



Manchester Financial, Inc.

2815 Townsgate Road, Suite 100
Westlake Village, CA 91361

805-495-4405

www.manchesterfinancial.com

March 27, 2020

This brochure provides information about the qualifications and business practices of Manchester Financial, Inc. If you have any questions about the contents of this brochure, please contact us at advisor@manchesterfinancial.com or 805-495-4405. 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.

Manchester Financial, Inc. CRD 106071 is a SEC registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you determine to hire or retain an adviser.

Item 2 Material Changes

Since our last annual updating amendment dated March 20, 2019 we have the following material changes to report:

- MFI no longer provides sub-advisory services to an unaffiliated investment adviser/broker-dealer.

You may request a current copy of our complete brochure by contacting John Bossler, General Manager, at 805-495-4405.

Additional information about Manchester Financial, Inc. is available by accessing the SEC's web site at www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with Manchester Financial, Inc. who are registered as investment adviser representatives of the firm.

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Item 4 Advisory Business

Manchester Financial, Inc. ("MFI" or "the firm") is a registered investment adviser founded in 1990 by Robert Katch, President and owner. The firm's main office is located in Westlake Village, California.

MFI offers portfolio management and financial planning services to its clients for a fee. MFI also offers limited consulting services to clients who desire advice in an isolated area of concern. Specific details about these advisory services are described below:

Portfolio Management Services

MFI provides individualized investment advice to clients based upon the client's specific needs. MFI gathers a client's financial data to develop a personalized profile that includes a client's investment objectives, current financial position, risk profile, investment time horizon, tax situation and liquidity needs. MFI reviews the client's personalized profile and based upon this review, develops a specific asset allocation strategy for the client.

This asset allocation strategy takes into account the size of the client's portfolio as well as the cost to the client. With the client's approval, MFI then implements the recommended asset allocation and may sell or incorporate a client's existing holdings as appropriate. MFI does not limit its investment strategies to any specific type of investment vehicle. MFI generally recommends an investment allocation which may consist of stocks, bonds, exchange traded funds, mutual funds, structured-notes, or closed-end companies.

MFI maintains several asset-allocation models that may be used to achieve the client's objectives. While each client account is separately maintained at a third-party custodian and each client retains his or her right of ownership over the account, client accounts with similar risk profiles and objectives may utilize similar investments based on these models.

Financial Planning Services & Portfolio Management

In many cases, clients choose to engage MFI for comprehensive financial planning services in addition to portfolio management services. The financial planning process typically takes several weeks and includes personal consultations regarding budget expectations, short- and long-term goals, investment objectives, time horizons, current financial situation, tax, estate, insurance & liquidity needs. MFI encourages clients to avail themselves of these services as it better informs the portfolio management process and provides the client a framework to improve financial decisions and analyze various scenarios.

Consulting Services

In some cases, clients may choose to engage MFI for more limited consulting services. These services typically involve financial planning consultation on a specific or isolated area of concern. Consulting services will generally not include ongoing portfolio management and will be more limited in focus. Consulting services are based on a client's financial situation at the time services are rendered, and on the financial information provided by the client. A client should promptly notify MFI if any financial

situation, goals, objectives, or needs change while services are being rendered. A client is under no obligation to act on any recommendations made during a consulting engagement and may implement our recommendations through any firm of their choice.

General Information Regarding Investment Advice

MFI provides its portfolio management services on a discretionary basis, with limited power of attorney. If a client participates in MFI's discretionary portfolio management services, the client must grant MFI discretionary authority to manage their account. Subject to this grant of discretionary authorization, MFI will have the authority and responsibility to formulate investment strategies on a client's behalf. Discretionary authorization will allow MFI to determine the specific securities, and the amount of securities, to be purchased or sold for a client's account without obtaining client approval prior to each transaction. MFI will also have discretion over the broker or dealer to be used for securities transactions in the client's account. Discretionary authority is typically granted by the investment advisory agreement a client signs with MFI, a limited power of attorney, or trading authorization forms.

A client may place restrictions on MFI's discretionary authority. Examples would include limiting the types of securities that can be purchased or sold for an account or restrict the sale of an investment or specify the purchase of an investment. Such restrictions and guidelines should be provided in writing.

MFI may determine that clients could benefit from investment in certain private offerings and alternative investments, and may recommend clients consider specific investments in annuities, limited partnerships, LLCs, REITs, hedge-funds, or other private offerings, including non-publicly traded investments which are illiquid, involve a high degree of risk, or where no readily ascertainable market value exists. If the client chooses to invest, the client will receive separate offering documents prepared by the third-party that explain the risks, services, fees, compensation and termination procedures for their offering. Use of a third-party may cost the client more or less than purchasing these services separately. Clients are under no obligation to engage these services. Clients should read these offering materials carefully.

MFI may also provide advice on other investments and services not listed above, as appropriate for the specific client. Clients should be aware that all investments involve risk, including the possible loss of all or part of an investment. Clients who elect to invest must be willing to bear this risk. For this reason, MFI takes extra care to determine an appropriate risk tolerance for each client. Investment recommendations are made with this risk tolerance in mind. MFI in no way represents, warrants, or guarantees the future results of any investments.

Assets Under Management

As of December 31, 2019, MFI was providing investment advisory services to 974 clients. The total value of assets under management for which the firm was providing regular and continuous discretionary portfolio management services was \$757,973,139.

Item 5 Fees and Compensation

Financial Planning and Portfolio Management Services

Whether or not a client engages MFI for Financial Planning & Portfolio Management Services or stand-alone Portfolio Management Services, as described in Item 4 above, advisory fees are the same. The annual advisory fee is based on the value of the account as reported by the account custodian on the last business day of the billing period.

The specific annual fee to which a client is subject will be specified in the Investment Advisory Agreement executed between the client and MFI, and will not exceed 1.25% of account assets under management. MFI may agree to household a client's multiple accounts for purposes of establishing the client's specific fee. The fee is generally payable quarterly in advance of services rendered, however, some accounts are billed quarterly in arrears, as specified in the Agreement.

Advisory fees are typically debited directly from a client's account, as agreed upon in writing. Clients are responsible for verifying the accuracy of fee calculations, as the custodian of the account does not verify accuracy. In some cases, MFI may allow a client to pay fees directly, upon presentation of an invoice. Advisory fees are negotiable at the sole discretion of MFI and fees may be higher or lower than fees charged by other investment advisers.

Consulting Services

Investment advisory services provided on a more limited basis are billed according to an hourly fee schedule. MFI's current hourly rates range from \$250 to \$500, depending on the type of consulting services provided and the complexity of the client's situation. Clients are presented with an invoice detailing the hours expended and the total fee due. In the event a consulting services client engages MFI for portfolio management services within 2 years of the consulting services, 50% of hourly fees paid will be credited toward the portfolio management fees for the first year.

Compensation from Purchase of Insurance Products

Some persons providing investment advice on behalf of our firm are licensed as independent insurance agents. MFI also maintains an insurance license and an affiliated insurance agency. MFI will earn commission-based compensation from insurance products clients purchase through us. Insurance commissions earned by MFI are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm may have an incentive to recommend insurance products to you for the purpose of generating commissions. You are under no obligation, contractually or otherwise, to purchase insurance products through MFI or any person affiliated with our firm. Any recommendation for the purchase of an insurance product is made with your best interest in mind.

General Information Regarding Fees and Account Termination

The advisory fee charged by MFI is separate and distinct from the fees and expenses charged by account custodians or investment funds. Clients are responsible for paying all execution and/or transaction costs associated with trade execution and/or account custody. MFI does not receive any portion of custodial transaction costs and believes them to be fair and competitive. Clients should refer to each prospectus for a complete discussion of the fees associated with specific investments. MFI does not receive sales commissions or 12b-1 fees from any mutual fund investment recommended to clients.

In calculating the advisory fee, if no readily ascertainable market value exists for a particular investment, the firm will take reasonable steps to identify a reliable, independent approximation of market value. If the underlying issuer provides pricing to MFI, the client's custodian, or makes such information publicly available, the firm will rely on the pricing as provided by the issuer. However, if no pricing is provided and no independent source of market value can be readily identified, then the firm will report the investment at the original purchase price, as agreed upon in writing by the client.

As discussed in Item 4 above, MFI may recommend that clients consider investing in private offerings. If qualified clients invest in certain private offerings, MFI may be compensated as discussed in Item 6 below.

Portfolio Management Agreements may be canceled by either party at any time by written notice. If the agreement is canceled within the first five (5) business days after the signing of the agreement, the client is entitled to a full refund of advisory fees paid in advance. After the first five (5) business days, clients are assessed pro-rata fees and any unearned fees paid in advance are refunded to the client.

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

MFI does not generally charge performance-based fees for its management services. However, if qualified clients choose to invest in certain private offerings, MFI may be compensated on the basis of management fees and/or on the performance of the investment, as disclosed in the offering materials. MFI would generally only receive this potential compensation once investors have been paid their preferred rate of return. This is considered a performance fee under Rule 205 of the Investment Advisers Act of 1940. Performance-based compensation arrangements entitle investment advisers to compensation based on investment performance. Registered funds and privately offered funds usually have different fee structures - particularly with respect to performance-based fees. Performance based fee arrangements may create a conflict of interest in that a firm may have an incentive to recommend investments that may be riskier or more speculative than investments subject to a different fee arrangement. As a fiduciary, however, MFI endeavors to put client interests first and only recommends investments in private offerings when the firm believes it is in the client's best interest to do so. Clients should read all offering materials completely and carefully, to fully understand the investment.

Item 7 Types of Clients

MFI provides investment advisory services to individuals, high-net worth individuals, pension and profit sharing plans, corporations or other businesses, trust, estates and charitable organizations. MFI typically provides its portfolio management services to clients who have at least \$500,000 of assets under management. Family or related accounts may be aggregated to reach this minimum asset threshold. This minimum may also be waived at MFI's sole discretion.

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

MFI requires certain licensing standards as well as a certain level of business experience for giving investment advice to clients. For example, all advisers must be professionals with relevant industry experience in order to adequately demonstrate a certain level of expertise in securities management and analysis. MFI requires that all investment adviser representatives maintain the minimum licensing qualifications in accordance with all federal, state, and self-regulatory organization (SRO) rules and regulations. Additionally, investment adviser representatives must possess a college education, preferably a graduate degree and/or additional certifications.

MFI uses various methods of analysis in formulating the investment advice offered on behalf of the firm. MFI takes a holistic approach to evaluate an overall portfolio strategy and asset allocation that meets a client's needs and objectives. Rather than focusing solely on specific investments, MFI identifies an appropriate ratio of equity and income investments to build a portfolio that is suitable for a client's investment needs, objectives and risk tolerance.

MFI conducts its research on the investments it recommends using publicly available information and/or information contained in the offering documents provided by the issuer or sponsor. However, many investments frequently have little or no operational history and financial projections can be speculative. MFI also may conduct corporate inspections and attend due diligence meetings presented by investment sponsors or issuers. MFI utilizes Morningstar and other services to research and evaluate investments. MFI evaluates the experience and track record of portfolio managers to

determine whether a manager has demonstrated the ability to manage assets under varying economic situations. MFI also evaluates the underlying investments in a fund, to determine whether the manager invests in a manner that is consistent with the fund's investment objective. A risk associated with this type of analysis is that past performance is not a guarantee of future results. While a manager may have demonstrated a certain level of success in past economic times, the manager may not be able to replicate that success in future markets. In addition, just because a manager may have invested in a certain manner in past years, such manager may deviate from the strategy in future years. To mitigate this risk, MFI attempts to select investments from companies with proven track records that have demonstrated a consistent level of performance and success. MFI also relies on an assumption that the rating agencies it uses to evaluate investments are providing accurate and unbiased analysis.

MFI uses investment management strategies that it feels best meet client needs and objectives. Such strategies typically include long-term investment strategies of asset allocation and diversification, but may also include short-term trading strategies where appropriate. While this strategy typically meets the needs and objectives of the firm's clients, long-term investment strategies may include the risk of not taking advantage of short-term gains that could be profitable to a client, and short-term strategies may involve more market risk.

Where appropriate as a cash management strategy for a given client, or at the request of a client, MFI may, on rare occasion, allow the use of margin. Accounts utilizing margin strategies may be subject to additional risk since investors may lose more than they invest. Use of margin may also require clients to make additional deposits to accounts in order to cover market losses. Investors should carefully consider whether their tolerance for risk supports use of margin. All securities investments involve risk and clients may lose all or part of their investment. Clients who elect to invest in securities must be willing to bear this risk. For this reason, MFI takes extra care to determine an appropriate risk tolerance of its clients. Investment recommendations are made with this risk tolerance in mind.

MFI may use one or more of the following methods of analysis or investment strategies when providing investment advice to clients:

Charting Analysis - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

Risk: Charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Technical Analysis - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

Risk: The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

Risk: The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

Risk: The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term, which may not be the case. There is also the risk that the segment of the market in which an investor is invested, or perhaps just a particular investment, will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Risk: Using a short-term purchase strategy generally assumes that one can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Margin Transactions - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

Risk: If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

Trading - MFI may use frequent trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing client account(s). Frequent trading is not a fundamental part of our overall investment strategy, but MFI may use this strategy occasionally when

we determine it is suitable given a client's stated investment objectives and tolerance for risk. This may include buying and selling securities frequently in an effort to capture significant market gains and avoid significant losses.

Risk: When a frequent trading policy is in effect, there is a risk that investment performance within an account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

MFI's investment strategies and advice vary depending upon each client's specific financial situation. As such, we determine investments and allocations based on a client's predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other suitability factors. A client's restrictions and guidelines may affect the composition of their portfolio. **It is important that clients notify MFI immediately with respect to any material changes to their financial circumstances, including for example, a change in current or expected income level, tax circumstances, or employment status.**

Tax Considerations

Our strategies and investments have tax implications. Regardless of your account size or any other factors, MFI strongly recommends that clients consult with a tax professional regarding the investing of assets. Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Custodians will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of investments. A client is responsible for contacting his/her tax advisor to determine if this accounting method is the right choice. If a client's tax advisor believes another accounting method is more advantageous, the client should provide written notice to MFI so that we can alert the account custodian of the individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Risk of Loss

Investing in securities involves risk of loss that an investor should be prepared to bear. MFI does not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. MFI cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Other Risk Considerations

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services:

Liquidity Risk: The risk of being unable to sell an investment at a fair price at a given time due to high volatility or lack of active liquid markets. An investor may receive a lower price or it may not be possible to sell the investment at all.

Credit Risk: Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

Inflation and Interest Rate Risk: Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also

generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

Horizon and Longevity Risk: The risk that an investment horizon is shortened because of an unforeseen event, for example, the loss of a job. This may force an investor to sell investments that were expected to be held for the long term. If an investor must sell at a time markets are down, an investor may lose money. Longevity Risk is the risk of outliving savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

Recommendation of Particular Types of Securities

MFI recommends various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks and it would not be possible to list all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities MFI may recommend and some of their inherent risks are provided below:

Money Market Funds: A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. Money market fund rates are variable and the rate could go up or go down. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tend to be less than long term average returns on riskier investments. Over long periods of time, inflation may impact returns.

Municipal Securities: Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Corporate Debt Securities: Corporate debt securities are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the security is set to mature; and, whether or not the security can be "called" prior to maturity. When a corporate debt security is called, it may not be possible to replace it with a security of equal character paying the same rate of return.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In broad terms, the value of a stock depends on the financial health of the company issuing it. Stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification,

risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". Open end mutual funds typically continue to allow in new investors whereas closed end funds have a fixed number of shares to sell, which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its underlying index or benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their underlying indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its underlying index, or its weighting of investment exposure to such securities may vary from that of the underlying index. Some ETFs may invest in securities or financial instruments that are not included in the underlying index, but which are expected to yield similar performance.

Leveraged Exchange Traded Funds:

Leveraged Exchange Traded Funds ("Leveraged ETFs" or "L-ETF") seek investment results for a single day only, not for longer periods. A "single day" is measured from the time the L-ETF calculates its net asset value ("NAV") to the time of the L-ETF's next NAV calculation. The return of the L-ETF for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from multiplying the return by the stated leverage for that period. For periods longer than a single day, the L-ETF will lose money when the level of the Index is flat, and it is possible that the L-ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility and greater leverage both exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the L-ETF's return as much as or more than the return of the Index. Leveraged ETFs are different from most exchange-traded funds in that they seek leveraged returns relative to the applicable index and only on a daily basis. The L-ETF also is riskier than similarly benchmarked exchange-traded funds that do not use leverage. Accordingly, the L-ETF may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged investment results.

Leveraged ETF Leveraged Risk - The L-ETF obtains investment exposure in excess of its assets in seeking to achieve its investment objective — a form of leverage — and will lose more money in market environments adverse to its daily objective than a similar fund that does not employ such leverage. The use of such leverage could result in the total loss of an investor's investment. For example: a 2X fund will have a multiplier of two times (2x) the Index. A single day movement in the Index approaching 50% at any point in the day could result in the total loss of a shareholder's investment if that movement is contrary to the investment objective of the L-ETF, even if the Index subsequently moves in an opposite direction, eliminating all or a portion of the earlier movement. This would be the case with any such single day movements in the Index, even if the Index maintains a level greater than zero at all times.

Leveraged ETF Compounding Risk - Compounding affects all investments, but has a more significant impact on a leveraged fund. Particularly during periods of higher Index volatility, compounding will cause results for periods longer than a single day to vary from the stated multiplier of the return of the Index. This effect becomes more pronounced as volatility increases.

Leveraged ETF Use of Derivatives - The L-ETF obtains investment exposure through derivatives. Investing in derivatives may be considered aggressive and may expose the L-ETF to greater risks than investing directly in the reference asset(s) underlying those derivatives. These risks include counterparty risk, liquidity risk and increased correlation risk (each as discussed below). When the L-ETF uses derivatives, there may be imperfect correlation between the value of the reference asset(s) and the derivative, which may prevent the L-ETF from achieving its investment objective. Because derivatives often require only a limited initial investment, the use of derivatives also may expose the L-ETF to losses in excess of those amounts initially invested. The L-ETF may use a combination of swaps on the Index and swaps on an ETF that is designed to track the performance of the Index. The performance of an ETF may not track the performance of the Index due to embedded costs and other factors. Thus, to the extent the L-ETF invests in swaps that use an ETF as the reference asset, the L-ETF may be subject to greater correlation risk and may not achieve as high a degree of correlation with the Index as it would if the L-ETF only used swaps on the Index. Moreover, with respect to the use of swap agreements, if the Index has a dramatic intraday move that causes a material decline in the L-ETF's net assets, the terms of a swap agreement between the L-ETF and its counterparty may permit the counterparty to immediately close out the transaction with the L-ETF. In that event, the L-ETF may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the L-ETF's investment objective. This, in turn, may prevent the L-ETF from achieving its investment objective, even if the Index reverses all or a portion of its intraday move by the end of the day. Any costs associated with using derivatives will also have the effect of lowering the L-ETF's return.

Variable Annuities: A variable annuity is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as mortality and expense risk charges; administrative fees; underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies as do stocks, bonds and mutual funds. Some variable annuities offer "bonus credits." In order to fund these bonus credits, insurance companies typically impose mortality and expense charges and surrender charge periods. In an exchange of an existing annuity for a new annuity (so-called 1035 exchanges), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and provide another commission for the broker.

Real Estate: Real estate is used as part of a long-term core strategy due to increased market efficiency and increasing concerns about future long-term variability of stock and bond returns. Real estate is known for its ability to serve as a portfolio diversifier and inflation hedge. However, the asset class still bears a considerable amount of market risk. Real estate can be very cyclical, somewhat mirroring the ups and downs of the overall economy. In addition to employment and demographic changes, real estate is also influenced by changes in interest rates and the credit markets, which affect the demand and supply of capital and thus real estate values. Along with changes in market fundamentals, investors wishing to add real estate as part of their core investment portfolios need to look for property concentrations by area or by property type. Because property returns are directly affected by local market basics, real estate portfolios that are too heavily concentrated in one area or property type can lose their risk mitigation attributes and bear additional risk by being too influenced by local or sector market changes.

Real Estate Investment Trust: A real estate investment trust ("REIT") is a corporate entity which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). Most REITs refinance or erase large balloon debts periodically. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT's value and dividends.

Limited Partnerships: A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner has management authority and unlimited liability. The general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and their liability is limited to the amount of their capital commitment. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership. The range of risks are dependent on the nature of the partnership and disclosed in the offering documents if privately placed. Publicly traded limited partnership have similar risk attributes to equities. However, like privately placed limited partnerships their tax treatment is under a different tax regime from equities. You should speak to your tax adviser in regard to their tax treatment.

Structured Products: A structured product, also known as a market-linked product, is generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. They have a fixed maturity, and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of

underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

Private Placements: A private placement (non-public offering) is an illiquid security sold to qualified investors and are not publicly traded nor registered with the Securities and Exchange Commission. Private placements generally carry a higher degree of risk due to illiquidity. Most securities acquired in a private placement will be restricted securities and must be held for an extended amount of time and therefore cannot be sold easily. The range of risks are dependent on the nature of the partnership and are disclosed in the offering documents.

Item 9 Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that could be material to your evaluation of MFI or the integrity of MFI's management. MFI has no reportable information applicable to this Item.

Item 10 Other Financial Industry Activities and Affiliations

Licensed Insurance Agency

MFI maintains an insurance license and an affiliated insurance agency. Persons providing investment advice on behalf of MFI may also be licensed as insurance agents. Either MFI or licensed persons will earn commission-based compensation from insurance products, including insurance products purchased by MFI clients. Insurance commissions earned are separate from the firm's advisory fees. See Item 5 above for more information on insurance compensation.

Arrangements with Affiliated Entities

Principals of MFI serve as managing members of the RR Ventures Acquisition Fund I and RR Acquisition Fund II (the "Fund"), private pooled investment vehicles in which some of our clients invested, prior to 2013. The Fund was offered to certain sophisticated investors, who met certain requirements under applicable state and/or federal securities laws.

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

MFI has adopted a Code of Ethics to promote the principles of honesty and integrity in its business practices, and to maintain MFI's reputation as a firm that operates with the highest level of professionalism. MFI recognizes its fiduciary responsibilities to its clients, and its duty and pledge to place clients' interests first and foremost. In connection with this duty, all employees of MFI are subject to the firm's Code of Ethics, and are required to acknowledge their understanding of its terms. A copy of the MFI Code of Ethics will be provided to any client or prospective client upon request.

MFI provides advice to many clients and may implement similar or opposing transactions for clients or related accounts of the firm. MFI or its owners, officers and employees may buy or sell securities that are the same or different than those they recommend to clients. While buying or selling the same security as a client would be incidental, it may represent a potential conflict of interest. MFI does not trade ahead of clients, but instead puts clients' interests first. Employees may not purchase or sell any security prior to a transaction being implemented for an advisory client, unless the timing of such transaction was done without the employee's knowledge of a client's transaction. MFI endeavors to ensure that the personal trading activities of its owners, officers and employees do not interfere with the decision-making process or implementation of investments for clients.

MFI, its owners, officers and employees are prohibited from trading on material nonpublic information. MFI prohibits its owners, officers, and employees from participating in any principal transactions, where securities are purchased directly from, or sold directly to a client. MFI also prohibits its owners, officers and employees from purchasing shares in initial public offerings or private placement offerings recommended to clients, unless express written permission is provided in advance by the firm's Chief Compliance Officer. In some cases, MFI, its owners, officers and employees, may recommend to clients that they buy or sell securities in which a person associated with MFI has a material financial interest. Such financial interest would be fully disclosed to the client at the time of the investment recommendation.

MFI or persons associated with our firm may buy or sell securities for clients at the same time MFI or persons associated with our firm buy or sell such securities for our own accounts. MFI may also combine firm orders to purchase securities with client orders to purchase securities ("block trading"). Refer to the *Brokerage Practices* section in this brochure for information on our block trading practices. It is MFI's policy that neither the firm nor persons associated with the firm shall have priority over client accounts in the purchase or sale of securities.

Item 12 Brokerage Practices

For portfolio management services, MFI generally recommends the brokerage and custodial services of Charles Schwab & Co, Inc. ("Schwab"), and may also recommend other custodial services when MFI believes it is in the client's best interest. Clients must agree in writing to the establishment of any custodial accounts. MFI will determine which custodian to use for account custody and trade execution unlike other advisers who may permit clients to direct brokerage to any firm of their choice. While MFI cannot guarantee that the execution services provided by the above referenced firms are the best executions available, MFI believes that the overall quality of execution services provided by these firms is in the clients' best interests. When executing securities transactions, MFI may aggregate or "block" trades when it feels it is advantageous to clients to do so. Shares will be allocated on an average price basis pursuant to the firm's trade allocation procedures. Clients will pay standard transaction and commission costs pursuant to the account agreement with the custodian. Transactions executed by these firms will be subject to the transaction and commission fee schedule in effect at the time of execution. Therefore, brokerage and investment advisory services offered by MFI may cost a client more or less than similar investment advisory services offered by another firm, or by purchasing similar services separately. MFI believes that the custodial fees and execution costs charged by Schwab are fair and competitive.

Through its brokerage and custodial relationships, MFI has access to free research, software, account administrative support, record keeping, brokerage, custodial and other related services that are intended to support advisers in conducting an investment advisory business. MFI also has access to an extensive list of investment offerings from which client recommendations can be made, and has the ability to execute mutual fund transactions without transaction charges or with nominal transaction charges. MFI also receives access to proprietary data-exchange software programs which provide MFI with software downloads of daily transactions, balance and position information on client accounts. The provision of these additional services may present a conflict of interest in that MFI may be incented to recommend the custodial and brokerage services of custodians providing these services. However, receipt of these services is not dependent upon any level of trade execution and MFI uses these services to benefit all client accounts, whether or not a client has chosen to custody assets at a particular custodian. As a fiduciary, MFI endeavors to seek quality execution services for its clients, regardless of the provision of these additional services.

Item 13 Review of Accounts

Portfolio management accounts are continuously monitored by MFI personnel for assets under MFI's discretionary management. In some cases, clients may request non-discretionary transactions for which MFI will not provide continuous monitoring. The firm receives daily downloads from account custodians and data is posted to MFI's account management software. Accounts are reviewed in light of the client's specific needs, goals, objectives, asset mix and overall market conditions. Periodic client meetings in person or via the telephone are at the client's discretion. Accounts are compared against general market conditions and relevant industry benchmark indicators to monitor account performance in light of the client's investment objectives. All clients will receive normal and customary brokerage or custodial statements, which they should compare against any information provided by MFI. Statements should be reviewed carefully.

Consulting services clients will not receive regular reports from MFI and accounts are not regularly reviewed. Any written reports or account reviews will be agreed upon at the inception of the consulting services relationship.

Item 14 Client Referrals and Other Compensation

MFI may engage solicitors for client referrals, through a professional alliance agreement. These solicitors are not employees of MFI but instead are independent contractors with whom MFI has a business relationship pursuant to a Solicitor's Agreement, as required by Rule 206(4)-3 of the Investment Advisers Act of 1940. MFI reserves the right to determine whether advisory services will be provided to clients referred by solicitor ("referred clients"). Each referred client receives a Solicitor's Disclosure Statement, which discloses the relationship between MFI and the solicitor, as well the compensation arrangement. Investment advice is not offered by the solicitor and only MFI associates may offer investment advice to referred clients. In the event that referred clients become advisory clients, MFI will compensate the solicitor for such referral. Compensation will be based on a percentage of the normal and customary advisory fee charged by MFI for its services, and is not an additional fee charged to the client. Advisory fees are more fully described in Item 5 above.

As noted in Item 10 above, MFI also maintains an affiliated insurance agency, Manchester Financial & Insurance Services. This affiliated agency may earn normal and customary insurance commissions for the sale of insurance products. The receipt of additional compensation presents a conflict of interest in that MFI and its Advisers may be induced to recommend that clients purchase insurance, however, the potential for additional compensation is not a criterion on which such recommendations are based. MFI makes recommendations when it feels it is in the client's best interest, based on the specific needs and objectives of the client. MFI makes this service available simply as a convenience to clients and they are not obligated to purchase any insurance recommended. MFI endeavors at all times to act in the best interest of its clients, and such recommendations are only made when MFI believes it is in the best interest of a client.

MFI may accept reimbursement for costs associated with on-site inspections of product sponsors or investment managers to which clients' assets may or may not be directed. Such costs may be associated with "due diligence" trips that allow associated persons of MFI to better analyze a company and/or investment manager. The acceptance of reimbursement will not be contingent upon any commitment by MFI to place client assets with a product sponsor or investment manager, and will not influence MFI's decision to select a product or investment manager for its clients, other than to allow MFI's associated persons an opportunity to gain further knowledge.

Item 15 Custody

MFI maintains custody of client funds or securities to the extent that it has the ability to debit advisory fees directly from client accounts, as agreed to in writing by the client. MFI also is deemed to have custody because clients are permitted to provide standing letters of authorization or give other written instruction for asset movement and disbursements from their accounts held at qualified custodians. However, MFI is not subject to a surprise examination for custody, as it complies with specific criteria outlined by the SEC for this type of custody. For assets held at qualified custodians, clients will receive normal and customary account statements at least quarterly. Clients should review these statements carefully and compare against any information provided by MFI. Clients, not custodians, are responsible for verifying the accuracy of fees debited from an account.

Asset Transfer and/or Standing Letter of Authorization

MFI, or persons associated with MFI, may effect asset transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction, as long as the client has provided written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

MFI is not required to obtain a surprise annual audit, as would otherwise be required, as long as the firm meets the following criteria:

1. Client provides a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. Client authorizes MFI in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Client's qualified custodian verifies client's authorization (e.g., signature review) and provides a transfer of funds notice to client promptly after each transfer;
4. Client can terminate or change the instruction;
5. MFI has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. MFI maintains records showing that the third party is not a related party to the firm nor located at the same address as us; and
7. Client's qualified custodian sends client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

MFI confirms the firm meets the above criteria.

Item 16 Investment Discretion

MFI generally accepts discretionary authority to manage securities accounts on behalf of clients, upon express written permission from the client. Clients will execute required custodial applications granting discretion to MFI. Clients will also execute discretionary portfolio management agreements.

Item 17 Voting Client Securities

MFI does not accept authority to vote client securities on behalf of clients. Clients retain all rights to their brokerage accounts, including the right to vote proxies. Clients are responsible for directing each custodian to forward copies of all proxies and shareholder communications directly to the client. If requested by the client, MFI may provide information or consultation to assist a client in deciding how to vote a particular security, but the ultimate decision and responsibility to vote a security lies with the client.

Item 18 Financial Information

MFI does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. MFI has not been the subject of any bankruptcy petition.

MFI is not required to include a financial statement or balance sheet with this brochure since it does not require or solicit prepayment of more than \$1,200 in advisory fees more than six months in advance of services rendered.

Item 19 Privacy Policy

Privacy Policy

MFI maintains a specific Privacy Policy that is distributed to each client at the time an account is opened and annually thereafter. MFI collects nonpublic information about clients from the following sources: information the firm receives from clients verbally, on applications or other forms and information about client transactions with others or the firm.

MFI may have to share non-public client information with unaffiliated firms in order to service client accounts. Additionally, MFI may have to provide information about clients to regulatory agencies as required by law. Otherwise, MFI will not disclose any client information to an unaffiliated entity unless a client has given express permission for the firm to do so.

MFI is committed to protecting client privacy. The firm restricts access to clients' personal and account information to those employees who need to know the information. MFI also maintains physical, electronic and procedural safeguards that the firm believes comply with Federal standards to protect against threats to the safety and integrity of client records and information.