

## **Form ADV – Part 2A: Brochure Format and Content**

### **Item 1: Cover Page**

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### **Item 2: Material Changes**

There have been no material changes to our policies, procedures or practices since our last filing.  
There have been no material conflict of interest changes since our last filing.

### **Item 3: Table of Contents**

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#### **Item 4: Advisory Business**

Description:

MIAC 's Secondary Solutions Group provides mortgage Pipeline Hedge Advisory and MSR Hedge Advisory services.

##### **Pipeline Hedge Advisory Services:**

MIAC provides comprehensive pipeline management and hedge advisory services customized for each client. MIAC specializes in hedging strategies related to newly originated mortgages or mortgage pools that are held by mortgage originators with the intent to sell them into the secondary market. MIAC's provides end-to-end pipeline risk management services, advising and assisting clients on optimal hedging strategies to manage risk and position their portfolio for best executions in the secondary market space.

Utilizing MIAC MarketShield technology in conjunction Fallout Analysis, Best Execution Analysis, Option Adjusted Spread Duration Calculation, and other analytical models, MIAC provides daily mark-to-market and pipeline attribute analysis to rebalance the portfolio for optimal hedging strategy within client defined tolerance. Trades to implement hedging strategy may be executed by client or MIAC on discretionary basis, as defined and limited in the Power of Attorney. See Item 16.

MIAC's Secondary Solutions Group provides pipeline hedging advisory services on various types of mortgage loans products including but not limited to conventional, ARMs, and jumbos.

##### **MSR Hedge Advisory Services:**

MIAC's Secondary Solutions Group also provides risk management and hedge advisory services for mortgage servicing rights (MSRs). MIAC utilizes OAS, third party prepayment models (ie. Bloomberg), internally developed prepayment models, in combination with other analytical tools to assess the optimal hedging strategy for the client's MSR portfolio. Specializing in hedging strategies involving Interest Rate Swaps, Swaptions, Treasury Futures, Treasury Future Options, CMM's, Eurodollars, Interest Rate Caps/Floors and Treasury Notes and Bonds, MIAC's Secondary Solutions Group advises clients on rebalancing of their MSR portfolio to achieve the most favorable portfolio profile, taking into account the client's risk tolerance and preferences.

Trades to implement hedging strategy may be executed by client or MIAC on a discretionary basis, as defined and limited in the Power of Attorney. See Item 16.

##### **Assets Under Management:**

Assets under management of Hedge Advisory Services ranged between \$2Billion and \$4Billion in 2019.

## **Item 5: Fees and Compensation**

MIAC utilizes a “fee-based” model only. MIAC charges clients a contractual fee for services rendered. The fee structure is dependent upon several factors, including but not limited to, level of servicing required, (Professional services and software licenses) the size of the portfolio being managed, the complexity of the products being managed and other factors that are unique to each individual client’s portfolio.

The clients are billed directly by MIAC on a monthly basis. MIAC does not charge clients for ancillary expenses. MIAC’s compensation is not portfolio (performance) or transaction based. MIAC does not have portfolio based compensation for its employees.

## **Item 6: Performance-Based Fees and Side-By-Side Management**

MIAC does not charge performance based or transaction based fees.

## **Item 7: Types of Clients**

Our primary clients are regulated Depositories, Mortgage Originators, Government Entities, Federal Home Loan Banks and Real Estate Investment Trusts. While no minimum account size requirement, the smallest portfolio we manage, currently originates approximately \$5MM of newly originated loans per month. For our clients to secure MBS trading accounts with broker dealers, they generally need to have a minimum net worth of \$2MM.

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

### **RESIDENTIAL PIPELINE HEDGE ADVISORY SERVICE:**

MIAC® provides comprehensive pipeline management and hedge advisory services tailored to meet the needs of our client. Our team of highly experienced capital markets and risk management professionals uses MIAC® MarketShield® technology to provide the precision and transparency necessary to reduce hedging risks and improve our clients’ secondary market execution. This approach utilizes an Option Adjusted Spread Duration calculation and pull through analysis and in conjunction with MIAC’s Best Execution Analysis, which combined is powerful and concise. We utilize MIAC’s term structure Libor Market Model, which has an industry-leading calibration process to enable highly accurate volatility-based asset pricing to perform our OAS analysis. This model has been fully validated by our customer base and we currently have over 90 active licenses. The single largest risk factor encountered is the interest rate lock commitments (IRL) and understanding how they impact customers risk profile. MIAC performs a comprehensive monthly loan fallout and pullthrough analysis to optimize pipeline sensitivity measurement and reduce this risk.

Loans are hedged with Forward “TBA” mortgage backed securities and ultimately delivered into them, via the GSE’s or Mortgage Investors. Strict risk limits are established, per customer’s recommendations/consultation.

**Operational Risks -**

1. Changes to client’s risk limitations may not be communicated to MIAC timely, resulting in over/under hedging of client portfolio.
2. Incorrect loan data may result in incorrectly hedged risk
3. Inaccurate information from market data source may lead to incorrectly hedged risk.

**Market Risks –**

1. Secondary market whole loan spreads in relation to hedges can change unexpectedly, leading to un-hedged risk and higher holding cost to client.
2. Durations of loans and hedges can fluctuate beyond the anticipated range, which may reduce hedge effectiveness.
3. Historical data used for Fallout Analysis may not adequately represent current client pipeline performance.

**Regulatory Risks –**

1. Major changes to government sponsored entity (Ginnie Mae, Fannie Mae, Freddie Mac) charter may impact the hedging options in the new origination and secondary markets.
2. New federal, state banking regulations, as well as accounting regulations, can impact established previously optimal hedging/business strategy.

MIAC does not provide Investment Advice.

**Item 9: Disciplinary Information**

Neither MIAC nor MIAC employees have been subject of any legal or disciplinary event.

See MIAC’s Code of Ethics in Item #11

**Item 10: Other Financial Industry Activities and Affiliations**

MIAC does not have material relationships or affiliations with any financial industry participant that could potentially give rise to a conflict of interest.

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

MIAC’s Code of Ethics and Standards of Professional Conduct requires all employees of the firm to exercise due diligence, competence, client confidentiality, integrity and honesty in all interactions with clients, prospective clients, the public, colleagues in the investment profession and other participants in the global capital markets.

MIAC's employees are required to act for the benefit of their clients and place their client's interests ahead of the company's or their own personal interest. Employees are required to apply the highest standard of fiduciary duty to clients. A copy of the MIAC's Code of Ethics is available upon request.

MIAC does not provide Investment Advice. MIAC executes hedging strategies for (portfolio of) mortgages on client's behalf, and does not manage/trade in any other type of debt, equity or derivative products.

#### **Item 12: Brokerage Practices**

MIAC received NO compensation from the Broker/Dealer (B/D) community. MIAC engages in no soft dollar practices with the Broker/Dealer community. Trades executed with a B/D are based solely on best execution. In accordance with our SAS70, we document the cover price on each TBA Bid.

MIAC executes hedges on behalf of its clients through Power of Attorney. Trades are not aggregated, as the counterparty relationships are between each individual client and its approved Broker/Dealers. MIAC does not enter into any trade as counterparty.

#### **Item 13: Review of Accounts**

Client accounts are reviewed twice a day for an accurate P/L, risk and data. These reports are reviewed by management for accuracy prior to be sent to the customer. As part of our SAS70 Level 2 designation, we also perform a quality in-depth analysis. We also produce reporting to customers that show how each asset is market to market, to allow the customer to have full oversight. In addition, our comprehensive attribution reports, customers have an excellent understanding of their risk position and the effect of changing interest rates will have on it.

#### **Item 14: Client Referrals and Other Compensations**

MIAC receives NO compensation from other parties.

MIAC has referral agreements with other entities, whereby MIAC pays fees for the referral of prospects. The fee structure tends to be from 1% to 10% of the gross revenue earned after a prospect becomes a client for a term of one year.

#### **Item 15: Custody**

MIAC does not have custody of client assets.

#### **Item 16: Investment Decision**

MIAC exercises discretion over client portfolios via Power of Attorney. At the election of the customer, MIAC can include in the POA risk limits that will be adhered to daily.

**Item 17: Voting Client Securities**

No proxy voting procedures required as MIAC only engages in hedging of (pool of) mortgages.

MIAC does not provide advisory services related to equity or investment companies securities that warrant voting rights.

**Item 18: Financial Information**

MIAC does not require prepayment of fees from clients. MIAC does not custody any client assets or related funds thereof.

As of this brochure date, there is no financial condition, likely or foreseeable, that would reasonably impair MIAC's ability to meet obligations to our clients.

MIAC has not been a subject of legal or regulatory arbitration or petition.