

# MARTHA'S VINEYARD INVESTMENT ADVISORS



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

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*This brochure provides information about the qualifications and business practices of Martha's Vineyard Investment Advisors, LLC (hereinafter "MVIA" 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**

This is our initial brochure. At least annually, this section will discuss only specific material changes that are made to the Martha's Vineyard Investment Advisors, LLC ("MVIA") brochure and provide you with a summary of such changes. Additionally, reference to the date of the last annual update to this brochure will be provided.

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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”).

As of January 2018, MVIA is an SEC-registered investment adviser offering financial planning, investment and wealth management solutions. MVIA is a Limited Liability Company (LLC) and wholly-owned subsidiary of Martha’s Vineyard Savings Bank (MVSb). 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.

As of May 24<sup>th</sup>, 2018 the Firm had \$142,157,737 in discretionary assets under management.

### 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

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

MVIA primarily allocates client assets among various mutual funds, exchange-traded funds (“ETFs”), individual debt and equity securities, alternatives and independent investment managers (“Independent Managers”) in accordance with their stated investment objectives. In constructing client portfolios, MVIA considers an array of investment vehicles across multiple asset classes, geographies and market capitalizations. We utilize both internally managed strategies as well as external money

managers to complete our full suite of investment solutions. Our external managers provide access to both traditional strategies and alternative strategies with access to real estate, private equity, and liquid alternatives.

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**

As mentioned above, MVIA selects certain Independent Managers to actively manage all or 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, clients may also receive the written disclosure documents of the respective Independent Managers engaged to manage their asset.

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.

Differences in compensation paid by Independent Managers may create an incentive for Advisory Representatives to recommend one Manager over another. The Manager must be appropriately licensed as an Investment Adviser with the SEC or states in which they conduct business.

MVIA's approach to comprehensive investment management begins with an assessment of your personal investment objectives. After this assessment, we create custom portfolios, which can include individual equities, individual fixed income securities, mutual funds, ETFs, and/or limited partnerships invested in alternatives, which may include hedge funds, private equity, real estate, and commodities.

The overall asset allocation is determined by the personal investment objectives as described above; the appropriate risk tolerance is then defined based on that assessment, and falls within one of the following eight categories:

- Aggressive
- Moderate Aggressive
- Growth
- Moderate Growth
- Moderate
- Moderate Conservative

- Conservative
- Fixed Income

In implementing the solution for these customized portfolios, certain MVIA proprietary investment strategies may be used to fulfill certain allocations.

## **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**

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.

### **Termination**

You may terminate planning or consulting services obtained from MVIA, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with MVIA. Thereafter, you may terminate planning/consulting services with

written notice to MVIA. You will be responsible for any time spent by us in providing you advisory services or analyzing your situation. You will be charged a pro-rata portion of the advisory fee up to the date of termination. Any unpaid fees that have been earned by MVIA shall be paid within fifteen (15) days of the termination of our planning/consulting services agreement. Any unearned, pre-paid fees will be refunded to you within 30 days of the termination request.

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

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 (0.50% 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**

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**

### **External Separate/Model Account Manager Fees**

In situations where MVIA engages an external separate/model account manager as a sub-adviser to manage a client's assets, the client will be responsible for paying all fees charged by the separate/UMA account manager on those assets, in addition to MVIA's investment management and advisory fees.

### **Mutual Fund and ETF Management Fees**

Investments in mutual funds and exchange-traded funds generally include an embedded investment management fee paid to the investment adviser of the mutual fund or exchange-traded fund. As such, client accounts with investments in those types of securities will be subject to two layers of management fees. An explanation of the fees and expenses associated with each mutual fund is contained in that mutual fund's prospectus.

**Mutual Fund Transaction Fees** Depending on the custodian, MVIA may be able to purchase mutual funds with no transaction fees. Note that clients who do not trade through specific custodians may not be eligible for these waived transaction fees. Fees may be imposed upon early redemption if the fund was owned prior to our management or if we sell the fund in our discretion. An explanation of the fees and expenses associated with each mutual fund is contained in that fund's prospectus.

**Donor Advised Fund Fees** If client assets are allocated to a donor advised fund, the client will be responsible for paying all fees charged by the fund on those assets in addition to MVIA's advisory fees. The fund will impose and arrange for the automatic deduction of its own fees from the liquidity account of each affected client.

**Brokerage Fees** MVIA does not execute trades, nor does it charge for brokerage commissions, transaction fees, exchange fees, SEC fees or other related trading costs and expenses. Such commissions, fees and costs would be charged directly to clients by the clients' custodian and/or broker-dealer. The following is a list of additional fees and expenses that may be directly

billed or borne proportionately by you and third parties:

Brokerage fees, commissions, transaction fees, custodial fees, transfer taxes, odd-lot differentials, margin interest, deferred sales charges (on mutual funds or annuities), wire transfer and electronic fund processing fees, advisory fees and administrative fees charged by mutual funds and exchange traded funds (ETFs).

The fees listed above would be charged by and paid to a broker-dealer, custodian, mutual fund company, or annuity issuer, as applicable.

Transaction fees in client accounts can vary due to (1) different pricing or fees charged by different brokers or custodians, (2) different fee structures due to legacy arrangements made by predecessor firms, and (3) the broker used for any particular trade. Custodian statements may display certain transaction fees per trade, but commissions on certain statements or for certain transactions will be reflected in the net share price and not disclosed separately. In certain situations, and for certain transactions, transaction fees may be charged by the custodian to MVIA. The Firm's brokerage practices are described at length in Item 12, below.

### **Automatic Fee Deduction/Billing**

When client funds and securities are held with certain custodians, we will deduct our fees directly from the client's account, pursuant to authorization included in our investment management agreement and other account opening documents. Some clients may receive an invoice and pay by check. Otherwise, we will send an invoice to your custodian, who will be authorized to deduct fees directly from your account. Account statements sent directly from your custodian (not less than quarterly) will show all transactions in your account, including our fees. MVIA carefully reviews client billing; however, it is ultimately the responsibility of the client, not the advisor or custodian, to verify that the advisory fee being deducted from your account is correct.

### **Use of Margin**

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**

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 upon written 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**

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.

MVIA and MVSB have Supervised Persons that are registered representatives of a broker-dealer. As registered representatives of LPL Financial ("LPL"), these Supervised Persons provide securities brokerage services and implement securities transactions under a separate commission based arrangement, and may also be allowed to provide relationship services to MVIA clients. These 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 these 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 these Supervised Persons as relationship managers, recommends the purchase or sale of securities where the 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 may 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 Supervised Persons as registered representatives of LPL.

### **Termination**

You shall have five (5) business days from the date of execution of our investment management agreement to terminate our services in writing for a full refund. Upon such notice, MVIA will cease making investment decisions for you and implement any reasonable written instructions that you provide. Your investment management agreement will be terminated only after any open trades have been settled.



You will be responsible for any fees and charges incurred from third parties as a result of maintaining the account, such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, you may terminate investment advisory services with written notice to MVIA. If you terminate investment advisory services during a quarter, you will be charged a pro-rata portion of the advisory fee for the quarter up to the date of termination.

## **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, foundations, endowments and other charitable organizations, corporations and business entities, banking and trust companies, and state or municipal government entities.

### **Minimum Account Fee**

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**

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 applies this historical and ongoing research to construct portfolios for relative and absolute performance. More importantly, each client's portfolio is custom 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, geographies, and capital 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 reduces uncertainty; concentrated portfolio allocations can 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). Fundamental analysis involves looking at economic, financial and other qualitative and quantitative factors in an effort to measure a security's value. The Firm also uses commercially available technology, financial periodicals and other publications, SEC filings, and financial statements to assist with our analysis. In certain instances, we may use a number of

independent third-party research providers and consultants to provide expertise in particular areas or for more in-depth analysis.

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 can 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, private equity, limited partnerships/hedge funds, and real estate. This strategy may be used in portfolios to balance and reduce risk posed by high correlation of 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 alternative region, sector or industry play, providing poor protection for the full portfolio.

Most client portfolios are invested in a customized 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, with factors such as market conditions and tax ramifications bearing influence on the decisions made.

The Firm may hold existing legacy 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, fixed income or alternative securities. Our investment team and research partners use a rigorous due diligence review process to select outside manager strategies that may be available to our clients. This review includes quantitative and qualitative analyses to assess each manager's likelihood of generating strong future returns as well

as to measure the risks associated with the generation of those returns. MVIA's investment committee proactively monitors external managers for adherence to their stated investment process and regularly assesses whether risks are being responsibly managed. The team's ongoing screening process is also designed to uncover new external investment strategies and opportunities.

### **Risk of Loss**

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.

### Event Risk

An adverse event affecting a particular company or that company's industry could depress the price of a client's investments in that company's stocks or bonds.

The company, government or other entity that issued bonds in a client's portfolio could become less able to, or fail to, repay, service or refinance its debts, or the issuer's credit rating could be downgraded by a rating agency.

Adverse events affecting a particular country, including political and economic instability, could depress the value of investments in issuers headquartered or doing business in that country.

### Liquidity Risk

Securities that are normally liquid may become difficult or impossible to sell at an acceptable price during periods of economic instability or other emergency conditions. Some securities may be infrequently or thinly traded even under normal market conditions. Certain investments including private placement vehicles are inherently illiquid and therefore involve additional risks.

### Domestic and/or Foreign Political Risk

The events that occur in the U.S. relating to politics, government, and elections can affect the U.S. markets. Political events occurring in the home country of a foreign company such as revolutions, nationalization, and currency collapse can have an impact on the security.

### Inflation Risk

Countries around the globe may be more, or less, prone to inflation than the U.S. economy at any given time. Companies operating in countries with higher inflation rates may find it more difficult to post profits reflecting its underlying health.

### 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 affect 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 affected 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.

### 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).

## 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

As described above, MVIA is a wholly owned subsidiary of Martha's Vineyard Savings Bank. In the event a client requires banking or custody services, MVIA may recommend Martha's Vineyard Savings Bank. MVIA's access to the accounts held by advisory clients at Martha's Vineyard Savings Bank is limited to reporting (other than where the Bank provides trust or custody services). The Firm does not receive any portion of any compensation received by Martha's Vineyard Savings Bank; however, the following conflicts of interest exist where MVIA recommends banking services, including the custody of any assets, provided by Martha's Vineyard Savings Bank. In such cases, MVIA 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.
- Certain MVIA employees are also employees of MVIA's parent company, MVSBB.

## Sub-Advisory Services

MVIA has entered into sub-advisory agreements with MVSBB to provide discretionary investment management services for investment management and trust assets for which MVSBB serves as a trustee or investment manager. These services are substantially similar to the services provided to other MVIA clients. Furthermore, the personnel currently involved in the management of said assets are employees of MVIA.

## 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 nonpublic 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 MVIA 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**

When clients do not direct us to trade through a particular broker-dealer, MVIA uses independent brokers and dealers to purchase and sell securities for client accounts. In selecting brokers and dealers to effect client transactions, we try to obtain for clients (1) the prompt execution of client transactions while market conditions still favor the transaction and (2) the most favorable net prices reasonably obtainable. This is called "best execution." In placing orders to purchase and sell equity securities, MVIA selects brokers it believes will provide the best overall qualitative execution given the particular circumstances.

Brokerage fees charged to clients for trades executed through clients' custodians and other broker-dealers

may vary. There may be specific terms, fees, or commission schedules associated with trading with qualified custodians' affiliated broker-dealers. MVIA takes into consideration any applicable terms, fees and commissions imposed by the applicable custodians, and seeks to execute trades through the most cost effective broker-dealer without sacrificing execution quality. As a result the price and the commission rates at which trades are executed may vary with the executing broker and the applicable custodian.

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. In evaluating whether a broker is likely to provide best execution, we may consider any of the following factors:

- The quality of services provided (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range)
- The extent of coverage of the various markets MVIA trades in
- The broker's ability to communicate effectively
- The broker's ability to execute and settle difficult trades
- Whether or not the broker offers lower cost electronic trading
- The broker's clearance and settlement efficiency
- Whether or not the broker can handle MVIA's range of order sizes

- The broker's ability to maintain confidentiality and anonymity
- The reputation of the broker
- The stability and financial strength of the broker

In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. In making this assessment we consider the full range of a broker-dealer's services, including possible value of research provided, execution capability, commission rates, and responsiveness. Certain custodians have programs that allow us to obtain many mutual funds without transaction charges and other securities at nominal transaction charges.

### **Brokerage for Client Referrals**

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**

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**

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**

MVIA monitors client portfolios on a continuous and ongoing basis while regular account reviews are conducted no less frequently than annually to ensure that investments remain consistent with stated objectives. Changes in client financial circumstances may also trigger an investment review, if client advisors are apprised of such changes.

Such reviews are conducted by the investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals and objectives with us and to keep their investment adviser representative informed of any changes thereto. We contact ongoing investment advisory clients at least annually to review previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

### **Account Statements and Reports**

Clients are provided with 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**

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**

MVIA does not maintain direct custody or possession of client funds or securities; they are held with qualified custodians. Certain assets managed or advised by MVIA are held with MVSB, an affiliated custodian. In certain circumstances, MVIA or its affiliate is deemed to have custody for purposes of amended Rule 206(4)-2 of the Advisers Act for one or more of the following reasons:

- Assets managed by MVIA are held with MVSB;
- MVIA is authorized by its clients to debit our management fees directly from client accounts;
- MVIA has authorization to direct payments from client accounts held by a certain custodian.

Because an MVIA or its affiliate is deemed to have custody of certain accounts, MVIA is required to submit to an annual surprise exam by a nonaffiliated CPA firm and file form ADV-E. MVIA clients



typically receive custodian statements detailing all transactions in their accounts including contributions and withdrawals, fees and expenses charged to the accounts; and the value of the accounts at both the beginning and the end of each reporting period. Additionally, the custodian will produce a year-end summary and related tax reporting documents, as applicable.

Clients should always compare the statements received from their custodian to statements 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. In some cases the Firm may use a third party proxy voting service to vote client proxies.

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.

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.

## **Item 19. Requirements for State-registered Advisers**

This section is not applicable to MVIA as we are not state registered. MVIA is registered with the Securities and Exchange Commission.