



EFFICIENT MARKET ADVISORS, LLC

12555 High Bluff Drive, Suite 300
San Diego, CA 92130

(858) 847-0690

www.efficient-portfolios.com

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This Brochure provides information about the qualifications and business practices of Efficient Market Advisors, LLC. If you have any questions about the contents of this Brochure or would like any additional information, please contact us at (858) 847-0690 or email info@efficient-portfolios.com. Efficient Market Advisors, LLC is a registered investment advisor with the U. S. Securities and Exchange Commission (SEC). Registration as an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC.

Additional information about Efficient Market Advisors, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2. Material Changes

The following material changes have occurred since our previous annual Brochure update on February 15, 2013:

- Item 1, 4: These items were revised to reflect EMA's new office address.
- Item 4: This item was revised to clarify EMA's relationship with wrap fee programs.
- Item 5: This item was revised to update the firm's fees and how they are calculated and billed.
- Item 8: This item was revised to update the securities recommended and risk disclosure.
- Item 10: This item was revised to update Mr. Morgan's other financial industry activities and affiliations.
- Item 12: This item was revised to update disclosures regarding the services and offerings that we may receive from independent broker-dealers whom we utilize as independent custodians of client accounts.
- Item 14: This item was revised to update disclosures regarding the compensation that we may receive from independent broker-dealers whom we utilize as independent custodians of client accounts.

On February 17, 2014, David B. Wescoe joined Efficient Market Advisors as President and a member of EMA's Investment Policy Committee. Mr. Wescoe also will assume the duties of Chief Compliance Officer.

Our Brochure is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Efficient Market Advisors, LLC is 132188. We will provide ongoing disclosure information about material changes as necessary and will provide a new Brochure as necessary based on changes or new information without charge.

Our Brochure may be requested by contacting EMA at (858) 847-0690 or by email to info@efficient-portfolios.com.

EFFICIENT MARKET ADVISORS, LLC
Part 2A of Form ADV – Firm Brochure

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Item 4. Advisory Business

- A.** Efficient Market Advisors, LLC (“EMA,” “we,” “us,” or “Advisors”), a California Limited Liability Company, is an independent, fee-only, investment advisor registered with the U.S. Securities and Exchange Commission (SEC). Our principal place of business is located in San Diego, California. EMA began conducting business as an independent investment advisory firm in 2004. Herbert W. Morgan, III is the Founder, CEO, Chief Investment Officer and majority owner of EMA.
- B.-C.** We offer a wide range of investment advisory services to our Clients with a focus on the use of multiple exchange-traded funds (ETFs) with periodic rebalancing. Advice and services are tailored to the stated objectives of the Client.

PORTFOLIO CONSTRUCTION

We utilize fifteen portfolio models that have been constructed using Strategic, Tactical, and Opportunistic asset allocation techniques. Asset allocation is the primary determinant of a portfolio’s return. EMA’s investment philosophy emphasizes top-down, macroeconomic research in creating an active asset allocation strategy. This strategy is implemented through fifteen unique time and risk-based portfolios. Passive security selection is the use of an index based vehicle to gain diversified exposure to a desired asset class or category.

Asset Classes and Categories may include:

- Equities (Stocks)
 - US or Foreign Large Cap, Mid Cap, Small Cap, Real Estate Investment Trusts (REITs), Sector or Industry and Emerging Markets
- Fixed Income (Bonds)
 - Investment Grade, High Yield (Junk), Preferred Stocks, Foreign or Domestic Government and Agency and Emerging Markets
- Alternative Investments (Absolute Return)
 - Commodities, Precious Metals, Currencies, Timber, Agriculture, Managed Futures, Hedge Fund Replication and Arbitrage
- Cash
 - Money Market, Bank Deposits or equivalents

REBALANCING A PORTFOLIO

Rebalancing is the process of selling portions of an investment in a particular asset class or security that has increased as a percentage of the portfolio to a level beyond its intended or target allocation. Proceeds from re-balancing sales are used to buy additional portions in another asset class or security that has fallen below its intended target allocation.

- D. We provide our investment strategies to accounts under wrap-fee programs sponsored by other investment firms. The program sponsors recommend and help clients in selecting an appropriate EMA portfolio strategy that fulfills the Client in meeting their investment objectives. Our role is to manage the Client's account in accordance with the EMA portfolio strategy selected. EMA receives a portion of the wrap fee for providing our strategies.
- E. We manage \$398,190,173 of Client assets on a discretionary basis, and \$35,602,442 of Client assets on a non-discretionary basis. This amount was calculated as of March 18, 2014. Assets under management include assets in EMA portfolio strategies where we have no trading authority.

Item 5. Fees and Compensation

- A. We are a fee-only investment advisory firm and are compensated only by a percentage of the Client assets we manage. We do not receive compensation or commissions from any other parties. This means that no supervised person associated with us receives or accepts any compensation for the sale of securities or investment products. We believe this method of compensation minimizes conflicts of interest.

Compensation for our services is calculated in accordance with Schedule A of the Investment Advisory Agreement (IAA) entered into with each Client when we begin our professional relationship. The IAA may be amended from time to time by us upon 30-days prior written notice to Client.

In consideration for our services, Clients pay EMA an ongoing advisory fee (Account Fee) that is negotiable and is set out in the IAA. The Account Fee is typically a percentage based on the value of all assets in the account, including cash holdings. The Account Fee is generally paid to EMA quarterly in advance, with payment due within 10 days from the date of the invoice. However, the Account Fee may also be structured on a tiered basis, with a reduced percentage rate based on reaching certain thresholds. Fees will be equal to the agreed upon rate per annum, times the market value of the account, divided by the number of days in the agreed upon year and multiplied by the number of days in the quarter. The market value will be construed to equal the sum of the values of all assets in the account, not adjusted by any margin debt.

For purposes of determining value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities shall be priced using a pricing service or through quotations from one or more broker-dealers. All other assets shall be valued at fair value by EMA whose determination shall be conclusive

Our maximum Account Fee is 2.00%. The Account Fee is paid to EMA, and EMA shares a portion of the Account Fee with an Investment Advisor Representative (IAR) or Solicitor based on the agreement between EMA and the IAR or Solicitor.

Fee adjustments for additional assets received into the account during a quarter will be provided on a pro-rated basis contingent on the number of days remaining in the quarter.

- B.** Our fees may be paid directly to us from the account by the custodian holding a Client's assets upon submission of an invoice to the custodian showing the amount of fees, the value of the Client's assets on which the fees are based, and the specific manner in which the fees are calculated. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. Copies of fee invoices will be sent to each Client as required. Clients bear the responsibility for verifying the accuracy of fee calculations.
- C.** In addition to our fee, Clients may be required to pay a proportionate share of any ETF fee, brokerage commissions, stock transfer fees and other similar charges incurred in connection with transactions for their account. These fees are paid out of the assets in a Client's account and are in addition to the investment management fees paid to us.
- D.** Fees for partial quarters at the commencement or termination of this Agreement will be billed or refunded on a pro-rated basis contingent on the number of days the account was open during the quarter. Any amount owed back to the Client is refunded the following quarter by check to the Client's address on record.

Item 6. Performance-Based Fees and Side-By-Side Management

We do not charge any performance-based fees for our services.

Item 7. Types of Clients

We provide investment advice to the following types of Clients:

- Individuals;
- Corporations;
- Pension and Profit Sharing Plans; and
- Trusts, Estates or Charitable Organizations.

As a condition of managing Client accounts, we generally require an initial and on-going minimum account value of \$100,000. We reserve the right to waive this requirement.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss

- A. Our investment process, rooted in academic research and nurtured by real world experience, contains strategic, tactical and opportunistic elements.

Strategic Asset Allocation considers an investor's time horizon and the historical interrelation of asset class prices irrespective of the current macro economic environment or the state of the business cycle. EMA uses this historical perspective to create the base upon which our investment thesis and opinions are implemented.

Tactical Asset Allocation is the process whereby a money manager implements their macro economic view by adjusting upward or downward the various asset class weightings in a portfolio. EMA uses a top down approach that considers multiple variables including relative valuation, economic cycle positioning, interest rate spreads, monetary and fiscal policy, political factors, yield curve analyses, industry and sector valuations.

Opportunistic Investing recognizes that unexpected events occur periodically in capital markets. These events generally manifest themselves in the form of an extreme over or under valuation of an asset class, sector or industry. EMA believes there is an opportunity to add "alpha" or value to an investor's portfolio by maintaining sufficient flexibility and the willingness to act when such scenarios occur.

Our investment process and the securities we invest in involve risk of loss, and Clients must be prepared to bear the loss of some or all of their investment.

- B.** We will use our best judgment and good faith efforts in rendering services to our Clients. We cannot warrant or guarantee any particular level of account performance, or that any account will be profitable over time. Investing in securities involves the risk of loss, and not every investment decision or recommendation made by us will be profitable. Clients assume all market risk involved in the investment of account assets invested with us and understand that investment decisions made for this account are subject to various market, currency, economic, political and business risks.

Except as may otherwise be provided by law, we are not liable to Clients for:

- Any loss that a Client may suffer by reason of any investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use;
- Any and all losses that a Client may suffer that arise from any outside business activities conducted by Solicitors or non-employee investment advisor representatives of Advisor, including but not limited to losses from any insurance or commission based product or any other financial advice or recommendations not involving our ETF portfolio management;
- Any loss arising from our adherence to a Client's instructions; or
- Any act or failure to act by a custodian of a Client's account.

The above limitation of our liability does not relieve us from any responsibility or liability we may have under the Investment Advisers Act of 1940 (Advisers Act) or any applicable state statutes.

It is the responsibility of each Client to provide us complete information and to notify us of any changes in their financial circumstances or goals.

- C.** EMA's portfolios invest in exchange-traded funds (ETFs). ETFs are professionally managed pooled vehicles that invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. ETFs generally provide diversification, but risks increase for ETFs that concentrate in a particular market sector, or that primarily invest in small cap or speculative companies, use leverage (i.e., borrow money) to a significant degree, or concentrate in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs can be bought and sold throughout the trading day like equities, and their price fluctuates throughout the day. During times of extreme market volatility, ETF pricing may lag versus the actual underlying asset values.

Item 9. Disciplinary Information

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm or the integrity of our management. We have no information to disclose applicable to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Herbert W. Morgan, III is also the CEO of Morgan Financial Enterprises, Inc., general partner to a limited partnership engaged in real estate development. The limited partnership is not soliciting new investors.

Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

- A. We have adopted a Code of Ethics that all employees sign and are required to follow. The Code of Ethics outlines proper conduct related to all services provided to Clients. Prompt reporting of internal violations is mandatory. A copy of the Code of Ethics is available to any Client upon request.
- B.-D. EMA, our employees or individuals associated with EMA may buy and sell some of the same securities for their own accounts that we buy and sell for our Clients. While this practice could cause a conflict of interest, that potential conflict is mitigated because such transactions are made in conjunction with implementation of the asset allocation strategy of our fifteen portfolios. In addition, our employees must obtain pre-clearance from EMA's Chief Compliance Officer for all personal securities transactions before execution. The potential conflict of interest is further mitigated by EMA's use of passive security selection. Accordingly, any potential risk of a Client being disadvantaged by this activity is greatly diminished.

We will disclose to Clients material conflicts of interest that could reasonably be expected to impair the rendering of unbiased and objective advice.

Item 12. Brokerage Practices

- A. Although Clients may direct us to use a broker-dealer of their choice, we generally recommend that Clients open brokerage accounts with TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. (TDA), member FINRA/SIPC/NFA. TDA is an unaffiliated SEC-registered broker-dealer and FINRA member. In recommending broker-dealers, we seek to obtain "best execution" and to execute securities transactions for

Clients so that the total costs or proceeds in each transaction are the most favorable under the circumstances. The factors we consider when evaluating for best execution include:

- Execution capability;
- Commission rate;
- Financial responsibility;
- Responsiveness;
- Custodian capabilities;
- The value of any research services/brokerage services provided; and
- Any other factors that we consider relevant.

However, if the Client selects another broker-dealer, we may be unable to seek best execution of their transactions, and their commission costs may be different than those of our recommended broker-dealers. In addition, we may place their transactions after we place transactions for Clients using our recommended broker-dealers.

- A.1.** As referenced above, we participate in the TDA Institutional Program. TDA is an unaffiliated SEC-registered broker-dealer and FINRA member that offers independent investment advisor services, which include custody of securities, trade execution, clearance and settlement of transactions. We receive some benefits from TDA through our participation in the Program.

Through our participation in the Program, TDA also provides us with the following products, services and assistance:

- Products that allow us to download account information, place and allocate trades, and submit advisory fees to TDA;
- Research, which we may use to service all accounts, including accounts that do not necessarily execute trades with TDA;
- Receipt of duplicate Client statements and confirmations;
- Research related products and tools;
- Consulting services;
- Access to a trading desk serving advisor participants;
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts);
- The ability to have advisory fees deducted directly from Client accounts;

- Access to an electronic communications network for Client order entry and account information;
- Access to conferences and educational meetings with product sponsors;
- Access to mutual funds with no transaction fees and to certain institutional money managers; and
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to EMA by third party vendors.

While we do not pay a fee for these products and services, all Client accounts may not be the direct or exclusive beneficiary of such products and services.

Other services made available by TDA are intended to help us manage and further develop our business and do not depend on the amount of brokerage transactions directed to TDA. As part of our fiduciary duties to Clients, we endeavor at all times to put the interests of its Clients first. However, Clients should be aware that our receipt of economic benefits may create a potential conflict of interest and may indirectly influence our choice of TDA for custody and brokerage services.

As discussed above, EMA participates in TDA's institutional customer program and we may recommend TDA to Clients for custody and brokerage services. There is no direct link between EMA's participation in the Program and the investment advice we give to our Clients, although EMA receives economic benefits through its participation in the Program that are typically not available to TDA retail investors.

In addition to a broker's ability to provide "best execution," we may also consider the value of research or additional brokerage products and services a broker-dealer has provided or may be willing to provide. This is known as paying for those services or products with "soft dollars." Because many of the services or products could be considered to provide a benefit to us, and because the "soft dollars" used to acquire them are Client assets, we could be considered to have a conflict of interest in allocating Client brokerage business: we could receive benefits by selecting a particular broker-dealer to execute client transactions and the transaction compensation charged by that broker-dealer might not be the lowest compensation the firm might otherwise be able to negotiate. In addition, the firm could have an incentive to cause clients to engage in more securities transactions than would otherwise be optimal in order to generate brokerage compensation with which to acquire products and services.

Our use of soft dollars is intended to comply with the requirements of Section 28(e) of the Securities Exchange Act of 1934. Section 28(e) provides a "safe harbor" for investment managers who use commissions or transaction fees paid by their advised accounts to obtain investment research services that provide lawful and appropriate assistance to the manager in performing investment decision-making responsibilities. As

required by Section 28(e), we will make a good faith determination that the amount of commission or other fees paid is reasonable in relation to the value of the brokerage and research services provided. For example, before placing orders with a particular broker, we generally determine, considering all the factors described below, that the compensation to be paid to TDA is reasonable in relation to the value of all the brokerage and research products and services provided by TDA. In making this determination, we typically consider not only the particular transaction or transactions, and not only the value of brokerage and research services and products to a particular client, but also the value of those services and products in our performance of our overall responsibilities to all of our Clients. In some cases, the commissions or other transaction fees charged by a particular broker-dealer for a particular transaction or set of transactions may be greater than the amounts another broker-dealer who did not provide research services or products might charge.

- B.** EMA is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and other transactions in the same or similar securities or instruments for other Clients of ours. When transactions are so aggregated, the actual prices applicable to the aggregated transactions will be averaged, and the account will be deemed to have purchased or sold its proportionate share of the securities or instruments involved at the average price so obtained.

Item 13. Review of Accounts

- A.** EMA regularly reviews the status of all securities in Client accounts. An overall assessment is usually performed on a quarterly basis. All reviews are based on Clients' stated investment objectives.
- B.** More frequent reviews may be triggered by a change in Client's investment guidelines, tax considerations, large deposits or withdrawals, large security sales or purchases, loss of confidence in corporate management objectives, or a change in opinion of particular securities or markets.
- C.** Clients receive standard account statements on a monthly basis. Additionally, we provide Clients with performance reports on a quarterly basis.

Item 14. Client Referrals and Other Compensation

From time to time, we may enter agreements with individuals in which they receive a portion of the net asset management fees for Clients they refer to us for asset management services. This arrangement is commonly referred to as a "Solicitor" arrangement. Any Solicitor arrangement(s) we have with another party is in compliance with SEC Rule 206(4)-3 under the Advisers Act.

EMA has no supervisory duties over Solicitors, and we are only responsible for those investments we have actually been engaged to manage, namely EMA's ETF portfolios. Accordingly, any and all other financial advice and recommendations that may be made by a Solicitor, including but not limited to, losses from any insurance or commission based product recommendations, is neither the responsibility of nor warranted by EMA in any manner whatsoever.

Any Solicitor referral arrangement between EMA and a third-party will be in writing and set forth the following:

- The scope of the Solicitor's activities;
- A covenant that the Solicitor will perform its activities consistent with EMA's instructions and in compliance with the Act and associated rules; and
- A covenant that the Solicitor will provide the end Client with:
 - A copy of EMA's Form ADV Part 2A Brochure; and
 - A separate written solicitor disclosure.

The separate written Solicitor disclosure must include the following information:

- The name of the Solicitor;
- The nature of the relationship between the Solicitor and EMA;
- A statement that the Solicitor will be compensated by EMA for the referral; and
- The amount the Client will be charged in addition to the advisory fee (if any).

We will not engage any Solicitors who are disqualified from acting as a Solicitor under Section 203 of the Advisers Act. For example, EMA will not pay a Solicitor a referral fee to any person who has been barred or prohibited from acting as an investment advisor or broker-dealer, or convicted within the past ten years of certain felonies or misdemeanors.

Additionally, EMA participates in the TDA AdvisorDirect referral program. TDA Institutional is a division of TDA Inc., member FINRA/SIPC/NFA. EMA may also receive Client referrals from TDA through our participation in TDA AdvisorDirect (Referral Program). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, we have been selected to participate in AdvisorDirect based on the amount and profitability to TDA of the assets in, and trades placed for, Client accounts maintained with TDA. TDA has established the Referral Program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TDA does not supervise EMA and has no responsibility for EMA's management of Client portfolios or EMA's other advice or services. EMA pays TDA an on-going fee for each successful Client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that a Client pays to EMA (Solicitation Fee). EMA will also pay TDA the

Solicitation Fee on any advisory fees received by EMA from any of a referred Client's family members, including a spouse, child or any other immediate family member who resides with the referred Client and hired EMA on the recommendation of such referred Client. EMA will not charge Clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its Clients or otherwise pass Solicitation Fees paid to TDA to its Clients. For information regarding additional or other fees paid directly or indirectly to TDA, please refer to the TDA AdvisorDirect Disclosure and Acknowledgement Form that is delivered to Clients who are referred to EMA by TDA under the Program.

EMA receives some benefits from TDA through our participation in the AdvisorDirect referral program. Our participation in AdvisorDirect raises potential conflicts of interest. TDA will most likely refer Clients through AdvisorDirect to investment advisors that encourage their Clients to custody their assets at TDA and whose Client accounts are profitable to TDA. Consequently, in order to obtain Client referrals from TDA, EMA may have an incentive to recommend to Clients that the assets under management by EMA be held in custody with TDA and to place transactions for Client accounts with TDA. In addition, EMA has agreed not to solicit Clients referred to it through AdvisorDirect to transfer their accounts from TDA or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. EMA's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for Client accounts. EMA mitigates this potential conflict of interest by striving to always place the interest of each Client ahead of the interests of EMA.

As disclosed above, EMA participates in TDA's institutional customer program, and EMA may recommend TDA to Clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give our Clients, although EMA receives economic benefits through its participation in the program that are typically not available to TDA retail investors. On occasion, we may co-host or participate in joint marketing activities with custodians, ETF managers or third-party wholesaling organizations, which might be construed as providing an economic benefit to us. TDA is a discount broker-dealer independent of and unaffiliated with EMA, and there is no employee or agency relationship between us.

Item 15. Custody

Except for having the ability to deduct fees from Client accounts, EMA does not have custody of the assets in the Client's account and shall have no liability to Clients for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount of such loss is covered by the Securities Investor Protection Corporation (SIPC) or any other insurance which may be carried by the custodian. Clients understand that SIPC provides only limited protection for the loss of property held by a broker-dealer.

Item 16. Investment Discretion

Except as otherwise instructed, Clients grant us ongoing and continuous discretionary authority to execute its investment recommendations in accordance with our Investment Policy Statement (or similar document used to establish Client's objectives and suitability), without the Client's prior approval of each specific transaction. Under this authority, Clients allow EMA to purchase and sell securities and instruments in this account, arrange for delivery and payment in connection with the foregoing, and act on behalf of the Client in most matters necessary or incidental to the handling of the account, including monitoring certain assets. Clients will execute instructions regarding our trading authority as required by each custodian.

In some limited circumstances, Clients grant us non-discretionary authority to execute its investment recommendations in accordance with our Investment Policy Statement (or similar document used to establish Client's objectives and suitability) and the directions and preferences provided to us by the Client. Non-discretionary authority requires us to obtain a Client's prior approval of each specific transaction prior to executing investment recommendations.

Item 17. Voting Client Securities

Unless specifically directed otherwise in writing by a Client, we are not authorized to receive and vote proxies on issues held in the account or receive annual reports.

Item 18. Financial Information

- A.** EMA does not solicit or require prepayment of fees six months or more in advance.
- B.** Other than having the ability to deduct fees from Client accounts, we do not have custody of Client's funds or securities. We manage Client assets on a discretionary basis and have no financial commitments that would impair our ability to meet the contractual and fiduciary commitments to our Clients.
- C.** EMA has never been the subject of any bankruptcy proceedings.