

## Matrix Asset Advisors, Inc.

**Matrix Asset Advisors, Inc.**

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**[www.matrixadvisorsdividendfund.com](http://www.matrixadvisorsdividendfund.com)**

This brochure provides information about the qualification and business practices of Matrix Asset Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (212) 486-2004, or by email at [matrix@matrixassetadvisors.com](mailto:matrix@matrixassetadvisors.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Matrix Asset Advisors, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as a registered investment adviser pursuant to the Investment Advisers Act of 1940, as amended, (the "Advisers Act") does not imply any level of skill or training.

March 30, 2021

# Material Changes

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## Material Changes Since the Last Update

This Firm Brochure, dated March 30, 2021, provides you with a summary of Matrix Asset Advisors, Inc.'s ("Matrix Asset Advisors" or "Firm") advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31, 2020. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

Although an other-than annual amendment of our Firm Brochure was filed on June 30, 2020, there were no material changes noted since our last annual amendment dated March 30, 2020.

## Full Brochure Availability

The Firm Brochure for Matrix Asset Advisors is available by contacting Conall J. Duffin, Chief Compliance Officer, by telephone at (212) 486-2004, or by email at [cduffin@matrixassetadvisors.com](mailto:cduffin@matrixassetadvisors.com).

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# Advisory Business

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## Firm Description

Matrix Asset Advisors, Inc. (“Matrix Asset Advisors”) is an SEC-registered independent investment advisory firm managing assets on behalf of institutions and individuals in equity and fixed income strategies. Matrix Asset Advisors dates its origins to 1986 when the company was co-founded by David A. Katz, CFA and the late John M. Gates forming Value Matrix Management. In 1990 Mr. Katz merged The Value Matrix Management organization into Matrix Asset Advisors.

## Principal Owners

Matrix Asset Advisors is 100% employee-owned by nine firm partners. The ownership structure as of January 1, 2021 is as follows:

<u>Name</u>	<u>Title</u>	<u>% Ownership</u>
David A. Katz, CFA	President & Chief Investment Officer	67.364%
Lon F. Birnholz	Sr. Managing Director & Chief Financial Officer	16.439%
Steven G. Roukis, CFA	Managing Director & Sr. Portfolio Manager	8.203%
Jordan F. Posner	Managing Director & Sr. Portfolio Manager	7.682%
Stephan J. Weinberger, CFA	Managing Director & Sr. Portfolio Manager	0.134%
Sherri Hurwitz	Vice President & Head Equity Trader	0.045%
Lisa A. Mabel	Vice President & Director of Client Relations	0.045%
Jonathan Tom	Senior Vice President & Chief Operating Officer	0.045%
Conall J. Duffin	Vice President & Chief Compliance Officer	0.045%

## Types of Advisory Services

Matrix Asset Advisors provides investment advisory services for individuals and institutions, including corporate retirement plans which are subject to ERISA requirements. Matrix Asset Advisors manages client assets according to the Firm's philosophy while respecting a client's individual needs. Matrix Asset Advisors offers a Large Capitalization Value equity strategy along with a high-quality (from an investment grade standpoint) Taxable and/or Tax-exempt Fixed Income Strategy for clients desiring fixed income as a component of their overall asset allocation. In 2010, Matrix Asset Advisors began offering the Matrix Dividend Income (MDI) strategy which invests in equities with dividend rates that are higher than those purchased in our typical equity portfolios to provide clients with a higher yielding investment option.

The equity investment philosophy is to add value through security selection and risk control. The security selection system is based upon a disciplined and consistent application of quantitative and fundamental analysis techniques. Portfolios are invested using a methodology designed to manage risk consistent with each individual client's requirements.

For clients seeking a comprehensive solution for managing all of their accumulated wealth, or simply a more diversified approach across a broad variety of asset classes, with lower total variability compared to overall equity markets, we offer the Matrix Complete Wealth Management (MCWM) program, including MCWM – Passive, MCWM – Passive Plus, and MCWM – Active.

Clients typically have other assets invested in Matrix Asset Advisors strategies outside of the MCWM program, including separate accounts and Matrix Asset Advisors advised mutual funds.

### **401(k) and Defined Contribution Plan Management**

We provide several advisory services for corporate retirement plans, essentially serving as the “quarterback” for the Plan as the primary point of contact, overseeing all aspects of the 401(k) program, and coordinating with the other service providers. We partner with seasoned service providers to ensure quality back office operations and responsive participant service:

**Sentinel Benefits & Financial Group** - provides 401(k) plan administration and recordkeeping.

**Charles Schwab & Co.** - serves as a preferred custodian.

### **Tailored Relationships**

Based upon an individual client's needs, accounts may consist of an equity strategy or strategies, a fixed income strategy or strategies, mutual funds, or a combination of equity, fixed income, mutual funds and complementary strategies managed by external managers at a client's desired asset allocation.

### **Wrap Fee Programs**

Certain individuals and entities become clients of Matrix Asset Advisors (the "Adviser") through their participation in programs (each, a "Wrap Program") sponsored by multi-service financial institutions unaffiliated with the adviser (each, a "Wrap Sponsor"). The Wrap Program Client, with the advice of the Wrap Sponsor, chooses to receive the investment advisory services of the Adviser, and also receives certain other services provided by the Wrap Sponsor and/or entities affiliated with the Wrap Sponsor (such as trading execution, custodial services and, in some cases, advisory services), for a single fee (the "Wrap Fee"). The Wrap Program Client pays the Wrap Sponsor a Wrap Fee based upon the client's assets under the Wrap Sponsor's management, and the Wrap Sponsor pays the Adviser a portion of such Wrap Fee for advisory services rendered by the Adviser to the Client. In connection with Wrap Programs, the Adviser considers itself to be a sub-Adviser to the Wrap Sponsor or affiliate of the Wrap Sponsor registered as an investment adviser under the Investment Advisers Act of 1940. Although the types of services provided by the Adviser to its Wrap Program Clients are generally the same as the types of services provided by the Adviser to its regular clients, certain differences do exist, including that (a) pursuant to the Wrap Program arrangements, the Adviser is not generally permitted to communicate directly with its Wrap Program Clients (including communications with respect to changes in the Wrap Program Client's investment objectives or restrictions), and all such communications must be directed through the Wrap Sponsor, and (b) the Adviser does not provide overall investment supervisory services to its Wrap Program Clients.

The fees received by the Adviser from each Wrap Sponsor are generally equal to either (a) a percentage of the total assets in the Wrap Sponsor's Wrap Program accounts for which the Adviser provides advisory services or (b) a percentage of the Wrap Fees actually collected by the Wrap Sponsor from Wrap Program

Clients to whom the Adviser provides advisory services. Each Wrap Sponsor generally pays the Adviser on a quarterly basis, either in arrears or in advance, as provided in the contract between the Adviser and the Wrap Sponsor (each such contract, a "Master Contract"). The Adviser is not generally informed of the specific fee arrangement negotiated between each Wrap Program Client and the Wrap Sponsor. Certain Wrap Sponsors charge a minimum annual Wrap Fee to each of their Wrap Program Clients. Generally, the portion of the Wrap Fee received by the Adviser may be negotiated between the Adviser and any Wrap Program Client. With respect to each Wrap Program in which the Adviser participates, the standard fees received by the Adviser from each wrap Sponsor may vary depending on the investment style selected and other factors.

Services similar or comparable to those provided to a Wrap Program Client may be available to the client at a higher or lower aggregate cost elsewhere on an unbundled basis. In addition, while the Adviser's compensation pursuant to a Wrap Program may be the same as or lower than the Adviser's standard fee schedule, the overall cost to a Wrap Program Client may be higher than the client might otherwise experience by paying the Adviser's standard fee and negotiating transaction charges with a broker-dealer payable on a per-transaction basis, depending on the extent to which securities transactions are initiated by the Adviser for the client during the period covered by the Wrap Program.

It should be recognized that the advisory and other services provided to a Wrap Program Client might not be available to the client other than through a Wrap Program. The Adviser has no ongoing responsibility to assess for a Wrap Program Client the value of services provided by the Wrap Sponsor.

The Adviser typically will execute transactions for Wrap Program Clients through the Wrap Sponsor, which could result in the Wrap Program Client's receipt of terms for particular trades less favorable in some respects than the Adviser's clients whose trades are not executed through the Wrap Sponsor.

A Wrap Program Client may terminate its use of the adviser's services upon written notice to the Adviser or the Wrap Sponsor as provided in the contract between the Wrap Sponsor and the Wrap Program Client (each such contract, a "Client Contract"). In addition, the Adviser may cease to provide services to a Wrap Program Client as set forth in the Client Contract and/or the Master Contract. Finally, either the Adviser or a Wrap Sponsor may terminate their Master Contract as provided in that document, in which case the Adviser will cease to provide advisory services to all Wrap Program Clients of the Wrap Sponsor as provided in the Master Contract. If a Wrap Program Client's account with the Adviser is terminated at any time during a fee period, the Adviser will return to the Wrap Sponsor any prepaid but unearned advisory fees received by the Adviser for refund to the Wrap Program Client.

"Unbundled" Wrap Fee Relationships may exist where broker-dealers have primary contact with the Wrap Program Clients, and where the Adviser enters into an agreement directly with the Clients to provide portfolio management. It is assumed that both the Wrap Sponsor and the Wrap Program Client have determined the suitability of the investment approach.

## **Model Portfolio Services**

Matrix Asset Advisors has entered into agreements with certain registered third-party investment advisers that maintain asset allocation platforms ("Platform Providers"). The Platform Providers offer model portfolios to other investment advisers or broker-dealers ("Advisers"), who select from among the available



models to invest their clients' assets. The platforms offer Matrix Asset Advisors' model portfolios, which consists of Matrix's Large Capitalization Value Equity and Dividend Income strategies, as well as models from other managers. Advisers and their clients access Matrix Asset Advisors' models through these platforms. The Platform Providers do all trading to invest accounts according to the model chosen for the account. When we recommend changes or rebalances to the model portfolios, we will notify the Platform Providers promptly (typically after all other trades are completed) so that they can adjust the portfolios of invested clients to fit the model. Matrix Asset Advisors has no control over the actions or trading decisions of Platform Providers when we recommend changes or rebalances to the models.

### **Client Assets**

As of 12/31/2020, Matrix Asset Advisors total assets were \$893,312,831 million, representing assets under management of \$790,905,683 million with 504 client relationships and 1,163 accounts, and assets under advisement of \$102,407,148 million with 5 client relationships/accounts, which consists of assets as part of the advisory services Matrix Asset Advisors' provides to corporate retirement plans, the consulting services provided to Moneypaper Advisor, Inc., and those assets invested according to our model portfolios through UMA programs offered by third-party Platform Providers.

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## **Fees and Compensation**

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### **Description**

Matrix Asset Advisors offers clients professional investment management of their portfolios for a standard fee, as follows:

1. Standard Equity Accounts (Large Capitalization Value Strategy):

- .90% on the first \$5,000,000 of assets under management
- .80% on the next \$5,000,000 of assets under management
- .75% on the next \$15,000,000 of assets under management
- .65% on the next \$25,000,000 of assets under management
- .55% on the next \$50,000,000 of assets under management
- .45% on assets under management in excess of \$100,000,000

Accounts under \$1,000,000 assume a fee of 1%

Please note no Management Fee is charged by Matrix Asset Advisors on client's assets invested in the Matrix Advisors Value Fund and/or the Matrix Advisors Dividend Fund other than the fee charged by the Funds themselves.

2. Standard Equity Accounts (Matrix Dividend Income (MDI) Strategy):

- .65% on the first \$5,000,000 of assets under management
- .55% on the next \$5,000,000 of assets under management
- .50% on the next \$15,000,000 of assets under management
- .45% on the next \$25,000,000 of assets under management
- .35% on the next \$50,000,000 of assets under management
- .30% on assets under management in excess of \$100,000,000

3. Standard Matrix-Managed Fixed-Income Accounts:

- .60% on the first \$500,000 of assets under management
- .50% on the next \$2,500,000 of assets under management
- .40% on assets under management in excess of \$3,000,000

4. Standard Matrix-Managed Balanced Accounts:

Management fees for accounts that hold both Matrix-managed equity and Matrix-managed fixed income securities are determined in accordance with the account's asset allocation with each component charged per the Standard Equity and Standard Matrix-Managed Fixed-Income Account fee schedules above.

5. Matrix Complete Wealth Management "MCWM" program:

MCWM – Passive .25 basis points annually on all assets

MCWM – Passive Plus .35 basis points annually on all assets invested in non-Matrix vehicles. No additional fee on Matrix mutual funds beyond their expense ratios.

MCWM – Active .45 basis points annually on all assets invested in non-Matrix vehicles. No additional fee on Matrix mutual funds beyond their expense ratios.

Clients that elect to have a portion of their assets invested with external managers will pay two management fees, the fee charged by Matrix Asset Advisors for the oversight of the external managers and the fee charged by the external managers for the management of the assets.

6. Balanced Wealth Management Accounts Utilizing Matrix-Managed Strategies and External Managers:

Management fees for accounts that hold both Matrix-managed and externally managed securities are determined in accordance with the account's asset allocation with each component charged per the fee schedules above. Clients that elect to have a portion of their assets invested with external managers will pay two management fees: the fee charged by Matrix Asset Advisors for the oversight of the external managers and the fee charged by the external managers for the management of the assets.

Fees are negotiable under certain circumstances.

### **Fees for 401(k) / Defined Contribution Plan Consulting**

Matrix Asset Advisors, additionally, provides ongoing consulting services to 401(k) / Defined Contribution Plans which includes independent searches and ongoing performance measurement of plan investments, facilitating the Plan's investment options, policy and guideline formulation to plan participants, as well as resolves operational and administrative issues. Fees for Retirement Plan Consulting services are negotiated based on the selection of services, prior to the signing of the consulting agreement. Matrix Asset Advisors may charge an asset based or flat/fixed fee and will vary depending on the level and scope of services required.

Please note no Management Fee is charged by Matrix Asset Advisors on client's assets invested in the Matrix Advisors Value Fund and/or the Matrix Advisors Dividend Fund other than the fee charged by the Funds themselves.

### **Fee Billing**

One quarter of the standard fee, or if an incentive fee arrangement is chosen by the client, one-quarter of the basic fee portion of the incentive fee shall be payable at the beginning of each quarter, based on the market value of the assets under management at the end of the preceding quarter, (i.e. - 4/1/2020 - 6/30/2020 billing is based on 3/31/2020 assets), and all asset flow adjustments are assessed for the prior quarter period (i.e. - 1/1/2020 - 3/31/2020). The balance of the incentive fee (if applicable) is based on the market value at the start of the period under consideration and shall be payable at the end of each year as soon as it has been determined.

MAA's client fee arrangements require a manual calculation due to the complexity of the billing arrangement, such as when asset flows occur. For purposes of detailing the billing procedures below, a relationship consists of all accounts of the same client:

- 1) Relationship Contributes Funds - If a relationship contributes additional funds, the threshold of \$100,000 is used in determining whether we will make a debit adjustment to the bill. For cumulative deposits totaling \$100,000 or over, the relationship is billed for the total deposit once it reaches the threshold from the date of the deposit (or from the last deposit reaching the threshold) during the quarter end. Any subsequent deposits will be added together to reach another \$100,000 threshold before being included for additional adjustments.
- 2) Relationship Withdraws Funds - If a relationship makes an interim withdrawal, the threshold of \$100,000 is used in determining whether we will make a credit adjustment to the bill. For cumulative withdrawals totaling \$100,000 or over the relationship is refunded a stub for the total withdrawal once it reaches the threshold from the date of the withdrawal (or last withdrawal reaching the threshold) through the quarter end. Any subsequent withdrawals will be added together to reach another \$100,000 threshold before being included for additional adjustments.
- 3) Relationship Contributes and Withdraws Funds in the Same Period - if a relationship contributes additional funds and makes an interim withdrawal of the same amount and date then these contributions and withdrawals are excluded from being eligible for an adjustment. The exception

to this is if the client instructs the portfolio manager to change the asset allocation of the portfolio. (See #4 below)

- 4) Relationship Changes Asset Allocation of Portfolio - if a client instructs Matrix to change their asset allocation, then any assets transferred between strategies of different fees will be adjusted using #1 and #2 above for the strategies involved. These asset flow adjustments are calculated separately from other asset flows.
- 5) Rebalancing a Portfolio - Normal portfolio rebalance and asset flows are excluded from adjustment calculations if assets are transferred between strategies due to normal/periodic portfolio rebalancing in order to get in-line with the relationship's current asset allocation.
- 6) New Accounts - Bills for new accounts will be adjusted for each asset flow through the initial quarter end and are excluded from the \$100,000 threshold rule. This also includes new accounts with an existing relationship.

In addition, if a client determines to use margin to purchase assets that Matrix Asset Advisors will manage, Matrix Asset Advisors would include the entire market value of the margined assets when computing its advisory fee. See *METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS* for additional information on the use of margin.

Matrix Asset Advisors may enter into an arrangement with the client whereby: 1) the client provides a written authorization permitting Matrix Asset Advisors fees to be paid directly from the client's account held by an independent custodian or trustee; 2) Matrix Asset Advisors simultaneously sends the client and the custodian or trustee a bill showing the amount of the fee, the value of the client's assets on which the fee was based and the specific manner in which Matrix Asset Advisors fee was calculated; and 3) the custodian or trustee agrees to send the client a statement, at least quarterly, indicating all amounts disbursed from the account, including the amount of advisory fees paid directly to Matrix Asset Advisors. A client may terminate their investment management agreement by giving Matrix Asset Advisors written notice and will receive a refund of any unused pro rata portion of any quarterly fee paid.

Clients who have a portion of their assets in mutual funds other than the Matrix Advisors Value Fund and/or the Matrix Advisors Dividend Fund and who pay Matrix Asset Advisors a management fee on the oversight of this portion of their assets are in effect paying two management fees. The first is levied directly by Matrix Asset Advisors for the oversight of the assets and the second charged by the mutual fund(s) for the management of the fund's assets.

All fees paid to Matrix Asset Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Matrix Asset Advisors. In that case, the client would not receive the services provided by Matrix Asset Advisors which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged

by the funds and the fees charged by Matrix Asset Advisors to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. As noted above, Matrix Asset Advisors management fee is calculated based on total assets under management at the end of each quarter. This fee shall be payable at the beginning of each quarter, based on the market value of the assets under management at the end of the preceding quarter, (i.e. - 4/1/2020 - 6/30/2020 billing is based on 3/31/2020 assets), and all asset flow adjustments are assessed for the prior quarter period (i.e. - 1/1/2020 - 3/31/2020). These assets under management include all invested assets including stocks, bonds, mutual funds (***except for the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund which are not charged, as assets in the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund are not charged a management fee other than the fee imposed by the fund directly***), other assets and cash balances. In those cases where cash balances are swept in money market mutual funds, the client is in effect paying two management fees. The first fee is charged by Matrix Asset Advisors for the oversight of the money and the second by the manager of the money market fund for the investment of the money market fund's assets.

Clients investing in our MCWM program that elect to have a portion of their assets invested with external managers will pay two management fees, the fee charged by Matrix Asset Advisors for the oversight of the external managers and the fee charged by the external managers for the management of the assets. Accordingly, the client should review both the fees charged by the external managers and the fees charged by Matrix Asset Advisors to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

The management fees may be modified for unusual circumstances where special needs must be served or to achieve a fee structure mutually agreeable to the client and Matrix Asset Advisors fees may be changed from time to time by Matrix Asset Advisors upon 60 days written notice to clients.

### Other Fees

Matrix Asset Advisors receives fees for providing model portfolios based on the amount of client assets the Platform Provider has invested according to our model portfolio allocations, which consists of Matrix's Large Capitalization Value Equity and Dividend Income strategies. We negotiate fees with each Platform Provider, but they generally range from 28 basis points (0.28%) to 30 basis points (0.30%) of the invested assets. Our agreement with the Platform Provider will outline the actual fee rate charged to each Adviser, and Matrix Asset Advisors may charge fees that are different from the range above.

Matrix Asset Advisors will receive a consulting fee for Moneypaper Advisor, Inc. ("MPA") of \$16,000 per year, paid monthly.

Clients also pay all margin interest and fees, and/or other similar charges incurred in connection with transactions in accounts, from the assets in the account to the custodian/broker.

### Fees Paid in Advance

Matrix Asset Advisors charges management fees on a quarterly basis in advance for the following quarter. Any portion of a pre-paid management fee not utilized is refunded to the client in a timely manner. When a client provides notice of termination of their investment management agreement and requests the liquidation of securities, Matrix Asset Advisors will whenever possible, with market conditions permitting, attempt to affect such liquidation by the close of the next business day.

### **Additional Compensation**

Matrix Asset Advisors, as investment advisor to the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund, receives advisory fees for the management of the Funds' investments. Any client assets invested in the Matrix Advisors Value Fund and/or the Matrix Advisors Dividend Fund are subject to these advisory fees and are not charged an additional management fee by Matrix Asset Advisors.

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## **Performance-Based Fees & Side-by-Side Management**

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Matrix Asset Advisors does not currently have any performance-based incentive fee arrangements in place.

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## **Types of Clients**

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### **Description**

Matrix Asset Advisors manages taxable and tax-exempt accounts on behalf of clients including state and local municipalities, institutions, high net worth individuals, endowments, foundations, Taft Hartley plans, corporations, wrap program clients as well as 401(k) and defined contribution plans. Matrix Asset Advisors is also the investment advisor to the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund.

Matrix Asset Advisors has a Consulting Agreement in place with Moneypaper Advisor, Inc. ("MPA"), whereby Matrix Asset Advisors will be assisting MPA in a non-discretionary advisory capacity. Matrix Asset Advisors has entered into agreements with certain registered third-party investment advisers that maintain asset allocation platforms. The platforms offer Matrix Asset Advisors' model portfolios, which consists of Matrix's Large Capitalization Value Equity and Dividend Income strategies, as well as models from other managers.

### **Account Minimums**

Matrix Asset Advisors intends to provide investment management services to accounts with a recommended minimum of \$500,000 for standard fee accounts and balanced fee accounts with the exception of accounts in the Matrix Dividend Income (MDI) strategy which have a recommended minimum of \$100,000.

In some cases, Matrix Asset Advisors will enter into incentive fee arrangements with qualified clients at their election, and whose account meets the minimum of \$10,000,000. Matrix Asset Advisors will structure any incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 in accordance with the exemptions made available under its provisions.

Accounts obtained through wrap programs are subject to the minimums of the particular program.

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# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis

Matrix Asset Advisors utilizes both quantitative and fundamental methods of analysis. Investment ideas become portfolio holdings after they have passed through our research process which begins with a preliminary balance sheet screening. While we are willing to contemplate operating risk and uncertainty in a company, we are unwilling to also pursue financial uncertainty or instability. From an initial universe of 1,500 large cap stocks, we therefore will generally screen out companies with debt to capitalization ratios of higher than 45%. For industries that do not lend themselves to traditional balance sheet analyses, we will examine other important capital strength metrics to ensure the companies have underlying stability. Typically, this process eliminates up to a third of the initial universe.

We then proceed to a quantitative screening process in order to identify stocks that appear to be statistically attractive on at least two of our eight proprietary valuation models. Our quantitative models focus on both absolute and relative criteria, including earnings and dividend growth, return on equity, and relative price/earnings, price/book, price/sales and dividend yields. For our Large Cap Value strategy (LCV), each stock should be purchased at about a one-third discount to our estimate of intrinsic value, which embeds a potential upside of at least 50% at inception and a downside limited by low valuation and robust financial underpinnings. For our Matrix Dividend Income strategy (MDI), we focus on mature, stable companies and consequently require a lesser discount to intrinsic value. In this strategy, we also require a target company have a long history of consistent and growing dividends, as well as a current dividend yield about 30% greater than the market (S&P 500) or more. For both strategies, this quantitative analysis represents about 20% of our research effort.

The bulk of the research effort and where Matrix Asset Advisors adds the most value consists of detailed qualitative fundamental research. The purpose of this effort is to determine whether a statistically intriguing company is in fact undervalued and not just deservedly inexpensive, and if so, what the prospects are for its stock price to return to the level of its intrinsic value. Additionally, for MDI, we assess a company's commitment to the dividend and the likelihood of continued dividend growth, and prefer a conservative dividend payout ratio and more stable business franchises. Key steps in this qualitative process include: review of financial results, corporate structure and outlook; discussions with industry experts and sell-side analysts; management reviews; and catalyst evaluation.

If the Investment Policy Committee favorably assesses both the quantitative valuation opportunity and the qualitative aspects of the investment thesis, we will initiate a position across our account base. For the LCV strategy, we target a portfolio of 35-40 "best ideas"; for MDI, it is 25-30 positions.

For Individual clients that seek a more broadly diversified portfolio of stocks and bonds, Matrix Asset Advisors may recommend the use of other external managers to complement the advisory services provided by Matrix Asset Advisors. The analysis and selection of the other external managers includes utilizing

industry databases (such as eVestment Alliance and Informa) to assess the investment philosophy, investment process, investment performance and investment team of each firm under consideration. This assessment is confirmed by manager interviews and/or visits and is reaffirmed by quarterly monitoring over the course of time.

## **Investment Strategies**

Matrix Asset Advisors is a U.S. Value equity manager with over 30 years of history of building portfolios of common stocks bottom-up. We offer two main investment strategies: Large Cap Value with our 35-40 “best ideas” that trade at a large discount to our estimate of their intrinsic value, and Dividend Income with 25-30 positions in stable companies with high but safe dividend yields. Our primary objective for the Large Cap Value strategy is to identify a diversified group of financially strong companies, where each stock trades at a substantial discount to its underlying intrinsic value (fair value). For Dividend Income, we target steady, mature business and so will accept a somewhat lower discount to intrinsic value, but also require a high dividend yield with predictable and growing dividends. We believe value can be found in all sectors of the market, and thus do not exclude any industry from our search for attractive investment candidates. We favor better businesses, in better industries, trading at compelling prices, where some temporary setback has created an unusual opportunity for a patient investor.

We believe our time-tested, proprietary, quantitative approach to determining intrinsic value, coupled with the application of our team’s experienced, qualitative judgment regarding the key factors relevant to a company’s long-term investment case, can successfully separate temporarily “cheap” stocks from damaged businesses. In the Dividend Income strategy, we also believe the meaningful dividend yield premium required can produce a meaningful income stream while reducing overall variability in that portfolio’s returns.

Our methodology is repeatable, versatile, and targeted to identify attractive investments in all sectors and market environments, and readily adaptable to an objective sell process. This philosophy has not changed since Matrix Asset Advisors’ inception.

Matrix Asset Advisors manages Fixed Income investments for those clients that desire bonds as part of their asset allocation. We invest in high-quality (from an investment grade standpoint) taxable and tax-exempt securities and tailor fixed income portfolios to individual client’s needs.

## **Risk of Loss**

There is a risk that a Client of Matrix Asset Advisors could lose all or a portion of his or her investment. The following are some of the principal risks that could affect the value of a Client’s investment:

**Pandemics and Other Public Health Crisis:** Pandemics and other health crises, such as the outbreak of an infectious disease such as severe acute respiratory syndrome, avian flu, H1N1/09 flu and COVID-19 or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, could have a negative impact on the economy, and business activity in any of the areas in which client investments may be located. Such disruption, or the fear of such disruption, could have a significant and adverse impact on the securities markets, lead to increased short-term market volatility or a significant market downturn, and may have adverse long-term effects on world economies and markets generally.



**Management Risk:** The risk that Matrix Asset Advisors may fail to implement the Client's investment strategies and meet his or her investment objective.

**Market Risk:** The market price of a security may fluctuate, sometimes rapidly and unpredictably. These fluctuations may cause a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.

**Common Stock Risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value.

**Sector Emphasis Risk:** Investing a substantial portion of the Client's assets in related industries or sectors may have greater risks because companies in these sectors may share common characteristics and may react similarly to market developments.

**Value Strategy Risk:** The stock of value companies can continue to be undervalued for long periods of time and not realize its expected value. The value of the Client's investment may decrease in response to the activities and financial prospects of an individual company.

**Dividend Income Strategy Risk:** Companies that make it a priority to pay shareholders large and increasing dividends may run the risk of not reinvesting enough in their businesses to remain competitive with other companies who place a lower relative importance on dividend payments. In periods of strong economic growth or in rapidly changing industries, therefore, stocks of dividend-focused companies may not perform as well as the market or growth-focused competitors. Dividends are frequently viewed by management as fixed payments; thus, in difficult economic environments, dividend-focused companies may have less financial flexibility in making operational decisions. The strategy could also be impaired if dividends are cut or if the strategy is out of favor.

**Interest Rate Risk:** Fixed income securities increase or decrease in value based on changes in interest rates. If rates increase, the value of fixed income securities generally declines. Conversely, if rates fall, the value of the fixed income securities generally increases. These changes are greater as the security's duration increases, with longest maturities generally having the greatest sensitivity. If we fail to sell long maturity bonds prior to a rising rate environment, bond values will decline.

**External Manager Oversight Risk:** Matrix Asset Advisors may recommend and provide oversight of external managers offering complementary strategies to Matrix Asset Advisors for individual clients seeking a broadly diversified portfolio. These managers may perform differently than Matrix Asset Advisors expects and the client's investment may decrease in response to the activities and financial prospects of external managers and their investments recommended by Matrix Asset Advisors.

**Specific Security Risk:** Matrix Asset Advisors generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic equity and fixed income markets. Other strategies such as using margin or leverage can be used when Matrix Asset Advisors deems it appropriate for a particular account or given market condition. While the use of margin borrowing or leveraged funds can increase returns, it can also magnify losses in the event of a significant downturn in the market. Clients are responsible for the payment of any margin charges. These specific strategies can increase risks independent of the many risks inherent to investing. For risks related to equity and fixed income strategies, see section above. Investing in securities involves risk of loss that clients should be prepared to bear.

Securities markets experience significant degrees of volatility. Over time, a client's assets may fluctuate and at any time be worth more or less than the amount invested.

**Risk of Margin as an Investment Strategy and Associated Conflict of Interest:** Although Matrix Asset Advisors does not recommend the use of margin as an investment strategy, in which the client would borrow money leveraged against securities it holds to purchase additional securities, clients choosing to do so would be subjected to the risks described above. In addition, if a client determines to use margin to purchase assets that Matrix Asset Advisors will manage, Matrix Asset Advisors would include the entire market value of the margined assets when computing its advisory fee, which would present a conflict of interest because it would result in an increased advisory fee. Another conflict of interest would arise if Matrix Asset Advisors has an economic disincentive to recommend that the client terminate the use of margin.

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## Disciplinary Information

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### **Legal and Disciplinary**

Matrix Asset Advisors has no legal and disciplinary history.

### **Criminal or Civil Action**

Matrix Asset Advisors has had no criminal or civil actions.

### **Administrative Proceeding**

Matrix Asset Advisors has not had any administrative proceedings.

### **Self-Regulatory Proceeding**

Matrix Asset Advisors has not had any self-regulatory proceedings.

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## Other Financial Industry Activities and Affiliations

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### **Broker-dealer or Registered Representative**

Matrix Asset Advisors is not a Broker-Dealer.

### **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

Matrix Asset Advisors is not a Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person.

## Material Relationships or Arrangements with Financial Industry

Matrix Asset Advisors has no material relationships or arrangements with the Financial Industry.

## Recommend or Select Other Investment Advisers

As part of our MCWM program for individual clients that seek a broadly diversified portfolio of stocks and bonds, Matrix Asset Advisors may recommend the use of other external managers to complement the advisory services provided by Matrix Asset Advisors. These may include one or more of the following, but are not limited to, Growth managers, International Equity managers, Small Cap managers, High Yield Bond managers, Municipal Bond managers and Taxable Bond managers. Client assets may be invested in either externally managed Mutual funds, ETF's (Exchange Traded Funds) or separate accounts as appropriate.

Clients that elect to have a portion of their assets invested in complementary strategies provided by external managers will in effect pay two management fees, the first for the oversight of the external manager by Matrix Asset Advisors, and the second by the external manager for the management of the assets.

As previously described above, Matrix Asset Advisors has a Consulting Agreement in place with Moneypaper Advisor, Inc. ("MPA"), whereby Matrix Asset Advisors will be assisting MPA in a non-discretionary advisory capacity. As part of this consulting relationship, certain equity securities will be discussed with investment individuals at MPA, which from time to time may also be either held or at some point purchased or sold by Matrix Asset Advisors. While Matrix Asset Advisors may discuss these securities, the securities purchased or sold by MPA is not usually known by Matrix Asset Advisors until after the fact, and even so, the volume of MPA's trading activity is relatively small (typically \$20k on average). Matrix Asset Advisors does not disclose its anticipated trading activity to MPA.

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

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## Code of Ethics

Matrix Asset Advisors maintains and follows the "Matrix Asset Advisors Professional Conduct and Code of Ethics" which meets all of the requirements under Rule 17j-1 under the Investment Company Act of 1940 and Section 204A under the Investment Advisers Act of 1940. All employees are considered "Investment personnel" as they may at some time access investment information and are subject to the policies and procedures of the Code including the pre-clearance of securities transactions, reporting of monthly trade activity on a Monthly Trade Report form (in lieu of quarterly transaction reports and including required 17j-1 information), reporting of initial and annual holdings, reporting of initial and annual political contributions and abiding by any trade and other restrictions. Code violations are subject to penalties.

All trades in covered securities in accounts of employees or any family members living in their household are required to be pre-approved by the firm's Chief Investment Officer or Senior Partner. Employee trades are subject to a one-day blackout period whereby a security cannot be traded by an employee or associate on the same day the security is traded for a client account. Additionally, employees or associates are subject

to the 60-day rule whereby they may not sell a security for a profit within a 60-day holding period. Covered securities include equities, exchange traded funds (ETFs), fixed income securities and mutual funds advised by Matrix Asset Advisors. A record of completed trades must be submitted to the Compliance Officer within 15 days of the end of each month. Initial and annual holdings reports are also submitted by all employees and associates as required. All employees are required to certify initially and annually that they agree to abide by the Code and are in compliance with the Code and to certify that they have disclosed all of their accounts and holdings.

Matrix Asset Advisors Chief Compliance Officer is responsible for the review of employee trading reports on a monthly basis as well as the review of all Code of Ethics initial and annual certifications, initial and annual holdings reports, and initial and annual political contribution reports.

A copy of Matrix Asset Advisors Code of Ethics and Policy on Personal Securities Transactions and Insider Trading document is available to clients and further offered to clients annually.

### **Recommend Securities with Material Financial Interest**

The President and Chief Investment Officer of Matrix Asset Advisors, David A. Katz, CFA, is also President and Chief Investment Officer of the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund, registered investment companies that are affiliated with Matrix Asset Advisors, and for which Matrix Asset Advisors acts as investment adviser.

Matrix Asset Advisors may invest investment supervisory service client assets in these affiliated Funds.

All of Mr. Katz's time is spent on advisory activities. Matrix Asset Advisors manages these funds as additional clients of the firm. The Funds' respective investment philosophies are similar to other Matrix Asset Advisors equity accounts. Purchase and sale transactions are executed in line with and on an equal basis to all other clients of the firm.

### **Invest in Same Securities Recommended to Clients**

Various officers and employees of Matrix Asset Advisors may also have managed accounts in the various strategies offered by Matrix Asset Advisors. In these cases, the officers' and employees' accounts are treated the same as individual client accounts for management and trading purposes. Various officers and employees of Matrix Asset Advisors may from time to time purchase or sell for their personal accounts securities of the same issuer as those acquired or sold for the investment management clients of Matrix Asset Advisors, provided that such purchases and sales are consistent with Matrix Asset Advisors established policies on such investments described below and outlined in Matrix Asset Advisors Code of Ethics and Policy on Personal Securities Transactions and Insider Trading. Matrix Asset Advisors has a policy against effecting transactions for its own account or for the accounts of persons associated with it in securities recommended to or purchased by clients where such recommendation or purchase by clients could result in transactions unduly influencing the market value of the securities to the undue benefit of Matrix Asset Advisors or its related person or persons. Employees and associates may not knowingly precede the beginning of a buy or sell program. This means that employees and associates may not purchase securities that are under consideration for purchase and may not sell securities that are under consideration for sale. Once a purchase or sale program is being implemented, employees and associates may only engage in transactions in these securities as long as they are in compliance with the below parameters and in accordance with the Code of Ethics and Policy on Personal Securities Transactions and Insider Trading.

## Personal Trading Policies

Employee trading is governed by both Matrix Asset Advisors Code of Ethics and Employee Trading Policy and Procedures. Comprehensive procedures are in place for the monitoring of employee trading activity. All employee trades must be pre-approved by the Chief Investment Officer or a Senior Partner. No pre-clearance is required for trades in employees' accounts which are managed in Matrix Asset Advisors strategies and trade alongside individual client accounts. All trading activity is then documented in our monthly trade reports (in lieu of quarterly transaction reports) which are compared to monthly brokerage statements. A thorough review of employee trading is conducted by the Chief Compliance Officer on a monthly basis as well as by our outside compliance consulting firm, Focus 1 Associates, on a quarterly basis.

# Brokerage Practices

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## Selecting Brokerage Firms

### Best Execution - Equities

Matrix Asset Advisors, as a fiduciary to our advisory clients, endeavors to seek best execution for client transactions, i.e. seeking to obtain not necessarily the lowest commission but the best overall qualitative execution.

Matrix Asset Advisors will endeavor to select those brokers/dealers which will provide high quality professional services at competitive commission rates. The reasonableness of commissions is based on the broker's ability to provide professional services, competitive commission rates, research and other services which will help Matrix Asset Advisors in providing investment management services to clients.

When Matrix Asset Advisors uses a broker other than Schwab or Fidelity, when either are also serving as the client's custodian, they will pay a brokerage commission in excess of that which another broker may have charged for effecting the same transaction. The principal factor Matrix Asset Advisors considers in selecting brokers/dealers and determining the reasonableness of commissions charged is primarily net best execution. Matrix Asset Advisors will select a broker for each specific transaction with the objective of obtaining the combination of competitive commission with high quality execution. Other judgmental factors utilized in determining the broker/dealer to affect the client transaction include: Matrix Asset Advisors knowledge of negotiated commission rates currently available and other current transaction costs, the nature of the security being traded, the size of the transaction, the desired timing of the trade, the capabilities of the broker/dealer, and the financial stability of the broker/dealer.

Matrix Asset Advisors may also utilize a broker/dealer in recognition of a particular research idea, analysis, or other services related to research services.

In order to ensure that clients are receiving best execution, Matrix Asset Advisors maintains a Trade Review Committee consisting of the firm's head trader, trade clearing specialist and the firm's President and CIO. The quality of trade execution is reviewed on an ongoing basis, and formally documented quarterly. Matrix Asset Advisors also maintains a Best Execution Committee which consists of the Trade Review Committee

as well as the Chief Compliance Officer and Director of Operations and the Chief Financial Officer. The Best Execution Committee meets quarterly to formally review the findings of the Trade Review Committee.

Brokers/Dealers are reviewed for best execution based upon the following factors:

1. Ability to execute buy or sell orders with little or no market impact.
2. Speed in which orders are placed and executed.
3. Ability to execute at or better than limit orders.
4. Ability to provide trading insight and information regarding market forces influencing short term price movement on given trades and securities of interest.
5. Ability to provide insight into market and individual securities with regards to pre-market calls and intra-day market calls.
6. Ability to execute pre or post market transactions if desired.
7. Ability to provide active buyers or sellers to help satisfy desired trades.
8. Ability to provide price execution vs. VWAP (when appropriate).
9. Ability to execute within the market insider spread.
10. Ability to execute numerous small orders (either limit or market) in a timely manner.
11. Ability to execute market on close orders in a timely manner.
12. Ability to trade electronically when desired.
13. Ability to direct orders to NYSE or ECNs if desired.
14. Ability to execute smaller orders at competitive price per share commission rates.
15. Ability to offer competitive commission rates on large as well as intermediate sized orders.
16. Ability to provide confidentiality of trading programs and transactions as well as overall confidentiality of the firm and our clients.
17. Financial stability
18. In the case of a broker/dealer acting as a principal in an over-the-counter transaction, the ability to execute desired quantities of shares at rates which are competitive within the stated bid/offer of a stock while not meaningfully impacting the price movement of the security.

Other factors which are considered when evaluating broker/dealers are:

1. Research coverage and idea generation
2. Soft dollar research services as discussed in the Research and Soft Dollar section below.

### 3. Ease of trade clearing and settlement

#### Best Execution - Fixed Income

Matrix Asset Advisors, as a fiduciary to our advisory clients, endeavors to seek best execution for client transactions (i.e. seeking to obtain not necessarily the lowest cost security but selecting in our opinion, the security that provides clients with the best yield/price characteristics that meets their portfolio's objectives). The following outlines a formal written policy in regard to "Best Execution for our Clients' Asset Management Accounts".

The fixed income markets do not disclose commissions as they are built into the price of the security. Therefore, Matrix Asset Advisors will endeavor to select those brokers/dealers which will provide high quality professional services, at competitive prices, in the areas of the market Matrix Asset Advisors invests (Municipal, Treasuries, Agencies and/or Corporates). These services include the ability to provide pricing, market information, research and other services that will help Matrix Asset Advisors in providing investment management services to its clients.

Fixed income markets generally do not operate from a centralized market but rather through a dealer-based inventory system. This requires Matrix Asset Advisors to conduct pricing inquiries of many different broker/dealers in order to determine general market levels and the quality of offerings presented to our clients. As a result, pricing is often not uniform and it is not unusual that the same issue cannot be found in other broker/dealer inventories, making price comparison difficult. In order to determine the appropriateness of pricing, Matrix Asset Advisors is often confronted with comparing bonds of dissimilar characteristics (i.e., credit quality, callability, liquidity, odd-lot, etc.).

Depending upon the trade in question, Matrix Asset Advisors may not always obtain the best price/yield for a client, as Matrix Asset Advisors must consider the individual needs of the client's portfolio (callable vs non-callable issues). Matrix Asset Advisors will select a broker for each specific transaction with the objective of obtaining the combination of competitive pricing with high quality execution. Other judgmental factors utilized in determining the broker/dealer to affect the client transaction include among others: knowledge of the nature of the security being traded, the size of the transaction, the desired timing of the trade, the capabilities of the broker/ dealer, and the financial stability of the broker/dealer.

Many clients when undertaking an advisory relationship already have a pre-established relationship with a broker and they will instruct Matrix Asset Advisors to execute all transactions through that broker. In addition, on occasion a broker will introduce one or more clients to Matrix Asset Advisors. In the event that either a client directs Matrix Asset Advisors to use a particular broker, or a broker introduces a client to Matrix Asset Advisors, it should be understood that under those circumstances Matrix Asset Advisors may not have the authority to negotiate the best pricing, and best execution might not be obtained.

Consistent with the above discussion, in order to ensure that clients are receiving best execution Matrix Asset Advisors uses the following guidelines:

The Trade Review Committee consists of the Head of Fixed Income and partner, Fixed Income Trader and Clearing Specialist. The Head of Fixed Income and the Fixed Income Trader review the quality of trade execution on an ongoing basis. They maintain an evaluation list commenting on the broker/dealers that Matrix Asset Advisors deals with. These evaluations are updated quarterly, and they are reviewed with the

CCO and CIO also quarterly. Additionally, Matrix Asset Advisors keeps detailed trade execution information on every executed trade. The Clearing Specialist reviews quality of trade settlement and clearing on an ongoing basis.

Definitions:

Prime Broker and DVP Trading: Broker Dealer and electronic trading platforms that are executing trades for Matrix Asset Advisors prime broker and DVP accounts.

Client Designated Trading: Broker/Dealers where the client has asked Matrix Asset Advisors to work with a specific broker or the broker has introduced the client to Matrix Asset Advisors. In each of these cases the account is custodied with the designated broker.

Best Execution: Matrix Asset Advisors incorporates the following procedures to uncover the best pricing for its clients in all fixed income DVP and Prime Broker trading accounts. At least once a week Matrix Asset Advisors contacts between five to ten broker/dealers informing them of our clients' fixed income needs.

A. Municipals, Corporate, and certain Agency Bonds (procedures are for all municipal and corporate bonds as well as callable agencies and certain non-callable bonds):

1. Purchases: Once a broker/dealer presents a purchasing opportunity, Matrix Asset Advisors searches the inventory of other brokers/dealers in order to compare similar issues (i.e., issuer, credit quality, callable, etc.) to determine the best price/yield scenario. Matrix Asset Advisors will select the instrument that provides the best price/yield scenario that meets the client's overall portfolio needs.

2. Sales: Matrix Asset Advisors conducts a sales auction among at least two broker/dealers selecting the highest price for the client.

B. Treasuries and certain Agency Bonds: (procedures are for all treasuries and certain non-callable bonds that can be purchased through an electronic trading system). Matrix Asset Advisors uses electronic trading systems to execute both the purchases and sales of US Treasuries and certain US Agency bonds, as well as for price discovery. Matrix Asset Advisors has tested these electronic trading systems by employing steps taken in part A above to ensure that the electronic trading system was providing at least the same and often better pricing.

Additionally, Matrix Asset Advisors considers a number of other factors in determining if a firm is providing "Best Execution" to our clients. Factors that go into this evaluation include:

1. Speed in which they execute trades.
2. Ability to provide insight into markets and individual securities.
3. Ability to provide active buyers or sellers to help satisfy desired trade. (Find opposite side of transaction).
4. Ability to execute numerous small orders (odd-lots) in timely manner
5. Ability to trade electronically when desired



6. Ability to carry inventory in a specific market segment.
7. Ability to provide confidentiality of trading programs and transactions as well as overall confidentiality of the firm and our clients.
8. Financial Stability of the broker dealer.

Relationship Criteria Outside of Trade Execution Includes:

1. Research coverage and idea generation
2. Ease of trade clearing and settlement

Matrix Asset Advisors CCO participates in Best Execution Reviews as well as monitors firm trading activity and brokerage selection.

## **Research and Soft Dollars**

### **Soft Dollar Research Services**

In the general course of business, Matrix Asset Advisors has entered into soft dollar relationships in which a brokerage firm directly supplies research or provides Matrix Asset Advisors with various research and brokerage related products/services. In return for these products/services, Matrix Asset Advisors pays or compensates these firms with commission dollars.

### **Eligible Soft Dollar Services - 2020**

For 2020, Matrix Asset Advisors continues to limit the eligible services to those that are primarily research and brokerage-related and include computer software relating to equity and fixed income research and brokerage services (including but not limited to analytical, portfolio analytics and trading software), statistical services and databases used for research and their delivery.

The soft dollar firms and services paid for during 2020, while less than previous years, are included below:

\* Instinet: Computer software relating to equity and fixed income research and brokerage services (including but not limited to analytical, portfolio analytics and trading software), statistical services, databases used for research and their delivery, and major and regional brokerage houses' proprietary research offerings.

As a result of these soft dollar arrangements, there may be instances where the client could pay modestly higher commission rates. The commissions paid for these soft dollar research services are not expected to be higher than those commission rates negotiated at the inception of the asset management relationship.

Research services paid for by soft dollar commission transactions may benefit some or all of Matrix Asset Advisors clients. There will be instances where the client, whose commissions are being used for soft dollar payments, does not benefit by the research service which has been provided. For example, if a client has an all-equity account, their commission dollars might be used to pay for fixed income related research products or services. As a result, they would not benefit from the service being paid for. In addition, there can be circumstances where the benefit is not limited to just those clients paying for the service.

In those cases where a custodial bank exists and Matrix Asset Advisors is authorized to select the broker for the client, it will seek to obtain the best net results for the client, taking into account such factors as price (including the applicable brokerage commission or dealer spread), size of order, difficulty of execution and operational facilities of the firm involved and the firm's risk in positioning a block of securities. However, this does not guarantee the client will pay the lowest commission or spread available. Subject to obtaining the best net results for the client, brokers who provide supplemental investment research to Matrix Asset Advisors, Inc may receive orders for transactions on behalf of clients. Information so received will be in addition to and not in lieu of the services required to be performed by Matrix Asset Advisors and the expense of the receipts of such supplemental information. Such information may be useful to Matrix Asset Advisors in providing services to clients other than the client whose transaction is being executed and not all such information may be useful to Matrix Asset Advisors in connection with such client's account. Conversely, such information provided to Matrix Asset Advisors by brokers through whom other clients of Matrix Asset Advisors effect securities transactions may be useful to Matrix Asset Advisors in providing services to such client.

During the course of business, Matrix Asset Advisors purchases some products and services that might have a mixed use. For example, the product can be used to assist in the research process, as well as in the creation of client reports or marketing materials (i.e., uses that benefit Matrix Asset Advisors, not the client). In reviewing all soft dollar research and brokerage related services, Matrix Asset Advisors makes a determination about the end use of the product/service and then makes an allocation decision in regard to usage percentage allocation. The cost of these items is then proportioned with the research and brokerage related functions paid by soft dollar commissions and the other non-research and brokerage related functions paid directly by Matrix Asset Advisors through "hard" dollars.

There is an inherent conflict of interest that Matrix Asset Advisors confronts in making determinations of mixed-use products. Determinations which result in a higher percent of the product being used for research and brokerage related functions result in lower hard dollar amounts being paid by Matrix Asset Advisors and higher soft dollar commissions which is subsequently paid by client commissions. Matrix Asset Advisors attempts to use appropriate and reasonable methods in allocating expenses on mixed use items.

Matrix Asset Advisors CIO and CCO approve all soft dollar services. The CCO oversees the soft dollar service budget and payments and performs an annual soft dollar review.

Matrix Asset Advisors utilizes proprietary broker research received from brokers with whom we trade for client accounts (including mutual funds advised or sub-advised by Matrix Asset Advisors). Proprietary Research received consists of the following: written research reports, access to research analysts, access to broker-sponsored conferences, and access to company managements through attendance of broker-sponsored conferences.

While we may from time to time receive unsolicited research from other brokers, in 2020, Matrix Asset Advisors received proprietary research from the following brokers with whom we have placed or could place client transactions:

Barclays

Citigroup

Cowen

Deutsche Bank

Goldman Sachs

JP Morgan

Morgan Stanley

Robert W. Baird & Co.

Wells Fargo

### **Brokerage for Client Referrals**

Matrix Asset Advisors has no brokerage for client referral arrangements.

### **Directed Brokerage**

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker and they will instruct Matrix Asset Advisors to execute all transactions through that broker. In addition, on occasion a broker will introduce one or more clients to Matrix Asset Advisors. In the event that either a client directs Matrix Asset Advisors to use a particular broker or dealer, or a broker introduces a client to Matrix Asset Advisors, it should be understood that under those circumstances Matrix Asset Advisors may not have authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, under these circumstances a client will often pay a higher commission than the commission charged to other clients.

When Matrix Asset Advisors acts as an adviser in various Wrap Programs, Matrix Asset Advisors may have discretion to select brokers, but it is anticipated that most transactions will be placed with the custodian/broker because of the favorable commission schedule and the charges that would be imposed on the account for trading away from the custodian/broker. Therefore, a Wrap Program Client must be aware that Asset Advisors is generally not free to seek best price by placing transactions with other brokers or dealers.

In evaluating a bundled fee program, the client should recognize that Matrix Asset Advisors is not negotiating brokerage commissions on behalf of the client. Further, with a bundled fee program, a client should also consider that, depending upon the level of the single fee charged under the program, the package of services provided, the amount of the portfolio activity in the account, the value of the custodial and portfolio monitoring services, the single fee may be higher or lower than the total cost of all the services the client is receiving were he/she able to pay for each service separately. For client accounts subject to ERISA, such directed broker arrangements must be for the exclusive benefit of participants and beneficiaries of the plan and must not constitute or cause the account to be engaged in a prohibited transaction as defined by ERISA. Clients may wish to compare the possible costs or disadvantages of such directed brokerage arrangements.

When a client directs Matrix Asset Advisors in terms of their brokerage relationship, Matrix Asset Advisors may (unless otherwise advised) negotiate with the selected broker in terms of the commission rates that will

be charged on the account. This negotiating by Matrix Asset Advisors can result in the client paying the selected broker lower rates than if they negotiated the rates themselves.

Client Designated Trading - Trade Execution is evaluated using the same criteria. In those cases where Matrix Asset Advisors has issues with the broker dealer's execution, a discussion may take place with the broker dealer. If we are unable to reach an acceptable solution, the client is informed about problems. At that point the client can make a determination about the desire to proceed with the broker or make a change in their trading relationship. If the client prefers that we continue to work with the organization in question, Matrix Asset Advisors will work with the broker dealer to address areas of deficiency. Depending upon the outcome of the discussions with the client as well as the broker, client Best Execution may not be obtained.

## Order Aggregation

Matrix Asset Advisors follows the Matrix Asset Advisors Client Trading Policy and Procedures document to determine order aggregation. Matrix Asset Advisors will block trades where possible and where we believe advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. It is expected that blocking of trades will allow Matrix Asset Advisors to execute equity trades in a more timely, equitable manner and to reduce overall commission charges to clients. Generally, clients who are included in these block trades will share the reduced transaction cost that results from the block. However, there will be block trades that will include clients who because of their size or other circumstances have pre-negotiated lower rates than those that are used in our normal block trading practices. In those cases, some clients would be receiving better commission rates than those received by others who are included in the same block trade. In addition, if a client is included in the block trade but is subject to a minimum transaction charge, they will be subject to paying a higher cents per share transaction rate than other clients who are included in the same block trade.

**Additional Considerations:** If a security is purchased or sold from a brokerage house in one order or working order, Matrix Asset Advisors will attempt to record an average ticket price to be given to all clients from that respective brokerage house in that given day.

The following outlines the general procedures to be employed by Matrix Asset Advisors in the purchase or sale of equity securities.

**Purchase and Sale by Brokerage House:** In general, no priority is to be given to any brokerage house in terms of the timing of orders. Orders will be placed to maximize the number of clients and the number of shares that can be bought or sold for these clients without materially affecting the market and to minimize stock price movement. Another consideration affecting the timing of orders is the responsiveness of the broker and the broker's ability to execute orders in a timely manner. Block trade orders, typically the larger trades in regard to number of clients and number of shares, are generally placed first, and designated broker orders, typically with a smaller number of clients and shares, are placed after the block trades. Within the designated broker trades, orders will also be placed to maximize the number of clients and the number of shares that can be bought or sold for these clients without materially affecting the market and to minimize stock price movement. A similar process is applied in the timing of placing orders for the smaller directed brokerage relationships. The timing of orders for designated broker trades is also affected by the responsiveness of the broker and the broker's ability to execute orders in a timely manner. In liquid securities orders will be placed at more than one brokerage house at a time, while in illiquid securities

orders will be placed at a much slower pace. In those cases where Matrix Asset Advisors is buying or selling very liquid securities where multiple simultaneous transactions are not expected to impact the security's price, with all other factors being equal, Matrix Asset Advisors will generally execute orders from both the non-designated broker and designated broker trading groups per the above parameters.

**Purchase within Brokerage House:** When a partial position is bought within a particular brokerage house the following priority of placement is followed. A) Prior to placement of order, decision is made to purchase security for specified client or group of clients. B) Portfolios that are most under-weighted in the designated asset class start to have their positions filled prior to fully invested or nearly fully invested portfolios receiving additional securities. C) Portfolios which are under-weighted in a given industry or have no position in a particular security have their position filled prior to portfolios which already have a position in the security being bought. D) Positions filled alphabetically (listing identified as alphabetical from Axys account code and families or grouped accounts are filled at same time whenever possible). The alphabetical listing will be sorted with a rotation of the alphabet based upon the calendar day of the month. Also, partial positions are taken for accounts which are expected to purchase significantly more shares (this allows for a partial purchase and does not result in higher than normal commissions). Typically, full positions are filled when purchase is for 99 or less shares.

**Sale within Brokerage House:** When a partial position is sold within a particular brokerage house the following priority of placement is followed. A) Prior to placement of order, decision is made to sell security for specified client or group of clients. B) Portfolio requires cash to meet client's cash disbursement needs. C) Positions sold alphabetically (listing identified as alphabetical from Axys account code and families or grouped accounts are sold at the same time whenever possible). The alphabetical listing will be sorted with a rotation of the alphabet based upon the calendar day of the month. Also, partial positions are sold for accounts which are expected to sell significantly more shares (this allows for partial sale and does not result in higher than normal commissions). Typically, full positions are sold when the holding is 99 or less shares.

Trading is reviewed on an ongoing basis by the CIO and the CCO and a third-party Compliance Consultant, to ensure that no account has been disadvantaged as a result of the order placement methodology employed.

Matrix Asset Advisors has entered into agreements with certain registered third-party investment advisers that maintain asset allocation platforms. The Platform Providers do all trading to invest accounts according to the model chosen for the account. When we recommend changes or rebalances to the model portfolios, we will notify the Platform Providers promptly (typically after all other trades are completed) so that they can adjust the portfolios of invested clients to fit the model. Matrix Asset Advisors has no control over the actions or trading decisions of Platform Providers when we recommend changes or rebalances to the models.

## **Other Custodian Services**

When Matrix Asset Advisors is authorized to select a custodian/brokerage house for the client, it historically has placed and intends to continue to place a large portion of its accounts with Charles Schwab & Co. ("Schwab") or Fidelity Brokerage Services LLC ("Fidelity"). Matrix Asset Advisors prefers Schwab and Fidelity for a variety of reasons including but not limited to the following:

\* Effective as of the fourth quarter of 2019, both Schwab and Fidelity are charging zero commission rates for online trading of most securities. Some securities, however, such as mutual funds, may incur a charge, as would a trade processed over the phone as opposed to online. Commission rates are subject to change at the discretion of Schwab and Fidelity.

\* By having the majority of accounts at Schwab and Fidelity, Matrix Asset Advisors has a greater ability to engage in block trades on behalf of its accounts. This might enable Matrix Asset Advisors to obtain a better price on transactions by not competing against itself on the floor of the exchange. Block trades are intended to benefit client accounts through better price (executing price plus commissions) and/or more timely execution of trades when possible. Commission rates are generally set by Schwab and Fidelity and not Matrix Asset Advisors.

\* Schwab and Fidelity have allowed Matrix Asset Advisors to execute a meaningful portion of its trades away from Schwab and Fidelity, a practice we refer to as stepping-out the trade. We can also trade away from Schwab or Fidelity either before or after market hours when desired. The commissions paid on trades executed away from the client's custodian are reflected in the transaction price at which the securities are bought or sold (rather than being separately stated or charged). We believe that stepping out these trades helps us to seek to achieve best execution because, among other things, it helps to minimize the risk of market movement in pricing, achieve competitive pricing, access additional liquidity sources, ensure that participating clients receive the same execution price, and recognition of a particular research idea in return for analysis or in payment of research related soft dollar expenses. For transactions in fixed income investments, Matrix Asset Advisors typically trades away without reference to the size of the client's account or the trading volume of the security. Occasionally, we will trade away for account maintenance transactions, generally because of the liquidity of a security.

\* Matrix Asset Advisors has found Schwab and Fidelity to be more flexible than many other brokerage firms in providing very competitive commission rates, if any, on special transactions including year-end tax transactions and partial purchases and sales of positions.

\* Matrix Asset Advisors is provided with a number of research related soft dollar expenses by other brokerage houses. When accounts are set up with Schwab and Fidelity, brokerage transactions done away at other brokerage houses can be used to pay for some of these soft dollar expenses.

### **Schwab Advisor Services**

Matrix Asset Advisors may recommend that clients establish brokerage accounts with the Schwab Advisor Services of Charles Schwab & Co., Inc. (Schwab), a FINRA registered broker-dealer, Member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Matrix Asset Advisors is independently owned and operated and not affiliated with Schwab.

Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are

generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

**Services that benefit you.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

**Services that may not directly benefit you.** Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from our clients' accounts
- Assist with back-office functions, recordkeeping, and client reporting

**Services that generally benefit only us.** Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers
- Marketing consulting and support

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

### **Fidelity Brokerage Services**

Matrix Asset Advisors may recommend that clients establish brokerage accounts with Fidelity Brokerage Services ("Fidelity") to maintain custody of clients' assets and to effect trades for their accounts. Matrix Asset Advisors is independently owned and operated and not affiliated with Fidelity.

Matrix Asset Advisors has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Matrix Asset Advisors with Fidelity's "platform" services. The platform services include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support intermediaries like Matrix Asset Advisors in conducting business and in serving the best interests of their clients but that may benefit Matrix Asset Advisors

For our client accounts maintained in its custody, Fidelity does not charge separately for custody services but is compensated by account holders through brokerage commissions, if any, and transaction fees for effecting certain securities transactions (i.e., transactions fees are charged for certain no-load mutual funds). Fidelity enables Matrix Asset Advisors to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

As part of the arrangement, Fidelity also makes available to Matrix Asset Advisors, at no additional charge to Matrix Asset Advisors, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Matrix Asset Advisors (within specified parameters).

Matrix Asset Advisors and Fidelity are not affiliates, and no broker-dealer affiliated with Matrix Asset Advisors is involved in the relationship between Matrix Asset Advisors and Fidelity.

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## Review of Accounts

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### Periodic Reviews

Investment professionals will review each account on an ongoing basis. While most accounts are reviewed weekly, monthly reviews include examining a portfolio vis-a-vis targeted asset allocation, cash balances versus required cash levels and existing holdings versus desired holdings. Quarterly reviews involve comparison with relevant benchmarks, detailed interest and dividend income reports, capital gains and losses, and a listing of all assets by asset class. Since all accounts in a strategy tend to have similar portfolios, there will be an overall stock selection and monitoring function on a team basis to determine which accounts own certain equity positions and which do not. Each investment position will have a buy and sell target providing for each account to be monitored both individually and from a standpoint of equity positions overall.

### Review Triggers

Matrix Asset Advisors conducts regular reviews of client portfolios outlined above. Factors which can trigger additional reviews include changes in the overall market condition, cash balances either too high or too low, and/or changes in a specific client's financial structure.

### Regular Reports

At the end of each quarter, clients will be provided with portfolio reviews priced to the market as of the quarter end and compared to appropriate indexes as to performance. This quarterly report includes a cover



letter, market commentary, summary of assets under management, performance summary, purchases and sales for the quarter, income and expenses for the quarter, and realized gains and losses for the year. Reports may be modified for unusual circumstances where special needs must be served to achieve the client's request. Generally, sub-advisory clients, financial planners and brokers working through wrap fee programs, will receive a spreadsheet summarizing the assets under management and performance for each of their accounts. In these cases, reporting is generally done directly to the advisor, financial planner or broker rather than directly to the client. Clients will also receive directly from their broker or custodian a monthly brokerage statement (unless there is no activity in a given month, then quarterly) detailing their end of period holdings with cost and market value information as well as details of the account's transactions including the purchases, sales, dividends, interest, cash deposits and withdrawals, and expenses for the period. This brokerage statement is also received by Matrix Asset Advisors and is utilized to verify our records each month. If a client elects paperless reporting they may be provided with a secure login and password to obtain their brokerage statements from their broker.

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## Client Referrals and Other Compensation

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### **Economic Benefits**

Matrix Asset Advisors receives proprietary research from some brokers with which we trade on behalf of client accounts. Proprietary research is one portion of the overall service Matrix Asset Advisors receives from brokers. Matrix Asset Advisors selects brokers based upon the Matrix Asset Advisors Best Execution Policy and Procedure which outlines the criteria considered when attempting to achieve net best execution. There may be instances whereby the proprietary research received benefits Matrix Asset Advisors in its research and portfolio management processes but does not necessarily benefit the individual client account that was traded with the brokerage firm providing the research.

### **Third Party Solicitors**

Matrix Asset Advisors will, from time to time, use third parties to solicit business for the firm. These individuals are paid dependent upon the amount of dollars they bring under Matrix Asset Advisors management. In compliance with Rule 206(4)-3 (the Cash Solicitation Rule) under the Investment Advisers Act of 1940, each third party solicitor is bound by a written agreement which specifies 1) solicitation activities and compensation to be received (if any); 2) Matrix Asset Advisors investment requirements and duties of the solicitor under the Advisers Act; 3) the solicitor to provide new accounts with a copy of Matrix Asset Advisors Form ADV Part 2A Firm Brochure and Part 2B Firm Brochure Supplement.

In addition, Matrix Asset Advisors requires the solicitor to provide the potential client with a written disclosure statement outlining: 1) name of the solicitor; 2) name of Matrix Asset Advisors; 3) discussion about the nature of the relationship between the two; 4) statement identifying the solicitor as a recipient of compensation by Matrix Asset Advisors; 5) terms of the compensation agreement.

Matrix Asset Advisors requires the client's signature be obtained by third party solicitors upon acceptance of a new account to verify the client understands the relationship and has received a copy of Matrix Asset

Advisors Form ADV Part 2A Firm Brochure and Part 2B Firm Brochure Supplement and the solicitor's disclosure document. Copies are kept in the client's file.

The client will not pay a higher fee than would be charged if the client were not brought in by a solicitor.

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## Custody

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### Account Statements

Matrix Asset Advisors is a registered investment adviser with no affiliated broker/dealers or custodians. Matrix Asset Advisors does not custody client funds or securities. All client holdings including securities and cash are held at brokerage firms and qualified custodian banks.

Matrix Asset Advisors has direct debit capability for management fees for clients that authorize Matrix Asset Advisors to debit fees from their brokerage/custodian account instead of sending the client a management fee invoice for payment. A copy of the management fee invoice is sent to clients for their records.

Clients will receive a monthly brokerage/custodial statement directly from their broker/custodian, and because the broker/custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review these statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Statements can be either in hard copy form or electronic form (where clients have online access to their accounts through the broker/custodian's secure website). The monthly brokerage/custodial statement will provide the client with details of their month end holdings with cost basis and market values, as well as the transactions occurring in the account during the period. Transactions detailed in the monthly brokerage/custodian statement include purchases and sales of securities with realized gain/loss information, dividends and interest received, cash deposits and withdrawals and expenses and fees charged. Matrix Asset Advisors receives a copy of the client's monthly brokerage/custodian statement and/or has online access to it, as well as receives a data feed of the account's holdings and transaction information when available. Matrix Asset Advisors utilizes this information to perform a reconciliation of our internal records of client holdings and transactions. This reconciliation is performed either systematically or manually by an Associate to ensure that Matrix Asset Advisors records are accurate.

Matrix Asset Advisors Inc. is also deemed to have custody of clients' funds or securities when clients have standing letters of authorization with their custodian to move money from a client's account to a third-party ("SLOA") and under that SLOA, authorize us to designate the amount or timing of transfers with the custodian. The SEC has set forth a set of rules intended to protect client assets in such situations, which we follow.

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# Investment Discretion

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## Discretionary Authority for Trading

Matrix Asset Advisors investment advisory agreement provides the discretionary authority for trading unless superseded by client request. In the case of clients that are in wrap programs or instruct Matrix Asset Advisors to trade with their broker/custodian, Matrix Asset Advisors will do so. Client designated trading and directed brokerage are discussed in the Brokerage Practices section above.

## Limited Power of Attorney

Matrix Asset Advisors has no limited power of attorney relationships beyond its discretionary authority to manage securities accounts on behalf of clients.

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# Voting Client Securities

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## Proxy Voting

Matrix Asset Advisors standard investment management agreement implicitly authorizes Matrix Asset Advisors to vote proxies on behalf of the Client's account. Therefore, unless the Client expressly reserves proxy voting responsibility by instructing the custodian of the assets to send the proxy materials to their address, it is Matrix Asset Advisors, Inc's responsibility to vote proxies relating to securities held for the Client's account.

ERISA Accounts: Unless proxy voting responsibility has been expressly reserved and is being exercised by another "named fiduciary" for an ERISA plan client, Matrix Asset Advisors, as the investment adviser for the account, must vote all proxies relating to securities held for the plan's account. Matrix Asset Advisors shall make appropriate arrangements with each account custodian to have proxies forwarded, on a timely basis, to the Client or other appropriate person, and shall endeavor to correct any delays or other problems relating to timely delivery of proxies and proxy materials.

Fiduciary obligations of prudence and loyalty require an investment adviser with proxy voting responsibility to vote proxies on issues that affect the value of the Client's investment. Proxy voting decisions must be made solely in the best interests of the Client. In voting proxies, Matrix Asset Advisors is required to consider those factors that may affect the value of the Client's investment and may not subordinate the interests of the Client to unrelated objectives.

Matrix Asset Advisors has retained an independent, third party proxy voting service, Institutional Shareholder Services (ISS), to provide advice and counsel on proxy voting. Matrix Asset Advisors generally follows the proxy voting guidelines maintained by ISS in the voting of proxies for client accounts, unless the client provides Matrix Asset Advisors with its own proxy voting guidelines. A copy of the guidelines Matrix Asset Advisors follows will be sent to clients upon request.

For Matrix Asset Advisors holdings (companies owned in client portfolios per Matrix Asset Advisors investment discretion), ISS monitors corporate actions and provides information and analyses with regard to proxy voting issues. Matrix Asset Advisors has further retained ISS to vote proxies on its behalf, and Matrix Asset Advisors will monitor the application of the guidelines by ISS, and will vote issues contrary to, or issues not covered by, the guidelines only when Matrix Asset Advisors believes it is in the best interest of the Client. ISS maintains the proxy voting records. Where the Client has provided proxy voting guidelines to Matrix Asset Advisors, those guidelines will be followed, unless it is determined that a different vote would add more value to the Client's holding of the security in question. A written explanation of the rationale for the deviation from the Client's proxy voting guidelines will be maintained. Direction from a Client on a particular proxy vote will take precedence over the guidelines.

ISS, on Matrix Asset Advisors behalf, may also vote proxies for companies held in restricted accounts according to ISS guidelines for which Matrix Asset Advisors has no investment discretion.

Should a material conflict arise between Matrix Asset Advisors, Inc's interest and that of its clients (i.e. Matrix Asset Advisors owns shares in a Client, Matrix Asset Advisors manages a pension plan for a company whose management is soliciting proxies, or a Firm employee has a relative involved in Management at an investee company), the proxies will be voted in accordance with the recommendation of the independent third party proxy voting service. A written record will be maintained describing the conflict of interest, the resolution of the conflict, and an explanation of how the vote taken was in the client's best interest.

Matrix Asset Advisors may refrain from voting the proxy if the cost of voting the proxy exceeds the expected benefit to the Client, for example in the case of voting a foreign security when the proxy must be translated into English and in cases where the vote must be cast in person. Additionally, Matrix Asset Advisors may refrain from voting a proxy when the shares owned are small and the impact of the vote would be immaterial.

Non-mutual fund Clients may receive a copy of Matrix Asset Advisors, Inc's voting record for their account by calling 1-800-366-6223. Mutual fund Clients may receive a copy of the Fund's voting record from the Fund, either by calling toll-free 1-800-366-6223 or on the SEC's website at <http://www.sec.gov>.

Recordkeeping. In accordance with the recordkeeping rules, Matrix Asset Advisors and/or ISS on Matrix Asset Advisors behalf will retain:

- (i) Copies of its proxy voting policies and procedures.
- (ii) A copy of each proxy statement received regarding client securities (maintained by the proxy voting service and/or Matrix Asset Advisors).
- (iii) A record of each vote cast on behalf of a client (maintained by the proxy voting service and/or Matrix Asset Advisors).
- (iv) A copy of any document created that was material to the voting decision or that memorializes the basis for that decision.

(v) A copy of each written Client request for proxy voting information and a copy of any written response by Matrix Asset Advisors to any Client request for proxy voting information for the Client's account.

Matrix Asset Advisors will maintain these materials in an easily accessible place for not less than five years from the end of the fiscal year during which the last entry took place, the first two years in Matrix Asset Advisors principal office.

Matrix Asset Advisors CCO monitors Proxy Voting recordkeeping for client accounts.

### **Security Claims Class Action Litigation**

Matrix Asset Advisors has engaged a third-party service provider, Chicago Clearing Corporation ("CCC"), to monitor and file securities claims class action litigation paperwork with claims administrators on behalf of the Firm's clients. When a claim is settled and payments are awarded to Matrix Asset Advisors clients, it may be necessary to share client information, such as name and account number, with CCC in connection with this service.

Matrix Asset Advisors does not receive any fees or remuneration in connection with this service nor does it receive any fees from the third-party provider(s). CCC earns a fee based on a flat percentage of all claims it collects on behalf of Matrix Asset Advisors clients. This fee is collected and retained by CCC out of the claims paid by the claim administrator. Clients may opt out of this service at any time. If a client opts out, Matrix Asset Advisors does not have an obligation to advise or take any action on behalf of a client with regard to class action litigation involving investments held in or formerly held in a client's account.

### **Class Action Lawsuits**

Matrix Asset Advisors also provides class action litigation monitoring and securities claim filing services through CCC. Clients are included in this service unless they choose to opt out. Clients may change their opt-out election at any time by notifying us in writing. If a client participates in this service, CCC will retain 8% of each claim recovery a client receives. Matrix Asset Advisors has the right to change the provider of this service. If we do, Matrix Asset Advisors will notify a client and send another opt-out election form.

Because Matrix Asset Advisors provides this service through CCC, it no longer monitors class action suits or process claim forms on a client's behalf (whether or not the client participates in the service CCC provides). Matrix Asset Advisors is not responsible or liable for: (a) any assistance Matrix Asset Advisors provides to CCC concerning monitoring or processing class action claims or (b) any CCC act in monitoring or processing such claims.

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# Financial Information

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## **Prepayment of Fees**

Matrix Asset Advisors bills management fees on a quarterly basis in advance based upon the prior quarter-end asset value. Any unearned portion of a pre-paid management fee will be refunded to the client in a timely manner.

## **Financial Condition**

Matrix Asset Advisors is financially secure and has a healthy balance sheet.

In May 2020, Matrix received a Paycheck Protection Program ("PPP") loan in the amount of \$277,100 through the U.S. Small Business Administration ("SBA"), which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Due to the economic uncertainties surrounding the current COVID-19 pandemic and potential impact to our business, we believed it was prudent to apply for, and accept, the Payroll Protection Program loan offered by the SBA.

While Matrix is financially secure, we participated in the PPP loan as it allowed us to operate during this uncertain period, where all firm personnel were working remotely regardless of whether they were able to be fully utilized while out of the office. The PPP loan enabled us to operate without considering any personnel reductions or adjustments to any employee's compensation due to reduced revenues and/or productivity during this period of disruption to our business.

## **Bankruptcy**

Matrix Asset Advisors has never filed for bankruptcy.

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