

MIS, principally using the **MIS Company Scoring Tool**, sorts through specific attribute fields to discern the quality of one fixed income **issuer** versus another. **In addition**, bonds that have negative material events, failure to file financials, **or other significant one-off events**, are also excluded. These filters are subject to change.

MIS **analyzes** market prices of a qualified fixed income securities to that of recent trades of the same or similar securities **to determine the relative value**, and, **as a result**, a fair price to be paid for each security.

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<sup>1</sup> Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

After filtering using a balanced approach with availability, price and credit, and any other criteria deemed appropriate, MIS ensures compliance with sector and issuer diversification in determination of a recommended list of securities for purchase.

Accounts are typically rebalanced every 13 months unless a credit event (or other material event) occurs, in which case rebalancing may happen sooner. Generally, MIS will execute required trades for this program once a week, including implementation of new cash, redemption requests and redeployment of cash from bond maturities.

MIS will run a similar issuer screening process when considering rebalancing trades. MIS conducts its own credit analysis on all issuers considered and selected for FIP products. Uninvested cash balances in the FIP accounts will be invested daily in the default sweep money market fund chosen by MIS for these types of accounts.

MIS's clearing broker-dealer, Pershing, LLC, executes trades (in most cases), maintains custody of the client's funds and securities; collects interest and dividends; and performs the normal and customary execution and custodial services.

The client's profile is updated at least annually or more frequently depending upon material changes which are reported by the client. The client may impose reasonable investment restrictions<sup>2</sup> on their account with respect to the individual securities selected for investment by contacting MIS.

FIP's accounts will be open upon client request and MIS approval however assets in the account may not be invested immediately as MIS only completes the purchase and allocation of assets into customer's account twice a month.

### ***Performance Evaluation and Monitoring Services***

MIS will monitor, rebalance, and manage all of the changes to the client's account. MIS may furnish quarterly performance measurement reports to its clients. These reports are intended to inform clients as to how their investments have performed during the selected period. Clients will also receive account statements from Pershing, LLC (the clearing broker-dealer) at least quarterly, detailing all of the activity in the client's account, including the amount of advisory fees paid directly to MIS.

Information contained in the performance report is believed to be accurate, however, the accuracy and completeness of the information is not guaranteed; and is not intended to replace the account statements clients receive from Pershing, LLC, which is the custodian of client funds and securities for accounts participating in the FIP. The statements clients receive from Pershing should be considered the official record for all pertinent account information. While this performance report

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<sup>2</sup> Acceptable restrictions are based on a variety of factors. Customers should discuss the limitations of imposing restrictions on the management of their account(s) with their Investment Consultant.

is provided in a different format from that of Pershing, and may vary in content and scope, clients should carefully compare the asset information to that contained in the Pershing account statement. Any discrepancies noted should be reported immediately to the client's IC. Clients should also notify MIS promptly if they do not receive the account statements from Pershing on at least a quarterly basis. Calculations and data provided on the performance reports should not be relied upon for tax purposes, but rather clients should use the original transaction confirmations and 1099's instead.

### ***Advisory Fees***

The following reflects the standard advisory fee schedule charged to clients for the FIP.

#### **FIP Fee Schedule**

0.55% until 06/30/2016 (or later if explicitly extended in writing)

0.85% starting 07/01/2016 (or later if explicitly extended in writing)

Program Fees are paid directly to MIS and are expressed as an annual rate that is prorated for the quarterly billing period and is applied to the asset value of the account. For this purpose, asset value means the total fair market value of the eligible securities and cash in your account. Although the fees listed above are standard fees, they may, in some circumstances, be negotiable and may vary according to a variety of factors, such as size, type, and complexity of account. The fee charged is a percentage of all assets in the FIP. The fee is paid to MIS as sponsor of the program in which client is invested. The fee includes two free wires per twelve month period to the client's personal account at MCB, but does not cover incidental fees, such as fees for subsequent wires to the client's personal account. A schedule of these charges may be obtained from the client's IC. Program fees will not be reduced or offset by these fees. Instead, these additional fees will reduce the overall return of your account.

Since MIS receives a fee for client participation in the FIP they may have an incentive to recommend it over other products or services.

### ***Comparison of Cost of Service***

Since the FIP is a wrap product, whereby customers pay a single fee for investment advisory services and brokerage services, it may cost the client more or less than purchasing such services separately, generally depending upon commission rates, portfolio turnover and the cost of similar non-wrap discretionary investment advisory services. Clients should consider the amount of trading activity they anticipate and other factors when assessing the FIPs cost.

### ***Selection of Broker/Dealer***

You should note that in order to comply with principal trade restrictions, orders for most of our advisor programs are routed for agency execution, to a third party broker dealer, usually Pershing,

LLC. However, if we believe it is consistent with our duty of best execution, MIS as broker dealer, on agency basis, may execute the trades.

### ***Risks***

Accounts are subject to a variety of market and other risks, including illiquidity and volatility. Investment performance of any kind can never be and is not guaranteed—nor is past performance an indicator of future results. In executing transactions for your accounts, we will not be liable for losses caused directly or indirectly by government restrictions, exchange controls, exchange or market rulings, suspension of trading, acts of war, strikes or other conditions beyond our control, including but not limited to, extreme market volatility or trading volumes.

Automated systems are used to route and execute orders for the purchase and sale of securities for all advisory accounts. Generally, an order is routed to an execution center that we believe will provide the best execution. In determining the best way to execute an order for a client, we evaluate the following:

- The speed and certainty of execution
- The price and size improvement
- The overall execution quality

### **Additional Fees**

MIS may offer the client the ability to pledge their securities for a loan (either through margin, or a loan given by an affiliate bank). In the event a client chooses to utilize one of these services, they will incur extra charges as set forth in the disclosure documents and agreements for these arrangements. IC's may have a conflict of interest to offer these products as they receive compensation for such. Clients are urged to read all documentation regarding these services carefully before opting to participate.

It may be possible for MIS to earn compensation for placing clients in certain selected money market fund sweep program(s) chosen for the customer. Unlike bank deposits, money market funds are not insured or guaranteed by the Federal Deposit Insurance Corporation (FDIC) or any government agency, but rather are subject to coverage under the Securities Investor Protection Corporation (SIPC). SIPC provides protection of up to \$500,000 per customer including a maximum of \$250,000 for cash claims. Complete details of SIPC coverage can be found at [www.SIPC.org](http://www.SIPC.org). Although money market funds seek to preserve the value of your investment, it is possible to lose money by investing in a money market fund (see fund prospectus). In general, money market funds are designed and managed with the investment objective of preservation of capital, maintenance of liquidity and generating high current income.

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

### ***Minimum Account Size***

There is a minimum initial -and ongoing- account size of \$300,000 required for investment in the FIPs offered through MIS. In some limited cases, MIS may agree to waive or set lower minimums. MIS reserves the right, in its sole discretion, to change account minimums, to terminate accounts that fall below the minimum account requirements, or require that additional monies or securities be deposited to bring the account up to the required minimum.

Minimum withdrawal amount is \$10,000 per instance. An early redemption (account setup recovery) fee of 1% of the minimum investment amount prevalent at the time of such redemption applies to full redemptions executed within the first twelve (12) months of the initial funding of the account. Opening an account and implementing initial trades imply certain costs that are absorbed by MIS for those clients that remain invested for at least 12 months. In the event the client needs to fully liquidate his/her portfolio before this time period, he can do it but 1% of the then prevalent minimum investment amount (currently \$300,000) will be discounted to cover the mentioned costs.

### ***Types of Clients***

The FIP is designed to assist clients ( trusts, individuals and institutions). The FIP is not available to pension or profit sharing plans subject to the Employee Retirement Income Security Act.

### ***Termination of FIP Account***

MIS reserves the right to terminate the FIP or a client's FIP account and related agreement for any reason at any time by notice to the client. If MIS terminates the agreement, the account will become an MIS commission-based non-discretionary brokerage account and the client will no longer receive ongoing monitoring and investment advice with respect to the account and will not be charged the FIP fee. A client may terminate its FIP account by written notice to MIS, in which case client will be responsible for any fees accrued up to the date of termination. In addition, an early redemption (account setup recovery) fee of 1% of the minimum investment amount prevalent at the time of such redemption applies to full redemptions executed within the first twelve (12) months of the initial funding of the account. Upon termination, the account will become a commission-based non-discretionary brokerage account and the IC will not act in an investment advisory capacity for the client but rather in a brokerage capacity as a registered representative of MIS. As a result, the client will no longer be charged a FIP fee, but instead will be charged transaction-based compensation (e.g., mark-ups/mark-downs and commissions) with respect to all transactions in the account. In addition, the IC will not have any responsibility to monitor the account or to provide investment advice with respect to the account.

MIS reserves the right to decline any new account or refuse to maintain a current account at any time.

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

The FIP is managed in-house at MIS.

#### ***A.-Selection of Investment Advisors and Performance Reviews***

MIS makes available to clients quarterly performance reports for Accounts in our FIP. The performance reports display the performance of the clients Account, using the industry standard internal rate of return calculation. We do not review or evaluate performance for the FIP's strategies.

#### ***B.-MIS or MIS Affiliates and Employees Acting as Portfolio Managers***

The FIPs overall strategies and day to day investment decisions are managed by the MIS Investment Committee. In all cases, individual state and federal licensing and exam regulations will govern, as applicable.

Recommending proprietary or affiliated products and managers raises a conflict of interest, because retaining those entities or purchasing those securities will result in increased compensation to MIS. We address the conflicts of interest presented by the recommendation of strategies managed in house by disclosing our practices to you to ensure you make fully informed decisions in your selection of investment strategies.

#### ***C.- Advisory Business***

It is important to note that investing in securities involves risk of loss that clients should be prepared to bear.

1. The method of analysis and investment strategies MIS uses in formulating investment advice and/or managing assets for discretionary accounts is as follows:
  - a. *Investor Profile* - MIS asks customers for personal and financial information in order to define, among other things, the investment objective, risk/volatility tolerance, investment horizon and income preference that will assist in Portfolio Selection;
  - b. *Portfolio Selection*- MIS has developed several program portfolios. MIS provides advice on portfolio selection based on the Investor Profile and needs. MIS is able to accommodate, but on a very limited basis, custom-built portfolios. The Investment Guidelines include the constraints of the portfolios. Constraints include minimum number of issues in the portfolio, range of maturities at time of purchase and minimum average credit quality of the portfolio;
  - c. *Bond Selection and Execution* - In order to implement portfolios, MIS selects bonds as described in section 4 above. Once bonds have been selected and approved by MIS Investment Committee, they are purchased once a week for all accounts requiring implementation. Most bonds will have the approximate same weight in the portfolios at time of implementation;

d. *Performance Evaluation* - MIS does not follow the performance of each strategy. Since the bonds purchased for different accounts in the same strategy will vary over time, and the strategies are not managed against a specific benchmark, we find any model performance would not be representative of the performance of other accounts in the strategy. Client specific performance is available on a quarterly basis;

e. *Rebalancing* -MIS provides advisory services regarding portfolio rebalancing, including a) reinvesting cash from bond coupons and maturities; b) implementation of recommended changes in strategies, their weights and their components; and c) implementation of new portfolio selections as a result of changes in Investor Profile. Rebalancing a portfolio does not imply a better chance of obtaining a pre-determined, or for that matter any, level of return.

While every attempt is made to rely on data MIS considers reliable, MIS cannot guarantee nor verify its accuracy. In addition, the data MIS reviews is sometimes subjective in nature and open to interpretation. No guarantee or representation is made that the advisory strategies will be successful and there can be no assurance that the investment objective of the strategies will be achieved. Also, past performance is no guide to future performance, and the value of investments may go down as well as up.

- There is a risk of misjudging the Investor Profile. If an investor is not properly characterized in the correct profile, there is a risk the client might be matched to a portfolio with different risk return characteristics than would otherwise be required. If this portfolio has more volatility than the client can bear, the client could be faced with a situation where he will want to sell all positions at the worst possible time, thereby locking in losses.
- Portfolio Selection risk. There is a risk the client gets matched with the incorrect model portfolio. This mismatch might expose the client to a portfolio with suboptimal risk return characteristics. If this portfolio has more volatility than the client can bear, the client could be faced with a situation where he will want to sell all positions at the worst possible time, thereby locking in losses.
- Component Selection risk. There is a risk that MIS chooses a component that underperforms for a prolonged period of time, or that defaults. As a result, there is also the risk that portfolios exhibit risk and return characteristics temporarily different from the intended ones.

MIS portfolios are built keeping in mind a minimum level of diversification, be it by sector or by individual issuer. Because of this fact, portfolios can be, and usually are, exposed to one or several of the risks typically present in the components and sectors in which they invest, such as:

- Emerging Markets & Sovereign Debt Risk: Emerging and/or capital markets are typically those of which exhibit lower levels of social and economic development, and

higher levels of share price and currency volatility. The securities markets of developing countries are not as large as the more established securities markets and have substantially less trading volume and regulatory oversight resulting in lower liquidity and higher price volatility. Investment in debt obligations (“Sovereign Debt”) issued or guaranteed by developing governments or their agencies and instrumentalities (“governmental entities”) involves a higher degree of risk.

- **Fixed Income Transferable Securities:** Debt securities are subject to both actual and perceived measures of creditworthiness. The “downgrading” of a rated debt security or adverse publicity and investor perception, which may not be based on fundamental analysis, could decrease the value and liquidity of the security, particularly in a thinly traded market. Changes in market rates of interest will generally affect some underlying fund’s asset values as the prices of fixed rate securities generally increase when interest rates decline and decrease when interest rates rise.

Investors should be aware that the list of risks is not all inclusive and that other risks may also be prevalent in the underlying securities from time to time. In addition, investors should note that MIS has no control over the risks taken by the underlying securities, in which the client’s invest.

MIS primarily recommends bonds to FIPs advisory clients.

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

MIS collects information from their clients through the completion of client profiles and risk tolerance questionnaires in order to assist in the development of investment strategies and the selection of model portfolios that are suitable to the clients’ needs. The information collected typically relates to: financial objectives, planned time horizons, risk tolerance, the source of funds to be invested, the client’s investment experience and considerations for tax sensitivity.

Each client is responsible for providing accurate and complete information to MIS, as failure to do so could affect the IC’s recommendations. The client must contact his/her IC promptly whenever any significant change in the client’s personal or financial condition or investment goals occurs in order to discuss whether changes in asset allocation or investments selected for the client’s FIP account are recommended. MIS reminds clients to provide any updates on a quarterly basis and will consult no less frequently than annually with FIP clients to assess the status of their account and information.

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

MIS is the portfolio manager on the FIP accounts.

The client always has the ability to communicate with their IC regarding the investments made in the client's account and may place reasonable restrictions on investments.

## **Item 9-Additional Information**

### ***Disciplinary Information***

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of MIS or the integrity of MIS' management.

In our capacity as a broker-dealer, and in connection with matters unrelated to our investment advisory business, we have:

Consented to a censure and fine in the amount of \$20,000 by FINRA pursuant to a Letter of Acceptance, Waiver and Consent effective December 2, 2011. Without admitting or denying the allegations, MIS consented to the findings that MIS had failed to report information regarding purchase and sale transactions effected in eligible securities to the Trade Reporting and Compliance Engine ("TRACE") in the manner prescribed by FINRA rules, which require the firm to report information about transactions in such eligible securities within 15 minutes of trade execution time.

### ***Other Financial Industry Activities and Affiliations***

MIS is dually registered as an investment adviser with the SEC and a broker-dealer with FINRA. As such, management persons of MIS may also be registered as registered representatives of the broker dealer.

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

MIS is 100% owned by Mercantil Commercebank, N.A. Employees of Mercantil Commercebank, N.A. may also be registered representatives of MIS. Most customers of MIS are customers of Mercantil Commercebank, N.A. Clients are made aware that investments made through MIS are not obligations of MIS, nor deposits in the bank, may lose value and are not federally insured by the FDIC, or any other government agency.

Through this relationship clients may be offered, by branch officers, some of whom may also be supervised persons of MIS, the option of obtaining a loan from Mercantil Commercebank, N.A. secured by pledging their assets held with MIS. Clients should be aware these types of loans may, among other things, make assets held at MIS less liquid, may require the customer to increase individual risk tolerance, and may create a conflict of interest as Mercantil Commercebank, N.A. will receive compensation from such arrangements. As such, supervised persons of MIS that are also registered with Mercantil Commercebank, N.A. may have an incentive to recommend this product

to clients. MIS indirectly benefits from this arrangement in that assets remain at MIS under an advisory relationship. MIS has put in place procedures to ensure that these types of arrangements are only recommended to clients whom can bear the risks while receiving the benefits. Clients entering into such arrangements are provided with additional disclosures related to this set up which they should read and consider carefully before proceeding.

The package of advisory services MIS offers to clients may include utilizing MIS's broker dealer operation to execute trades in client advisory accounts. This may create a conflict of interest. To mitigate this, MIS waives commissions for advisory accounts that use MIS's broker dealer.

### ***Code of Ethics***

MIS has established, maintains and enforces a Code of Ethics (the "Code") in accordance with Rule 204A-1 under the Advisers Act. Among other things, the Code of Ethics includes the following provisions:

- (1) Standards of business conduct required of employees and other supervised persons, which standards reflect fiduciary obligations and those of supervised persons to advisory clients;
- (2) Terms requiring supervised persons to comply with applicable federal securities laws;
- (3) Terms and procedures relating to the review and approval of certain securities transactions and holdings by supervised persons;
- (4) Procedures for reporting violations of the Code of Ethics; and
- (5) Procedures for the receipt and acknowledgement of the Code of Ethics by supervised

MIS will provide a copy of the Code of Ethics to any client or prospective client free of charge upon request.

### ***Participation or Interest in Client Transactions and Personal Trading***

MIS and its personnel may buy or sell securities that are also held by clients. These personnel may not trade their own securities ahead of client trades. Personnel comply with the provisions of the MIS Compliance Manual.

MIS may receive distribution fees, as well as revenue sharing retrocessions, from fund companies whose products are being recommended to advisory clients. Such arrangements are disclosed in relevant agreements and detailed in fund prospectuses.

MIS anticipates that, under certain circumstances, and consistent with clients' investment objectives, it will cause accounts over which MIS has discretionary authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which MIS, its affiliates and/or clients, directly or indirectly, have a position of interest.

MIS' employees and associated persons are required to follow MIS' Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of MIS and its affiliates

may trade for their own accounts in securities which are being recommended to and/or purchased on behalf of MIS' clients. The Code is designed to assure that personal securities transactions, activities and interests of the employees of MIS will not interfere with (i) making decisions in the best interest of advisory clients; and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. The Code places limitations on certain transactions including placing restrictions on trading in close proximity to client trading activity. However, and because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from activity by a client. Employee trading is continually monitored under the Code of Ethics, in order to reasonably prevent conflicts of interest between MIS and its clients.

Certain affiliated accounts may trade in the same securities as client accounts, on an aggregated basis, and when consistent with MIS' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. MIS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro-rata basis. Any exceptions will be explained on the order.

In the event that a conflict arises, MIS's senior management will review the facts and circumstances and may take appropriate steps including (but not limited to) administrative actions, trade sanctions and/or the reversal of related trades associated with persons subject to the MIS Code of Ethics.

MIS's compliance staff reviews all reportable employee trades on a monthly basis. MIS's Chief Compliance Officer's trades are reviewed separately by MIS's President and CEO, or designee. The personal trading reviews helps ensure that the personal trading of employees does not affect the securities markets, or interfere with MIS's fiduciary duties to its clients.

It is MIS' policy that the firm will not effect any principal or agency cross securities transactions for advisory accounts. MIS will also not cross trades between advisory accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### ***Review of Accounts***

MIS procedures require advisory accounts to be reviewed at least annually. Supervised persons responsible for the accounts are also responsible for the account review. MIS currently has 15

Investment Consultants with responsibility over advisory accounts and 4 Principals supervising them. There is no maximum number of accounts assigned for each reviewer. It is expected that, on average, each registered representative will oversee 70 accounts. The review process contains the following elements:

1. review of investment profile with customer:
2. review of portfolio performance with customer, and;
3. discuss performance with customer; and
4. address any need to change model portfolio.

Account reviews may also be initiated by one or more of the following events:

1. customer request;
2. sudden change in market conditions; and
3. changes in portfolio allocation.

The nature and frequency of reports to clients are determined primarily by the particular needs of each client. Both MIS and the client receive a written statement from the custodian at least quarterly detailing all activity in the client's account. In addition, MIS can provide quarterly performance reports for discretionary advisory accounts upon request. Clients have access to their assigned supervised person at any time.

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

As noted above, MIS or its affiliates may receive compensation for services provided to clients outside the scope of the FIP. These services include brokerage commissions, margin or bank collateral loans.

### ***Financial Information***

MIS is required in this Item to provide you with certain financial information or disclosures about MIS' financial condition. MIS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. MIS is also registered as a broker-dealer and is required to carry a minimum amount of net capital.

## **Item 10-Requirements for State-Registered Advisers**

Because MIS is a federally registered investment adviser, this Item is not applicable.

## Item 11-Privacy Notice

### **FACTS   What Does MIS Do With Your Personal Information?**

#### **WHY?**

Financial companies choose how they share your personal information. Federal law gives customers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

#### **WHAT?**

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

Social Security number and assets

Account balances and transactions history

Credit history and investment experience

#### **HOW?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons MIS chooses to share; and whether you can limit this sharing.

Reasons we can share your Personal information	Does MIS share?	Can you limit this sharing?
For our everyday business purposes: such as to process your transactions, maintain your accounts(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes: To offer our products and services to you	Yes	No
For joint marketing with other financial companies	We don't share	We don't share

For affiliates' everyday business purposes: information about your transactions and experiences	Yes	No
For our affiliates everyday business purposes: Information about your creditworthiness	Yes	Yes
For our affiliates to market to you	Yes	Yes
For non-affiliates to market to you	We don't share	We don't share

## TO LIMIT OUR SHARING

Call from the U.S. 1-800-100-5985 or from Venezuela 0-800-100-5985

Please note:

If you are a new customer, we can begin sharing your information 30 days from the date we sent this notice. When you are no longer our customer, we continue to share your information as described in this notice. However, you can contact us at anytime to limit our sharing.

**QUESTIONS?** Call from the U.S. 1-800-100-5985 or from Venezuela 0-800-100-5985

## WHAT WE DO

How does MIS protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does MIS collect my personal information?	We collect your personal information, for example, when you:  -open an account or deposit money;  -seek advice about your investments;

	<p>-direct us to buy securities or direct us to sell your securities;</p> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>-sharing for affiliate's everyday business purposes-information about your creditworthiness;</li> <li>-affiliates from using your information to market to you;</li> <li>-sharing for non-affiliates to market to you.</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing.</p>
What happens when I limit sharing for an account I hold jointly with someone else?	<p>Your choices will apply to everyone on your account - unless you tell us otherwise.</p>

## DEFINITIONS

**Affiliates:** Companies related by common ownership or control. They can be financial and non-financial companies. Our affiliates include financial companies such as, Mercantil N.A., Mercantil Trust Company N.A., and Mercantil Bank and Trust Limited.

**Non-affiliates:** Companies not related by common ownership or control. They can be financial or non-financial companies. Non-affiliates we share with include our clearing firm, Pershing, LLC.

**Joint marketing:** MIS doesn't jointly market.