

## **MARTHA'S VINEYARD INVESTMENT ADVISORS, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of MVIA (hereinafter "Martha's Vineyard Investment Advisors, LLC" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, MVIA is required to discuss any material changes that have been made to the brochure since the last annual amendment. There are no such material changes to disclose.

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## Item 4. Advisory Business

MVIA offers a variety of advisory services, which include financial planning, consulting, investment management, and wealth management services. Prior to MVIA rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with MVIA setting forth the relevant terms and conditions of the advisory relationship (the "Advisory Agreement").

MVIA filed for registration as an investment adviser in December 2017 and is owned by Martha's Vineyard Savings Bank. As of the date of this filing, MVIA does not have any assets under management; however, the Firm reasonably expects to be eligible for registration with the SEC within 120 days of approval as an investment adviser.

While this brochure generally describes the business of MVIA, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on MVIA's behalf and is subject to the Firm's supervision or control.

### Financial Planning and Consulting Services

MVIA offers clients a broad range of financial planning and consulting services, which includes any or all of the following functions:

- Business Planning
- Cash Flow Forecasting
- Trust and Estate Planning
- Financial Reporting
- Investment Consulting
- Insurance Planning
- Retirement Planning
- Risk Management
- Charitable Giving
- Distribution Planning
- Tax Planning
- Manager Due Diligence

In performing these services, MVIA is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. MVIA recommends certain clients engage the Firm for additional related services, its Supervised Persons or affiliates, in their individual capacities as insurance agents or registered representatives of a broker-dealer and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage MVIA or its affiliates to provide (or continue to provide) additional services for compensation, including investment and wealth management services. Clients retain absolute discretion over all decisions regarding implementation and are under no obligation to act upon any of the recommendations made by MVIA under a financial planning or consulting engagement. Clients are advised that it remains their responsibility to

promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising MVIA's recommendations and/or services.

### **Investment and Wealth Management Services**

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MVIA manages client investment portfolios on a discretionary or non-discretionary basis. In addition, MVIA provides certain clients with wealth management services which includes a range of comprehensive financial planning and consulting services, as well as discretionary and/or non-discretionary management of investment portfolios.

MVIA primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options and independent investment managers ("Independent Managers") in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios. Clients can engage MVIA to manage and/or advise on certain investment products that are not maintained at their primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). In these situations, MVIA directs or recommends the allocation of client assets among the various investment options available with the product. These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

MVIA tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. MVIA consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify MVIA if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if MVIA determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

### **Use of Independent Managers**

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As mentioned above, MVIA selects certain Independent Managers to actively manage a portion of its clients' assets. The specific terms and conditions under which a client engages an Independent Manager may be set forth in a separate written agreement with the designated Independent Manager. In addition to this brochure, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their assets.

MVIA evaluates a variety of information about Independent Managers, which includes the Independent Managers' public disclosure documents, materials supplied by the Independent Managers themselves and other third-party analyses it believes are reputable. To the extent possible, the Firm seeks to assess the Independent Managers' investment strategies, past performance and risk results in relation to its clients' individual portfolio allocations and risk exposure. MVIA also takes into consideration each Independent Manager's management style, returns, reputation, financial strength, reporting, pricing and research capabilities, among other factors.

MVIA continues to provide services relative to the discretionary selection of the Independent Managers. On an ongoing basis, the Firm monitors the performance of those accounts being managed by Independent Managers. MVIA seeks to ensure the Independent Managers' strategies and target allocations remain aligned with its clients' investment objectives and overall best interests.

## **Item 5. Fees and Compensation**

MVIA offers services on a fee basis, which includes fixed and/or hourly fees, as well as fees based upon assets under management.

### **Financial Planning and Consulting Fees**

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MVIA charges a fixed and/or hourly fee for providing financial planning and consulting services under a stand-alone engagement. These fees are negotiable, but start at \$2,500 on a fixed fee basis and up to \$250 on an hourly basis, depending upon the scope and complexity of the services and the professional rendering the financial planning and/or the consulting services. If the client engages the Firm for additional investment advisory services, MVIA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

The terms and conditions of the financial planning and/or consulting engagement are set forth in the Advisory Agreement and MVIA requires one-half of the fee (estimated hourly or fixed) payable upon execution of the Advisory Agreement. The outstanding balance is due upon delivery of the financial plan or completion of the agreed upon services. The Firm does not, however, take receipt of \$1,200 or more in prepaid fees in excess of six months in advance of services rendered.

### **Investment and Wealth Management Fees**

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MVIA offers investment and wealth management services for an annual fee based on the amount of assets under the Firm's management. This management fee varies between 50 and 150 basis points (0.52% and 1.50%), depending upon the size and composition of a client's portfolio and the type of services rendered.

The annual fee is prorated and charged quarterly in arrears, based upon the market value of the average daily account balance during the quarter. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

Additionally, for asset management services the Firm provides with respect to certain client holdings (e.g., held-away assets, accommodation accounts, alternative investments, etc.), MVIA may negotiate a fee rate that differs from the range set forth above.

### **Fee Discretion**

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MVIA may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention and pro bono activities.

### **Additional Fees and Expenses**

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In addition to the advisory fees paid to MVIA, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, margin costs and other borrowing costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

### **Direct Fee Debit**

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Clients provide MVIA and/or certain Independent Managers with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to MVIA.

### **Use of Margin**

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MVIA can be authorized to use margin or other borrowing in the management of the client's investment portfolio. In these cases the fee payable will be assessed gross of margin such that the market value of the

client's account and corresponding fee payable by the client to MVIA will be increased. The Firm may recommend borrowing through its owner Martha's Vineyard Savings Bank. This results in a conflict of interest and the Firm will only make such a recommendation if it is in the best interest of the client.

### **Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to MVIA's right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client's account. Clients can withdraw account assets on notice to MVIA, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. MVIA may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charges) and/or tax ramifications.

### **Commissions and Sales Charges for Recommendations of Securities**

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Clients can engage certain persons affiliated with MVIA (but not the Firm directly) to render securities brokerage services under a separate commission-based arrangement. Clients are under no obligation to engage such persons and may choose brokers or agents not affiliated with MVIA.

The Firm does not have any Supervised Persons that are registered representatives of a broker-dealer, but certain supervised persons of Martha's Vineyard Savings Bank may, as registered representatives of LPL Financial ("LPL"), provide securities brokerage services and implement securities transactions under a separate commission based arrangement. The Martha's Vineyard Savings Bank supervised persons may also be allowed to provide relationship services to MVIA clients. The Martha's Vineyard Savings Bank supervised persons are entitled to a portion of the brokerage commissions paid to LPL, as well as a share of any ongoing distribution or service (trail) fees from the sale of mutual funds. MVIA may also recommend no-load or load-waived funds, where no sales charges are assessed. Prior to effecting any transactions with Martha's Vineyard Savings Bank supervised persons through LPL, clients are required to enter into a separate account agreement with LPL.

A conflict of interest exists to the extent that MVIA, either directly or through Martha's Vineyard Savings Bank supervised persons as relationship managers, recommends the purchase or sale of securities where the Martha's Vineyard Savings Bank supervised persons receive commissions or other additional compensation as a result of the Firm's recommendation. The Firm has procedures in place to ensure that any recommendations made by such Supervised Persons are in the best interest of clients. For certain accounts covered by the Employee Retirement Income Security Act of 1974 ("ERISA") and such others that MVIA, in its sole discretion, deems appropriate, MVIA provide its investment advisory services to



certain clients on a fee-offset basis. In this scenario, MVIA offsets its fees by an amount equal to the aggregate commissions and 12b-1 fees earned by the Martha's Vineyard Savings Bank supervised persons as registered representatives of LPL.

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

MVIA does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7. Types of Clients**

MVIA offers services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities, and state or municipal government entities.

### **Minimum Account Fee**

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As a condition for starting and maintaining an investment or wealth management relationship, MVIA imposes a minimum quarterly fee of \$250. This minimum fee will cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule. MVIA may, in its sole discretion, elect to waive its minimum fee based upon certain criteria, including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities.

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

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

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The basis for MVIA's investment recommendations is the Nobel Prize winning investment strategy known as Modern Portfolio Theory. The Firm also respects the well-publicized studies revolving around efficient markets, the long-term performance histories of value stocks versus growth stocks, small capitalization stocks versus large capitalization stocks, and passive versus active management. The Firm objectively apply this historical and ongoing research to construct portfolios for relative and absolute performance. More importantly, each client's portfolio is designed to meet that client's stated objectives.

MVIA adheres to the following investment principles and beliefs:

1. Markets are efficient: Security prices reflect available information.
2. Structure determines performance: Asset allocation along size, value and market exposure dimensions primarily determines the results of a broadly diversified portfolio.
3. Risk and return are related: Exposure to meaningful risk factors determines expected return.
4. Diversification is essential: Diversification reduces uncertainty; concentrated investments add risk with no additional expected return.

The Firm primarily uses fundamental analysis (analyzing the company) as a method of security analysis, with a secondary focus on technical analysis (analyzing the marketplace). The Firm uses a number of independent third-party research providers for evaluation.

MVIA uses several strategies to help clients reach their investment goals. Each of these strategies carries a degree of risk:

*Capital Preservation Strategy:* The goal is to preserve principal while earning a higher overall rate of return than that offered by cash. Investments include Certificates of Deposit (CDs), government bonds and bond mutual funds or Exchange Traded Funds (ETFs). Despite a focus on bonds of high quality and relatively short-maturities, there is still risk of loss. Low rates of interest can result in loss when fees exceed the return on cash equivalent investments. Inflation may devalue the assets. Bonds may also suffer from market illiquidity and rising interest rates. There is also a risk of unanticipated downgrades of bonds in the portfolio. Persistent declines in the housing market may result in downgrading of government mortgage-backed bonds.

*Total Return Strategy:* The strategy is comprised predominately of instruments whose return is specified in advance of purchase. This includes but is not limited to fixed income instruments such as corporate bonds, mortgage-backed bonds, municipal bonds, and mutual funds or ETFs holding these types of investments. The Firm may also purchase high dividend-paying stocks, preferred stock or MLPs (Master Limited Partnerships). The risks to these investments include rising interest rates, large declines in equity markets, market illiquidity, dividend reductions, and default. In addition, mortgage-backed bonds are tied to the housing market; although examined diligently for quality, if housing prices were to fall dramatically, these bonds will lose value. Their duration is also uncertain; mortgage-backed bonds have pre-pay as well as extension risk (depending on how quickly or slowly the underlying mortgages are retired). Private-label mortgage-backed bonds have an additional risk associated with the quality of the issuing company.

*Growth Strategy:* The strategy is comprised of investments where the majority of return is expected to come from market appreciation. These include but are not limited to individual stocks, and stock or bond mutual funds and ETFs, which, in the Firm's opinion, have potential for appreciation. There is risk that these investments may lose value due to unfavorable economic conditions, market volatility, and rising interest

rates. The companies themselves may experience reduced earnings, missed expectations and other unexpected circumstances causing loss of value.

*Alternative Strategy:* Investments may include mutual funds and ETFs invested in long/short equity or bond positions, precious metals, commodities, and real estate. This strategy may be used in larger portfolios to balance and reduce risk posed by other strategies and is not used independently. For example, when used in conjunction with a growth strategy, it will have a tendency to reduce the volatility of the portfolio. The added risk posed by such investments is that the Firm may at times use an incorrect sector play, providing poor protection for the full portfolio.

Most client portfolios are invested in a diversified blend of the above strategies. The choice of blend is based on the client's stated goals and tolerance for risk. A specific allocation can vary with market conditions, additions or withdrawals.

The Firm will periodically recommend rebalancing of clients' portfolios. Fairly wide latitude is given to rebalancing, as taxes and transaction costs influence the decisions made. Recommendations for or purchases of investments are based on publicly available reports and analysis.

The Firm may hold existing securities in client accounts in the pursuit of client objectives and with the client's direction. The Firm may also recommend the use of Independent Managers to manage individual equity or fixed income securities in a separate account. In this instance, at the time of the recommendation the Firm will deliver to clients the firm brochure, compensation disclosure, and any other information required by securities rules and regulations.

### **Risk of Loss**

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Clients are urged to carefully consider their choice of portfolio for long-term investment goals. Changes are always possible, but involve their own risks in increased trading costs and possible losses due to bad timing of the sales or purchases necessary to change portfolio design.

For all strategies, the Firm will primarily use a limited number of securities including, but not limited to, individual stocks, bonds, ETFs, and no-load mutual funds.

### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of MVIA's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. There can be no assurance that MVIA will be able to predict those price movements accurately or capitalize on any such assumptions.

*Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

*Individual Stock Risks*

The Firm will recommend that certain clients invest in the securities of individual companies. There are risks specific to investing in individual equities including (but not limited to): i) general economic risk; ii) industry risk specific to the business of the company; iii) government policy risk that could effect the company; iv) competitive risks to the company from other industry participants; v) legal risk to the company such as major lawsuits or regulatory enforcement; and vi) key personnel risk tied to the loss of important individuals associated with the company.

*Use of Independent Managers*

As stated above, MVIA selects certain Independent Managers to manage a portion of its clients' assets. In these situations, MVIA continues to conduct ongoing due diligence of such managers, but such recommendations rely to a great extent on the Independent Managers' ability to successfully implement their investment strategies. In addition, MVIA does not have the ability to supervise the Independent Managers on a day-to-day basis.

*Use of Margin or other Borrowing*

While the use of borrowing can substantially improve returns, it may also increase overall portfolio risk. Margin transactions are generally effected using capital borrowed from a Financial Institution, which is secured by a client's holdings. Under certain circumstances, a lending Financial Institution may demand an increase in the underlying collateral. If the client is unable to provide the additional collateral, the Financial Institution may liquidate account assets to satisfy the client's outstanding obligations, which could have extremely adverse consequences. In addition, fluctuations in the amount of a client's borrowings and the corresponding interest rates may have a significant effect on the profitability and stability of a client's portfolio.

*Interest Rate Risk*

Fluctuations in interest rates may cause investment prices to fluctuate.

*Inflation Risk*

When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

*Currency Risk*

Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

*Reinvestment Risk*

This is the risk that future proceeds from investments – primarily fixed income securities – may have to be reinvested at a potentially lower rate of return (i.e. interest rate).

*Liquidity Risk*

Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product.

**Item 9. Disciplinary Information**

MVIA has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

## Item 10. Other Financial Industry Activities and Affiliations

This item requires investment advisers to disclose certain financial industry activities and affiliations.

### Related Bank and Trust Company

As described above, MVIA is owned by Martha's Vineyard Savings Bank. In the event a client requires banking services, the Firm will recommend Martha's Vineyard Savings Bank. The Firm's access to the accounts held by advisory clients at Martha's Vineyard Savings Bank is limited to reporting and the Firm does not have custody of such assets (other than where the Bank provides trust services). The Firm does not receive any portion of any compensation received by Martha's Vineyard Savings Bank, and does not receive a referral fee in connection with banking services that affiliates render to MVIA clients. However, the following conflicts of interest exist where the Firm recommends banking services, including the custody of any assets, provided by Martha's Vineyard Savings Bank. The Firm will only recommend the services of Martha's Vineyard Savings Bank or its affiliates where it is in the best interest of the client.

- Martha's Vineyard Savings Bank employees may recommend the Firm's advisory services and receive compensation as further described in Item 14, below.
- Martha's Vineyard Savings Bank affiliates that are also registered representatives with LPL, may act as non-discretionary relationship managers to Firm clients.
- Martha's Vineyard Savings Bank may act as custodian for client assets managed by the Firm.

## Item 11. Code of Ethics

MVIA has adopted a code of ethics in compliance with applicable securities laws ("Code of Ethics") that sets forth the standards of conduct expected of its Supervised Persons. MVIA's Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of MVIA's personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm's Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm's policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact

on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact MVIA to request a copy of its Code of Ethics.

## Item 12. Brokerage Practices

### Recommendation of Broker-Dealers for Client Transactions

MVIA recommends that clients utilize the custody, brokerage and clearing services of Pershing Advisor Solutions ("Pershing") for investment and wealth management accounts. The final decision to custody assets with Pershing is at the discretion of the client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA accountholder. MVIA is independently owned and operated and not affiliated with Pershing. Pershing provides MVIA with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which MVIA considers in recommending Pershing or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Pershing enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Pershing may be higher or lower than those charged by other Financial Institutions.

The commissions paid by MVIA's clients to Pershing comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where MVIA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. MVIA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other broker-dealers with whom the Firm and its custodians have entered into agreements for prime brokerage clearing services. Should an account make use of prime brokerage, the Client may be required to sign an additional agreement, and additional fees are likely to be charged.

Consistent with obtaining best execution, brokerage transactions are directed to certain broker-dealers in return for investment research products and/or services which assist MVIA in its investment decision-making process. Such research will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because MVIA does not have to produce or pay for the products or services.

MVIA periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

#### **Software and Support Provided by Financial Institutions**

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MVIA receives without cost from Pershing administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow MVIA to better monitor client accounts maintained at Pershing and otherwise conduct its business. MVIA receives the Support without cost because the Firm renders investment and wealth management services to clients that maintain assets at Pershing. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits MVIA, but not its clients directly. Clients should be aware that MVIA's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits may influence the Firm's choice of broker-dealer over another that does not furnish similar software, systems support or services. In fulfilling its duties to its clients, MVIA endeavors at all times to put the interests of its clients first and has determined that the recommendation of Pershing is in the best interest of clients and satisfies the Firm's duty to seek best execution.



Specifically, MVIA receives the following benefits from Pershing: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

### **Brokerage for Client Referrals**

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MVIA does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct MVIA in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to “batch” client transactions for execution through other Financial Institutions with orders for other accounts managed by MVIA (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, MVIA may decline a client’s request to direct brokerage if, in the Firm’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless MVIA decides to purchase or sell the same securities for several clients at approximately the same time. MVIA may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among MVIA’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which MVIA’s Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. MVIA does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only

a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13. Review of Accounts**

### **Account Reviews**

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MVIA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by the investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with MVIA and to keep the Firm informed of any changes thereto. The Firm contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and quarterly to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

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Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. From time-to-time or as otherwise requested, clients may also receive written or electronic reports from MVIA and/or an outside service provider, which contain certain account and/or market-related information, such as an inventory of account holdings or account performance. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from MVIA or an outside service provider.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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In the event a client is introduced to MVIA by either an unaffiliated or an affiliated solicitor, the Firm may pay that solicitor a referral fee in accordance with applicable state securities laws. Unless otherwise disclosed, any such referral fee is paid solely from MVIA's investment and/or wealth management fee and does not result in any additional charge to the client. If the client is introduced to the Firm by an unaffiliated solicitor, including an affiliate of Martha's Vineyard Savings Bank, the solicitor is required to provide the client with MVIA's written brochure(s) and a copy of a solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement. Any affiliated solicitor of MVIA is required to disclose the nature of his or her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of the Firm's written brochure(s) at the time of the solicitation.

## Item 15. Custody

The Advisory Agreement and/or the separate agreement with any Financial Institution authorize MVIA and/or the Independent Managers to debit client accounts for payment of the Firm's fees and to directly remit that those funds to the Firm in accordance with applicable custody rules. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to MVIA.

In addition, as discussed in Item 13, MVIA will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from MVIA.

## Item 16. Investment Discretion

MVIA is given the authority to exercise discretion on behalf of clients. MVIA is considered to exercise investment discretion over a client's account if it can effect and/or direct transactions in client accounts without first seeking their consent. MVIA is given this authority through a power-of-attorney included in the agreement between MVIA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). MVIA takes discretion over the following activities:

- The securities to be purchased or sold;

- The amount of securities to be purchased or sold;
- When transactions are made;
- The broker-dealer that executes trades (in the case of a prime brokerage relationship or where Martha's Vineyard Savings Bank acts as custodian); and
- The Independent Managers to be hired or fired.

### Item 17. Voting Client Securities

MVIA accepts the authority to vote a client's securities (i.e., proxies) on their behalf. When MVIA accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully-described in the Firm's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in MVIA's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact MVIA to request information about how the Firm voted proxies for that client's securities or to get a copy of MVIA's Proxy Voting Policies and Procedures. A brief summary of MVIA's Proxy Voting Policies and Procedures is as follows:

- MVIA has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will vote proxies according to MVIA's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, the Firm devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct MVIA's vote on a particular solicitation but can revoke the Firm's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that MVIA maintains with persons having an interest in the outcome of certain votes, the Firm takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

MVIA is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.