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# MATARIN CAPITAL

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Investing with Insight and Integrity

*Form ADV Part 2A*

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***February 26, 2020***

## ***Item 1 COVER PAGE***

*This brochure provides information about the qualifications and business practices of Matarin Capital Management, LLC. If you have any questions about the contents of this brochure, please contact the firm's Chief Compliance Officer at (646) 604-7640 or [compliance@matarin.com](mailto:compliance@matarin.com).*

*Matarin Capital Management, LLC is registered with the U. S. Securities and Exchange Commission (the "SEC") as an investment adviser. Registration as an investment adviser does not imply any level of skill or training.*

*The oral and written communications of an investment adviser may provide you with information that may be useful in making a determination as to whether to hire or retain such investment adviser.*

*Additional information about Matarin Capital Management, LLC may be accessed on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov); select Investment Adviser Search and input "Matarin Capital" as the Firm name.*

*The information in this brochure has not been approved or verified by the SEC or by any state securities authority.*

## Item 2     Material Changes

This is the Annual Updating Amendment for Matarin Capital Management, LLC documenting material changes that have occurred since the Other Than Annual Updating Amendment filed April 15, 2019.

- In 2019, Matarin expanded its U.S. equity offering and began offering the Matarin Low Volatility (LV) strategy to institutional clients. Matarin's investment team has been incubating the LV strategy since its inception date of January 1, 2018. The LV strategy employs a long-only bottom-up stock selection process drawing from a universe of approximately 1,500 all-capitalization North American equity securities. It typically holds approximately 100 positions and is diversified across most sectors and industries. LV will not hold stocks in the tobacco, gun, coal and payday lending industries. The strategy has a three to five year time horizon and attempts to take on less risk than the S&P 1500 benchmark.

We will update this Brochure on an annual basis or upon any material change to the firm. We will either send you a copy of any updated Brochure (by email or in hard copy) or provide access to a copy via a secure website.

If you would like an additional copy of this Brochure, you may download it from the SEC's public disclosure website (IARD), [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or contact the firm's Chief Compliance Officer at [compliance@matarin.com](mailto:compliance@matarin.com) to obtain a free copy.

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### Item 4      Advisory Business

#### Matarin U.S. Equity

Matarin Capital Management, LLC (“Matarin,” the “Company,” the “Firm,” or “we”) was established in July 2010. We are a majority women- and minority-owned asset management firm with offices headquartered in New York, New York. Matarin is 100% employee (Valerie Malter, Co-Founder and Managing Principal; Nili Gilbert, Co-Founder and Portfolio Manager; Stuart Kaye<sup>1</sup>, Co-Founder and Portfolio Manager; Ralph Coutant, Principal and Portfolio Manager; and Marta Cotton, Principal and Director of Client Development) owned, and has no affiliates or subsidiaries

Matarin aspires to be an investment management firm that is a symbol of stewardship within our industry. We are dedicated to delivering excellent investment performance through insight, passion, and diligence. We aim to build strategic alliances with our clients based on the highest of ethical standards.

The Firm offers discretionary investment advisory services to institutional investors, (collectively, “Clients”), investing in U.S. and international equities. Our proprietary models, while quantitatively constructed, are based on fundamental insights and provide the foundation for our long-only investment product suite.

As of December 31, 2019, the Firm manages separately managed accounts within four domestic equity, long only investment strategies: North America Small Cap, Large Cap Core, MicroCap, and Low Volatility.

In September 2018, Matarin made the decision to close the Matarin Market Neutral U.S. Plus L.P. (the “Fund”). Matarin Advisors I LLC, (wholly owned by Matarin) was the General Partner of the Fund. The Fund was liquidated and the final distribution of assets made to the Limited Partners in December 2018.

#### Collective Investment Trust

Matarin announced the introduction of the Matarin U.S. Small Cap Collective Investment Trust (“CIT”) in January 2019. Three share classes of the CIT are available for external investment: Founders Class (open to each participating plan until the aggregate net assets in the CIT reach \$100 million), Institutional Class I (available to each participating plan making an initial

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<sup>1</sup> Valerie Malter and Stuart Kaye have been married to one another since 1996.

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investment of less than \$10 million once the Founders Class has closed); and Institutional Class 2 (available to each participating plan making an initial investment of \$10 million or more once the Founders Class has closed). In January 2020, a fourth share class (M Class) was added exclusively for Matarin's own employee 401(k) plan.

SEI Trust Company (the "Trustee") serves as the Trustee of the CIT and maintains ultimate fiduciary authority over the management of, and the investments made, in the CIT. The CIT is part of the Matarin Capital Collective Investment Trust (the "Trust") operated by the Trustee. The Trustee is a trust company organized under the laws of the Commonwealth of Pennsylvania and a wholly owned subsidiary of SEI Investments Company (SEI).

The CIT is a trust for the collective investment of assets or participating tax qualified pension and profit sharing plans and related trusts, and governmental plans as more fully described in the Declaration of Trust. As bank collective trust, the CIT is exempt from registration as an investment company. The CIT is managed by SEI, the Trustee, based on the investment advice of Matarin, the investment adviser to the Trust.

### Matarin International (ex-North America) and Matarin Global Long-Term Index

Matarin announced the launch of two long-term investment indexes on March 27, 2019 - the Matarin Global Long-Term Index (Launch Date: March 11, 2019), and the Matarin International (ex-North America) Long-Term Index (Launch Date: March 18, 2019). The Long-Term Indices are designed to allow investors to capture a "Patience Premium" for long-term investing in the stock markets, which integrates a focus on ESG (environmental, social, and governance) factors.

In the design of their custom indices methodologies, Matarin's investment team engaged directly with S&P Dow Jones Indices' ("SPDJI") research and development (R&D) team. SPDJI's custom indexing team will be administering and calculating the indices on an ongoing basis.

Matarin's investment team designed all of the proprietary factors that are part of the Patience Premium Score, which is used to select stocks for the indices. High scoring Patience Premium stocks exhibit attributes such as fundamentally sound businesses, shareholder-friendly leadership, inexpensive valuations, and positive ESG momentum. Matarin engaged the research and data provider, Sustainalytics, for the ESG data that underpins this latter part of its proprietary scoring system.

The Matarin Long-Term Indices are designed to have similar region and sector exposures to the traditional S&P BMI Developed Markets Large Cap Index, with the exception of energy sector, whose stocks are excluded.

With the introduction of the Long-Term Indices and the concept of a Patience Premium in stock market investing, the team at Matarin hopes to bring an investment case to long-termism and sustainability, and to be part of an emerging paradigm shift that is mobilizing traditional investment capital for long-term social and environmental goals. The Patience Premium initiative asserts that if stock market participants increase their average holding periods, then in addition to higher expected returns, as a society we can achieve capital markets that support businesses in long-term strategic decision making, beyond the grind of the quarterly earnings cycle, and a greater focus on our shared future.

Matarin currently offers this strategy as a separately managed account to U.S. investors. Upon a firm interest in seeding from institutional investors outside of the U.S., Matarin is prepared to launch Undertakings for Collective Investment in Transferable Securities (UCITS). Additionally, a licensing subscription opportunity is available for investors to license either index directly from Matarin.

As of December 31, 2019, the Firm's regulatory assets under management were \$1,076,697,427. This figure includes the value of all separately managed accounts and the CIT.

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

#### **Management Fee**

Matarin believes its Clients should benefit from any outperformance realized on their behalf while providing the Firm with reasonable financial incentives to align its interest with theirs. Our fees are structured to achieve this goal. For all currently-available products, generally 75% of our targeted outperformance will accrue to Clients.

Management fees and minimum account size for long-only separately managed accounts are negotiable.

#### **Fee Structure - Long-Only U.S. Investment Strategy**

- North America Small Cap: 1% on the first \$10 million; 70 basis points on the next \$50 million; 60 basis points on the next \$40 million; 40 basis points on the balance.
- Large Cap Core: 35 basis points on the first \$50 million; 20 basis points on the next \$50 million; 15 basis points on balance.
- MicroCap: 1% on all assets.

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- Low Volatility: 35 basis points on all assets.

*Note that no fees are charged to the all-cap low volatility account that is owned by a principal of Matarin.*

### **Separately Managed Accounts**

For separately managed accounts of external clients, both management fees and performance fees (if any) are billed quarterly in arrears.

### **Collective Investment Trust – External Investors**

<b>Matarin U.S. Small Cap CIT Fund</b>	<b>Trustee Fee</b>
Matarin U.S. Small Cap CIT Fund – Founders Class	0.70%
Matarin U.S. Small Cap CIT Fund – Institutional Class 1	0.90%
Matarin U.S. Small Cap CIT Fund – Institutional Class 2	0.80%

Founders Class (open to each participating plan until the aggregate net assets in the CIT reach \$100 million), Institutional Class 1 (available to each participating plan making an initial investment of less than \$10 million once the Founders Class has closed); and Institutional Class 2 (available to each participating plan making an initial investment of \$10 million or more once the Founders Class has closed).

### **Matarin International Long-Term Index and Matarin Global Long-Term Index**

The Matarin Global and International (ex-North America) Long-Term Indices have not yet been funded. Fee structures are under discussion and will vary depending on type of client and type of structure.

### **Fees Charged to Principals and Certain Early Investors**

Due to the special relationship with its principals and certain early investors, Matarin may charge a reduced or no fee for providing investment management services to them.

### **Other Fees and Expenses**

Matarin's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which shall be incurred by the applicable Client. Clients may incur certain charges imposed by custodians, brokers, and other third-parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire

transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Item 12 further describes the factors that the Firm considers in selecting or recommending broker-dealers for Clients' transactions and determining the reasonableness of their compensation (e.g., commission rates and mark-ups and mark-downs).

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

In separately managed accounts, Matarin may charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client account) in addition to management fees. Performance based fees are negotiated with the client and memorialized within the Investment Management Agreement.

Performance based fees are not applicable to the CIT.

No Matarin Client will be given investment priority over any other Client. However, each Client may have separate investment objectives and investment restrictions which Matarin will be required to follow; as a result, certain investment opportunities may be appropriate for certain Firm Clients and not appropriate for other Firm Clients. It is Matarin's policy that all investment opportunities shall, to the extent appropriate, be allocated among its Clients equally on an average price basis.

Performance-based fee arrangements may create an incentive for the Company to make investments that may be riskier or more speculative than those that may be made under a different fee arrangement. Such fee arrangements also create an incentive to favor potentially higher fee-paying clients over other clients who do not pay an incentive fee in the allocation of investment opportunities. Matarin's internal processes strive to mitigate the risk of this conflict.

Clients should review the respective investment management agreement documents, as applicable, for detailed information with respect to performance-based fees.

### **Item 7      Types of Clients**



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Matarin provides investment advisory services to various types of institutional investors including but not limited to public pension plans, corporate pension plans, insurance companies, foundations, endowments, High Net Worth Individuals, managers of manager programs and a pooled investment vehicle.

The minimum account size for a long-only U.S. equity separately managed account is:

North America Small Cap	\$20 Million
Large Cap Core	\$10 Million
MicroCap	\$10 Million
Low Volatility	\$10 Million

Management fees and minimum account size for long-only separately managed accounts are negotiable.

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

#### **1. Methods of Analysis**

Matarin's proprietary models, while quantitatively constructed, are based on fundamental insights with what we believe is sustainable future investment merit. They are designed to capture our best investment thinking regarding the critical sources of risk and return in the market. Because we recognize that these sources of risk and return change over time, the process by which we identify and rigorously test factors is also dynamic.

Our models, like our insights, evolve. Matarin's investment research and the consistent implementation of our models in portfolio construction seek to eliminate the emotional and behavioral biases that are natural to most human decision-making but can be detrimental to investment results.

#### **2. Risk Management**

Matarin uses a variety of risk management practices, including the monitoring and adjustment of individual portfolio positions and exposures as well as the use of real-time portfolio evaluation tools.

Our North America Small Cap, Large Cap Core, MicroCap, and All-Cap Low Volatility strategies take advantage of a third-party risk model that monitors various risk factors, including:

fundamental, macroeconomic, and statistical risks. An optimization is then used to aid in the construction of portfolios to ensure they adhere to predetermined risk target ranges. In addition, limits for sector, industry, and individual asset over- and underweight positions are monitored regularly.

Notwithstanding the above risk management practices, the Firm's investment strategies inherently involve certain significant risks. Moreover, there can be no assurance that the above practices, even if successfully applied in all cases, will limit risk to levels that are suitable and/or acceptable to all Clients or CIT investors.

The Matarin International (ex-North America) Long-Term and Global Long-Term Indices use a proprietary Patience Premium scoring system for the return forecasting model used to run this strategy.

Risk is managed using a rules-based system based upon region-sector peer groups, such that weights of these region-sector groups in the strategy are managed relative to the weight of the same groups in the reference S&P BMI Developed Markets Large Cap index. (Note that the region-sector weights in the S&P index are similar to those in the MSCI All World Index.) Size risk is mitigated by using square root of market cap weighting for initial positions in each tranche. And risk of holding cash is eliminated as this is a fully invested strategy.

### 3. Investment Strategies

Our current product suite includes:

- a. North America Small Cap. This strategy aims to outperform the S&P Small-Cap 600 or Russell 2000® Indices by taking active long-only positions in North American small-capitalization equities. The CIT is managed using the exact same investment objectives as the North America Small Cap strategy.
- b. Large Cap Core. This strategy aims to outperform the S&P 500 or Russell 1000® Indices by taking active long-only positions in U.S. large capitalization equities.
- c. MicroCap. This strategy aims to outperform the Russell Micro Cap® Index by taking active long-only positions in U.S. micro-capitalization equities.

- d. Low Volatility. This strategy aims to outperform the S&P 1500 Index by taking active long-only positions in all-capitalization North American equity securities.
- e. Matarin International (ex-North America) Long-Term Index and Matarin Global Long-Term Index - The Matarin Long-Term Index features:
  - Large cap, developed markets investment universe
  - ~150 holdings over time, on average
  - Multi-factor stock return forecasts utilizing Matarin's proprietary Patience Premium scoring system
  - Specialized Environmental, Social and Governance (ESG) factors
  - Fossil-free and tobacco-free investment (customized exclusions also available)
  - Robust risk controls relative to traditional benchmarks
  - Currency hedging available upon demand

#### 4. Risk of Loss

The risk of loss described herein should not be considered to be an exhaustive list of all risks that Clients and CIT investors should consider. Clients and investors in the CIT should refer to the relevant investment management agreement and CIT Declaration of Trust, respectively, for additional information on risk factors, potential conflicts of interest, and risk of loss. Investing in securities involves risk of loss that Clients and CIT investors should be prepared to bear, including, but not limited to, the following:

- a. Concentration. In implementing its U.S. equity strategies, Matarin primarily invests in U.S. equities. Accordingly, Clients' portfolios may experience more rapid change in value than would be the case if the Company maintained wider diversification in such portfolios.
- b. Matarin's investment strategies may be deemed to be highly speculative and are not intended as a complete investment program. They are designed only for sophisticated investors who are able to bear the economic risk of complete loss of their investment and who have a limited need for liquidity in their investments.
- c. Equity Securities. Investment in equity securities involves certain risks. The Firm expects to invest Client assets in equity securities. Such investments will be subordinate to the claims of an issuer's creditors and, to the extent such securities are common securities, to preferred stockholders. Similar to other investments, the

value of equity securities may be adversely affected by actual or perceived negative events relating to the issuer of such securities, the industry or geographic areas in which such issuer operates or the financial markets generally. However, equity securities may be even more susceptible to such events given their subordinate position in the issuer's capital structure. As such, equity securities generally have greater price volatility than fixed income securities, and the market price of equity securities owned by the Funds is more susceptible to moving up or down in a rapid or unpredictable manner. Dividends customarily paid to equity holders can be suspended or cancelled at any time. For the foregoing reasons, investments in equity securities can be highly speculative and carry a substantial risk of loss of principal.

- d. **Non-U.S. Securities and Securities of Certain U.S. Issuers.** Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and the less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.
- e. **Leverage.** The Company does not expect to use leverage in the management of its separate accounts.
- f. **Certain Conflicts of Interest.** There are a number of actual or potential conflicts of interest that the Firm may have with respect to its Clients. These may arise from the Firm's management of and/or provision of services to other Clients; for example, the Firm currently advises a number of separately managed accounts, which include both those with assets from external Clients as well as an account comprising assets beneficially owned by a member of the Firm's investment team.

Clients may select investment strategies similar to or different from the strategy deployed on behalf of any given Client. The existence of multiple accounts and/or Clients may create conflicts as to time and resource commitments on the part of the Firm's employees. While the Firm generally allocates investment opportunities appropriate to a particular strategy fairly and equitably to all Clients in whose accounts such strategy is deployed, the Firm may also apply such other

considerations as it deems appropriate, including relative size of the accounts, amount of available capital, size of existing positions in the same or similar securities, and investment objective and strategy considerations.

### **Item 9      Disciplinary Information**

Matarin does not have knowledge of any disciplinary information applicable to this Item to disclose.

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

Matarin is registered with the National Futures Association. Matarin has contracted with S&P Dow Jones LLC as the calculating agent for the Matarin Global Long-Term Index and the Matarin International (ex-North America) Long-Term Index on a daily basis. As the calculation agent, S&P Dow Jones Indices posts daily values for both indices on the S&P Dow Jones website, and under the tickers WAITGUSP and WAITIUSP, respectively. To explore the factsheets, daily index values, performance, and historical values, investors can refer to: <https://customindices.spindices.com/indices/custom-indices/matarin-global-long-term-index>.

Institutional investors have the opportunity to subscribe to one or both Index for the purpose of managing an in-house global or international index fund. Matarin would receive an annual fee for these subscription rights. The subscription fee has not yet been determined.

### **Item 11    Code of Ethics**

Matarin has adopted a Code of Ethics (the “Code”) that is designed to detect and address potential conflicts of interest and prevent acts prohibited by law as required under Rule 204A-1 of the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). The Code states that Clients’ interests should always be placed ahead of any supervised person’s personal interest. In addition, the Company’s Insider Trading Policy forbids any supervised person of Matarin from trading, either personally or on behalf of others, on material non-public information. It also forbids communicating material non-public information to others in violation of the law (i.e., insider trading) or in violation of a fiduciary duty.

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The Company's principals and employees are permitted to buy and sell securities for their own accounts. From time to time, the securities purchased or sold by those individuals may include securities that Matarin has bought or sold for its Clients. The Company has instituted the following procedures to minimize the risk of insider trading and/or conflicts of interest.

Among other things, the Code requires supervised persons to:

- Submit to the Chief Compliance Officer (the "CCO") an initial and an annual report listing their securities holdings;
- Pre-clear personal securities transactions, other than those exempted by the Code, by the CCO or by other appropriate officers of the Company;
- Provide duplicate copies of account statements to the CCO for review (unless a specific exemption applies);
- Not invest in IPOs or private placements;
- Not effect short sales of securities;
- Comply with all applicable federal securities laws, certifying that they have read and understood the Code and will report any violations of the Code to the CCO;
- Not trade either in their personal accounts or on behalf of Clients on the basis of material non-public information; and
- Not use their position for inappropriate personal benefit.

Employees or principals who violate the Code and/or the Company's Compliance Manual are subject to disciplinary action including, but not limited to, written warnings, fines, and termination of employment.

### Potential Conflict of Interest

Nili Gilbert, a Matarin principal, serves on the board of the Synergos Institute, a 501(c)-(3) organization, and also chairs its Investment Committee. While we do not anticipate that these roles will present a conflict of interest that could be detrimental to the Firm's Clients, Ms. Gilbert will discuss Synergos Investment Committee and other relevant activities with the CCO in advance and will recuse herself from Synergos Institute activities in the event that, in the

determination of Ms. Gilbert and the CCO, participation in such activities could give rise to an actual conflict of interest.

The Company will provide a copy of its Code of Ethics to any Client or prospective Client upon request at no charge; any such requests should be made to Matarin's Chief Compliance Officer.

### **Item 12 Brokerage Practices**

Matarin believes its fiduciary obligations to its Clients require that it institute policies and procedures that are reasonably designed to ensure that the Company seeks to obtain best execution of its Clients' transactions. Due to our relationships with a number of brokers, we have access to multiple pools of capital through what we believe are among the most sophisticated and up-to-date electronic trading systems available. In addition, we have the opportunity to execute trades with brokers we believe provide best execution.

"Best execution" does not mean effecting transactions at the lowest possible commission rate, transaction costs, and best price, but includes a number of factors mentioned herein.

Matarin seeks to effect transactions at a price, commission, and transaction cost that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. The Firm may consider various factors when selecting broker-dealers including, but not limited to, the nature of the portfolio transaction; the size of the transaction; security conditions (e.g., liquidity, volatility); and the broker's trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, willingness to commit capital, and access to a particular trading market.

Matarin has discretion to determine without obtaining prior consent from Clients:

- the broker or dealer to execute transactions; and
- commission rates or commission equivalents charged for effecting transactions.

#### Broker Selection

In selecting broker-dealers (including electronic communications networks) to effect Client transactions, Matarin seeks to obtain best execution under the circumstances, taking into consideration, among others, the relevant broker-dealer's:

- ability to effect prompt and reliable executions at favorable prices;

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- operational efficiency with which transactions are effected taking into account the size of order and difficulty of execution;
- integrity and stability;
- financial strength;
- commitment of capital to facilitate transactions;
- quality, comprehensiveness and frequency of available research services considered to be of value; and
- commission rates and dealer spreads in comparison with other broker-dealers.

Matarin will also take into consideration whether the broker-dealer is a minority-owned or women-owned firm.

The Firm is not required to weight any of these factors equally.

Client transactions may involve specialized services on the part of a broker-dealer, which may justify higher commissions (and mark-ups or mark-downs) than would be the case for more routine services.

### Research and Brokerage Services (“Soft Dollars”)

As is customary in the industry, broker-dealers may provide proprietary research to investment advisers, including the Firm. Commissions and other transaction costs (e.g., “mark-ups” and “mark-downs”) paid to these broker-dealers to execute transactions include the cost to receive brokerage services. Matarin’s quantitative investment model does not rely on external research. Further, it is also Matarin’s policy to prohibit the use of third-party research products and/or services paid for with Clients’ commissions (“soft dollars”).

### Directed Brokerage

The Firm discourages directed brokerage arrangements. However, with Matarin’s consent, Clients may direct the Firm to effect some or all of their transactions with certain broker-dealers. In the event that the Firm agrees to accept a Client’s directed brokerage instructions, the Client should be aware that the Firm may not be able to obtain best execution for its transactions and may receive less favorable prices and pay higher commission rates or incur higher transaction costs for executing these transactions.



### Aggregation and Allocation

Matarin's goal is to minimize any conflict of trade allocation – not to favor certain accounts over others. Matarin, at its discretion, may aggregate orders in the same security for Clients transacting in that security and will generally allocate the securities or proceeds (and the related transaction expenses) on an average-price basis among the applicable Clients. With respect to trade execution orders that are partially filled, the Firm will generally allocate the partially filled order pro rata to the Clients in the order; however, the Firm may determine not to make such allocation based on a minimum share size, basis points, and other reasons.

When the Firm trades within a strategy, various methods are used to determine the order in which trades will be allocated to various accounts:

- 1) Based on custodian
- 2) Based on indicated turnover, high to low (most often)
- 3) Based on minority brokerage targeted accounts versus non-minority brokerage targeted accounts
- 4) Based on a random number generator
- 5) Based on year-to-date or quarter-to-date performance low to high

The Firm believes that by aggregating orders, commission rates and transaction costs may be reduced as a result of such aggregation. However, in certain instances, average pricing may result in higher or lower total net execution price than otherwise obtainable by effecting Client transactions separately. Matarin believes that aggregating orders contributes to seeking best execution. Accounts traded with the same broker on the same trading day will all receive the same average execution price as all other accounts within the chosen allocation.

### Trade Errors

From time to time, the Firm's trading activities may result in the occurrence of a trade error. For example, trade errors may happen as a result of buying or selling the incorrect amount of securities (e.g., 10,000 shares were purchased when the intention was to purchase 1,000 shares), effecting transactions for the wrong Client, or transacting the order in the wrong direction (e.g., shares were purchased when they should have been sold). When trade errors occur, the Firm's policy is to correct the error promptly. In the event that the error created a loss for the Client, Matarin will work with appropriate firms in an attempt to make the Client whole.

### Principal and Agency Cross-Transactions

“Principal transactions” are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys securities from or sells securities to advisory clients. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated fund and another client account.

An “agency cross transaction” is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer. Matarin is neither registered as, nor is affiliated with, a broker-dealer.

Matarin may engage in cross transactions where we believe the transactions are in the best interest of our clients. Matarin has never “acted as broker” and does not receive any additional compensation in the execution of a cross transaction. Any questions regarding what may constitute a principal or an agency cross transaction should be brought immediately to the CCO.

- Matarin will limit cross transactions to those that implement a specific event, such as
  - Index rebalance
  - Client account rebalance (deposit or withdraw of funds)
  - Trades determined by the Northfield Portfolio Optimizer
  - New or lost account
- Matarin will not engage in cross trades in ERISA accounts.
- Matarin will not engage in cross trades in the Matarin CIT.
- Matarin will not engage in cross trades if specifically requested by the client.
- Decision to engage in a cross trade is the responsibility of the investment team and communicated to the trader.
- Each cross transaction is fully documented at the time of the decision. Documentation includes:
  - Broker
  - Portfolios involved
  - Security
  - Side of trade
  - Share quantity
  - Cross price
  - Reason for the cross

### Blind Principal Bid Transactions (“BPB”)

Institutional investors use BPB as a tool to minimize market impact and lock in competitive transaction costs by effectively transferring the trading risk from the Firm to the broker. A BPB is submitted to a broker that reveals only general characteristics of a basket of securities, such as its beta, market cap, sector, and other attributes without specifically listing the name of the securities in the basket. Based on these characteristics, the broker will bid on the basket; the investment advisor has the option to accept or refuse the brokers bid.

Matarin began BPB trading in October, 2018. Brokers that are considered for BPB trades are diligently vetted by Matarin's Investment and Management Teams.

The Investment Team determines when BPB trading is the most efficient manner in which to execute purchase and sale transactions on a basket of securities across multiple accounts. The "characteristics" of the basket of securities are sent to no less than three brokers at the same time (within 2-3 seconds) of the trading day. The brokers are given a limited frame in which to respond back with a bid – the lowest bid wins. After the winning bidder is notified, the broker executes the transactions at the strike price agreed upon shortly thereafter. Each Matarin Client included in the allocation will receive the same execution price.

### **Item 13    Review of Accounts**

#### Account Reviews

Stuart Kaye, Ralph Coutant, and Nili Gilbert, portfolio managers and principals, monitor Client portfolios continuously to ensure consistency with the Firm's investment processes and conformity with Clients' objectives and guidelines. Positions, potential investments, cash, and other portfolio parameters are reviewed daily by the investment team.

Matarin's operations team performs a full reconciliation of each account with each respective custodian bank on at least a monthly basis. Account holdings are reconciled daily via an electronic link between Matarin and the custodian bank. The full reconciliation process includes review of all investment transactions, holdings, dividends/income, and corporate actions. Daily reconciliations are performed with the top three custodians (State Street, Bank of New York, Northern Trust) used by our clients. Clients maintain full discretion on the choice of custodian; Matarin does not recommend or suggest any custodial service to any client.

#### Client Reports

Separately managed account Clients receive monthly statements from their respective custodians.

Matarin provides Clients with monthly and/or quarterly account reports and/or statements that include portfolio exposures and performance information.

SEI acts as administrator of our CIT. This provides our CIT clients with login capabilities to the SEI dashboard for holdings, performance, transaction, and document review at any time.

### **Item 14 Client Referrals and Other Compensation**

#### Client Referrals

We have not entered into any arrangements with solicitors or other third parties whereby such third parties are compensated for referring Clients to the Firm or for referring investors to investment vehicles managed by us.

#### Other Compensation

Matarin has not entered into any arrangement under which it receives any economic benefit, including sales awards or prizes, from a person who is not a Client for providing advisory services to Clients.

### **Item 15 Custody**

#### Separately Managed Accounts

Matarin does not take control over any assets. Client assets are held by a qualified custodian chosen by the client. The client/custodian relationship is expressly managed by the client. Each client gives Matarin only the discretion to execute and settle trades on their behalf. Matarin does not have the authority or the discretion to deduct funds from any client account.

### **Item 16 Investment Discretion**

Matarin only accepts fully-discretionary accounts. Each Client is expected to execute related documentation with their respective custodian bank that gives Matarin the right to execute on its behalf. In the case of separately managed accounts, all risk and return parameters as well as goals, objectives, and benchmarks will be clearly outlined in the investment management agreement and will be agreed to by all parties.

Pursuant to these authorizations, Matarin is granted discretionary authority to make investment decisions and to select the broker-dealer to effect these decisions and the commission rates to be paid.

Investment guidelines and restrictions must be approved by Matarin in writing.

### **Item 17    Voting Client Securities**

Matarin has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 of the Advisers Act. This Rule requires Matarin (i) to adopt policies and procedures reasonably designed to ensure that proxies, with respect to securities in the Clients' accounts, are voted in the best interest of its Clients; (ii) to maintain records relating to proxy voting; and (iii) in the limited circumstances where Matarin is required to exercise voting discretion, to disclose how information may be obtained on how Matarin votes proxies.

Matarin has adopted Proxy Voting Policies and Procedures that are reasonably designed to ensure that proxies with respect to Clients' portfolio securities are voted in the best interests of those Clients pursuant to its Proxy Voting Policy and Procedures.

Matarin may be granted approval to exercise voting discretion in Matarin's Investment Management Agreement. Proxies over which Matarin does not exercise voting discretion are voted either directly by the Client or, alternatively, by service providers retained directly by, and who act on behalf of, the Client, subject to the Client's directives and supervision.

For those Clients who opt to have Matarin vote their proxies, Matarin has retained Glass Lewis & Co. ("Glass Lewis"), an unaffiliated governance analysis and proxy voting firm serving institutional investors that collectively manage more than \$15 trillion in assets with research focused on the (i) long-term financial impact of investment and proxy vote decisions, and (ii) creation and preservation of long-term shareholder value, to vote the proxies.

With respect to the aforementioned designated accounts, Matarin uses Glass Lewis' General Policy. Glass Lewis' General Policy seeks to focus on facilitating shareholder voting in favor of governance structures that will drive performance and create shareholder value. In addition to that General Policy, Matarin may elect to utilize another policy as an overlay enhancement. For example, Matarin may elect to utilize Glass Lewis' ESG Guidelines as a policy overlay to the

General Policy. The ESG Guidelines seek to enhance investment return with a focus on disclosing and mitigating company risk with regard to ESG-related issues.

Copies of the General Policy and any appropriate policy overlay will be made available to prospective and current Clients of Matarin upon written request at no charge.

In connection with Matarin's annual review of its Proxy Voting Policies and Procedures, Matarin will review and assess the effectiveness and desirability of continuing to retain Glass Lewis and utilizing the General Policy (with or without any policy overlays) not less than once annually.

### **Item 18      Financial Information**

We do not believe that there are any financial commitments that are likely to impair our ability to meet our contractual commitments to our Clients, and we have not been the subject of any bankruptcy proceedings.