

## 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 27, 2023

# Material Changes

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## Material Changes Since the Last Update

This Firm Brochure, dated March 27, 2023, 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 clients 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, 2022. 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.

Matrix has not made any material changes to the brochure since our last annual amendment update on January 17, 2023.

## Full Brochure Availability

The Firm Brochure for Matrix Asset Advisors is available by contacting Jacqueline A. Mandel, Chief Compliance Officer, by telephone at (212) 486-2004, or by email at [JMandel@MatrixAssetAdvisors.com](mailto:JMandel@MatrixAssetAdvisors.com).

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# Table of Contents

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Material Changes .....	2
Material Changes Since the Last Update .....	2
Full Brochure Availability .....	2
Advisory Business .....	6
Firm Description .....	6
Principal Owners.....	6
Types of Advisory Services .....	6
401(k) and Defined Contribution Plan Management .....	7
Tailored Relationships .....	7
Retirement Account Advice.....	7
Wrap Fee Programs.....	7
Model Portfolio Services .....	9
Client Assets .....	9
Fees and Compensation .....	9
Description.....	9
Fees for 401(k) / Defined Contribution Plan Consulting .....	11
Fee Billing.....	11
Other Fees .....	14
Fees Paid in Advance .....	14
Additional Compensation .....	14
Performance-Based Fees & Side-by-Side Management .....	14
Types of Clients .....	14
Description.....	14
Account Minimums .....	15
Methods of Analysis, Investment Strategies and Risk of Loss .....	15
Methods of Analysis .....	15
Investment Strategies .....	16
Risk of Loss .....	17
Disciplinary Information.....	19
Legal and Disciplinary .....	19

Criminal or Civil Action .....	19
Administrative Proceeding.....	19
Self-Regulatory Proceeding .....	19
Other Financial Industry Activities and Affiliations.....	19
Broker-dealer or Registered Representative .....	19
Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person.....	19
Material Relationships or Arrangements with Financial Industry .....	19
Recommend or Select Other Investment Advisers .....	20
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	20
Code of Ethics .....	20
Recommend Securities with Material Financial Interest .....	21
Invest in Same Securities Recommended to Clients.....	21
Personal Trading Policies .....	22
Brokerage Practices .....	22
Selecting Brokerage Firms.....	22
Research and Soft Dollars.....	26
Brokerage for Client Referrals.....	28
Directed Brokerage .....	28
Order Aggregation .....	29
Other Custodian Services.....	31
Review of Accounts .....	33
Periodic Reviews .....	33
Review Triggers.....	33
Regular Reports .....	34
Client Referrals and Other Compensation .....	34
Economic Benefits .....	34
Third Party Promoters.....	34
Custody .....	35
Account Statements .....	35
Investment Discretion .....	35
Discretionary Authority for Trading .....	36
Limited Power of Attorney .....	36

Voting Client Securities .....	36
Proxy Voting .....	36
Class Action Litigation & Securities Claim Filings .....	37
Financial Information .....	38
Prepayment of Fees .....	38
Financial Condition .....	38
Bankruptcy .....	38

# Advisory Business

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## Firm Description

Matrix Asset Advisors, Inc. (“Matrix Asset Advisors” or “Matrix”) is an SEC-registered independent investment advisory firm managing assets on behalf of institutions and individuals in equity and fixed income strategies. Matrix 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.

## Principal Owners

Matrix Asset Advisors is 100% employee-owned by eight firm partners. The ownership structure as of December 31, 2022, is as follows:

<u>Name</u>	<u>Title</u>	<u>% Ownership</u>
David A. Katz, CFA	President & Chief Investment Officer	67.394%
Lon F. Birnholz	Sr. Managing Director & Chief Financial Officer	16.446%
Steven G. Roukis, CFA	Managing Director & Sr. Portfolio Manager	8.207%
Jordan F. Posner	Managing Director & Sr. Portfolio Manager	7.685%
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, CFA	Senior Vice President & Chief Operating Officer	0.045%

## Types of Advisory Services

Matrix provides investment advisory services for individuals and institutions, including corporate retirement plans which are subject to ERISA requirements. Matrix manages client assets according to the Firm's philosophy while respecting a client's individual needs. Matrix offers a Large Capitalization Value equity strategy and a Dividend Income (MDI) strategy that 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. We also offer each of these strategies modified with an ESG (Environment, Social and Governance) overlay. For clients desiring a conservative approach to fixed income investing, we provide a high-quality (from an investment grade standpoint) taxable and/or tax-exempt Fixed Income strategy.

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. MCWM utilizes investment products from other asset managers for clients to gain investment exposure to asset classes that Matrix does not have expertise in.

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

Pursuant to a Managed Account Sub-Advisory Agreement, Matrix utilizes the investment management services of a Sub-Adviser, also an SEC-registered Investment Adviser, to manage plan assets for some clients.

### **Tailored Relationships**

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

### **Retirement Account Advice**

When we recommend investing in a mutual fund advised or sub-advised by Matrix or provide other investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Securities Act (“ERISA”) and/or the Internal Revenue Code (“IRC”), as applicable, which are laws governing retirement accounts. The receipt of our advisory fee for making a recommendation creates a conflict of interest under ERISA/IRC with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. For example, if we recommend that you rollover assets from one retirement account to another and we will receive increased compensation as a result of that recommendation, we have a conflict that requires us to operate under this special rule.

### **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 is negotiable 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 is variable 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 can be the same as or lower than the Adviser's standard fee schedule, there is potential for the overall cost to a Wrap Program Client to 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, as set forth in the Client Contract and/or the Master Contract, the Adviser has the ability to cease to provide services to a Wrap Program Client. 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 have the potential to 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 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's 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's 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 12/31/2022, Matrix's total assets were \$ \$991,704,079.11, representing assets under management of \$884,546,246.55 with 585 client relationships and 1,283 accounts, and assets under advisement of \$107,157,832.56 with 6 client relationships/accounts, which consists of assets as part of the advisory services Matrix 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 offers clients professional investment management of their portfolios for a standard fee, as follows:

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

0.90% on the first \$5,000,000 of assets under management

0.80% on the next \$5,000,000 of assets under management

0.75% on the next \$15,000,000 of assets under management

0.65% on the next \$25,000,000 of assets under management

0.55% on the next \$50,000,000 of assets under management

0.45% on assets under management in excess of \$100,000,000

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

Please note that no Management Fee is charged by Matrix on client assets invested in mutual funds advised or sub-advised by Matrix other than the fee charged by the Funds themselves.

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

0.65% on the first \$5,000,000 of assets under management

0.55% on the next \$5,000,000 of assets under management

0.50% on the next \$15,000,000 of assets under management

0.45% on the next \$25,000,000 of assets under management

0.35% on the next \$50,000,000 of assets under management

0.30% on assets under management in excess of \$100,000,000

3. Standard Matrix-Managed Fixed-Income Accounts:

0.40% on assets under management

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:

0.45% on assets under management under \$2,000,000

0.35% on assets under management of \$2,000,000 to under \$5,000,000

0.25% on assets under management of \$5,000,000 and over

**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 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, 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. At times, Matrix Asset Advisors can charge an asset based or flat/fixed fee and will vary depending on the level and scope of services required.

When Matrix utilizes the services of a sub-advisor pursuant to a Managed Account Sub-Advisory Agreement, the client will pay a fee encompassing the services of both Matrix and the sub-advisor. The sub-advisor will deduct the entire fee from the client's custodial account and will pay Matrix a flat fee as agreed upon in the Sub-Advisory Agreement.

Please note that no Management Fee is charged by Matrix on client assets invested in mutual funds advised or sub-advised by Matrix 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 either the market value of the assets under management at the end of the preceding quarter, (i.e., 4/1/2022 - 6/30/2022 billing is based on 3/31/2022 assets), and all asset flow adjustments are assessed for the prior quarter period (i.e., 1/1/2022 - 3/31/2022), or the agreed-upon flat/fixed fee. 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.

Matrix's client fee arrangements that are based on a percentage of assets under management 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) through 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 on the same 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 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 may enter into an arrangement with the client whereby: 1) the client provides a written authorization permitting Matrix fees to be paid directly from the client's account held by an independent custodian or trustee; 2) Matrix 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 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. A client may terminate their investment management agreement by giving Matrix written notice and will receive a refund of any pro rata portion of any quarterly fee paid.

Clients who have a portion of their assets in mutual funds other than mutual funds advised or sub-advised by Matrix and who pay Matrix 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 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 for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or money market 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 might pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of Matrix. In that case, the client would not receive the services provided by Matrix 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 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's 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., 4/1/2022 – 6/30/2022 billing is based on 3/31/2022 assets), and all asset flow adjustments are assessed for the prior quarter period (i.e., 1/1/2022 – 3/31/2022). These assets under management include all invested assets including stocks, bonds, mutual funds, and other assets and cash balancers (***except for assets that are invested in funds that are advised or sub-advised by Matrix which are not charged a management fee other than the fee imposed by the fund directly***). 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 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 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 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 can be modified for unusual circumstances where special needs must be served or to achieve a fee structure mutually agreeable to the client. Matrix fees can change on occasion by Matrix upon 60 days written notice to clients.

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.

## Other Fees

Matrix 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 will sometimes charge fees that are different from the range above.

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

## Fees Paid in Advance

Matrix charges management fees on a quarterly basis in advance for the following quarter. When a client terminates the investment management agreement, any unearned portion of a pre-paid management fee 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 will whenever possible, with market conditions permitting, attempt to affect such liquidation by the close of the next business day.

## Additional Compensation

Matrix, as investment advisor to the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund, receives advisory fees from the Funds 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.

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

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Matrix 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 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 is also the investment advisor to the Matrix Advisors Value Fund and the Matrix Advisors Dividend Fund.

Matrix has a consulting agreement in place with Moneypaper Advisor, Inc. (“MPA”), whereby Matrix assists MPA in a non-discretionary advisory capacity. Matrix has entered into agreements with certain registered third-party investment advisers that maintain asset allocation platforms. The platforms offer Matrix’s 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 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 will enter into incentive fee arrangements with qualified clients at their election, and whose account meets the minimum of \$10,000,000. Matrix 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 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 about 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 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 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. We generally target a portfolio of 30-40 positions in our LCV strategy; and generally 20-30 positions in our MDI strategy.

For Individual clients that seek a more broadly diversified portfolio of stocks and bonds, Matrix may recommend the use of other external managers to complement the advisory services provided by Matrix. 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 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 30-40 positions (generally) that trade at a large discount to our estimate of their intrinsic value, and Dividend Income with 20-30 positions (generally) 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's inception.



In 2021, we recognized increasing demand from clients and the marketplace for investment choices that reflect progressive attitudes and actions toward Environmental, Social and Governance issues. We also believe that management attitudes about ESG potentially can provide good insights into their company's business integrity and long-term focus on building a business to benefit all stakeholders. In 2021, Matrix launched two ESG-focused products based on the two longstanding equity strategies outlined above – ESG Large Cap Value and ESG Dividend Income. These offerings utilize the same process as the original strategies, with the additional focus on meeting our ESG criteria.

Matrix 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 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 are 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 may recommend and provide oversight of external managers offering complementary strategies to Matrix for individual clients seeking a broadly diversified portfolio. These managers may perform differently than Matrix 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.

**Specific Security Risk:** Matrix 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 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 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 will manage, Matrix 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 has an economic disincentive to recommend that the client terminate the use of margin.

**Risk of ESG Investing:** Matrix integrates Environmental, Social, and Governance ("ESG") issues into its investment practices for some strategies through fundamental analysis in conjunction with ESG research. However, there is no guarantee that integrating ESG analysis will provide improved risk-adjusted returns over any specific time period and the analysis or research may miss important market information that can impact the return and risk of portfolios. While there is a potential for gains using ESG investment practices, there is also a potential for loss that clients should be aware of.

**Cybersecurity\_Risk:** Investment advisers and their service providers may be prone to operational and information security risks resulting from cyber-attacks. Cyber-attacks include, among other behaviors, stealing or corrupting data maintained online or digitally (including, for example, through cyber- attacks

known as “phishing” and “spear-phishing”), denial-of-service attacks on websites, the unauthorized release of confidential information and causing operational disruption. Cyber- attacks may interfere with the processing of transactions, cause the release of private information or confidential information of the firm, cause reputational damage, and subject the firm to regulatory fines, penalties or financial losses, reimbursement or other compensation costs, and/or additional compliance costs. While the firm has established business continuity plans and systems designed to prevent such cyber-attacks, there are limitations in such plans including the possibility that certain risks have not been identified.

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## Disciplinary Information

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### **Legal and Disciplinary**

Matrix has no legal and disciplinary history.

### **Criminal or Civil Action**

Matrix has had no criminal or civil actions.

### **Administrative Proceeding**

Matrix has not had any administrative proceedings.

### **Self-Regulatory Proceeding**

Matrix 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 is not a Broker-Dealer.

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

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

### **Material Relationships or Arrangements with Financial Industry**

Matrix 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 may recommend the use of other external managers to complement the advisory services provided by Matrix. These can 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 will 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, and the second by the external manager for the management of the assets.

Pursuant to a Managed Account Sub-Advisory Agreement, Matrix utilizes the services of a third party SEC-registered Investment Adviser to serve as the asset manager for some client relationships. In such situations, the client fee is paid to the third party asset manager who then compensates Matrix a flat fee.

As previously described above, Matrix has a consulting agreement in place with Moneypaper Advisor, Inc. ("MPA"), whereby Matrix 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. While Matrix may discuss these securities, the securities purchased or sold by MPA is not usually known by Matrix until after the fact, and even so, the volume or MPA's trading activity is relatively small (typically \$20k of market value on average per day). Matrix 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 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, Chief Compliance Officer or a 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. A record of completed trades must be submitted to the Chief Compliance Officer within 10 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's 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, and for which Matrix acts as investment adviser.

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

All of Mr. Katz's time is spent on advisory activities. Matrix manages these funds as additional clients of the firm. The Funds' respective investment philosophies are similar to other Matrix 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 may also have managed accounts in the various strategies offered by Matrix. 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 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, provided that such purchases and sales are consistent with Matrix 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 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 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, Chief Compliance Officer or a Senior Partner. No pre-clearance is required for trades in employees' accounts which are managed in Matrix 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, ACA Group, on a quarterly basis.

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# Brokerage Practices

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## Selecting Brokerage Firms

### Best Execution - Equities

Matrix, 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 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 in providing investment management services to clients.

When Matrix 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 might have charged for effecting the same transaction. The principal factor Matrix considers in selecting brokers/dealers and determining the reasonableness of commissions charged is primarily net best execution. Matrix 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's 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 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 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 also maintains a Best Execution Committee which consists of the Trade Review Committee as well as the Head Stock and Head Bond Trader, Chief Compliance Officer, Chief Investment Officer, and the Head of

Clearing. 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, 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 will endeavor to select those brokers/dealers which will provide high quality professional services, at competitive prices, in the areas of the market Matrix 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 provide 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 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 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 may not always obtain the best price/yield for a client, as Matrix must consider the individual needs of the client's portfolio (callable vs. non-callable issues). Matrix 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. In the event that either a client directs Matrix to use a particular broker, or a broker introduces a client to Matrix, it should be understood that under those circumstances Matrix 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 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 deals with. These evaluations are updated quarterly, and they are reviewed with the CCO and CIO



also quarterly. Additionally, Matrix keeps detailed trade execution information on every executed trade. The Clearing Specialist reviews the 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's prime broker and DVP accounts.

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

Best Execution: Matrix 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 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 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 will select the instrument that provides the best price/yield scenario that meets the client's overall portfolio needs.

2. Sales: Matrix 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 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 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 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 has entered into soft dollar relationships in which a brokerage firm directly supplies research or provides Matrix with various research and brokerage related products/services. In return for these products/services, Matrix pays or compensates these firms with commission dollars.

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

For 2023 Matrix 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 services last paid for in soft dollars were in 2020, and while less than previous years, included the following:

\* 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.

While Matrix continues to accrue soft dollar credits from its soft dollar broker, Instinet, all services since October 2020 have been paid for in hard dollars. Matrix anticipates beginning to pay a portion of its services with soft dollars in 2023.

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 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 and the expense of the receipts of such supplemental information. Such information may be useful to Matrix 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 by brokers through whom other clients of Matrix effect securities transactions may be useful to Matrix in providing services to such client.

During the course of business, Matrix 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 through "hard" dollars.

There is an inherent conflict of interest that Matrix 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 and higher soft dollar commissions which is subsequently paid by client commissions. Matrix attempts to use appropriate and reasonable methods in allocating expenses on mixed use items.

Matrix's 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 utilizes proprietary broker research received from brokers with whom we trade for client accounts (including mutual funds advised or sub-advised by Matrix). 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 2022, Matrix received proprietary research from the following brokers with whom we have placed or could place client transactions:

Barclays

Barrington

Benchmark

BMO

Citigroup

Cowen

Deutsche Bank

Goldman Sachs

INSTINET

JP Morgan

Jeffries

Merrill Lynch

Morgan Stanley

Robert W. Baird & Co.

Stifel Nicolaus

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 to execute all transactions through that broker. In addition, on occasion a broker will introduce one or more clients to Matrix. In the event that either a client directs Matrix to use a particular broker or dealer, or a broker introduces a client to Matrix, it should be understood that under those circumstances Matrix 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 acts as an adviser in various Wrap Programs, Matrix 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 Matrix 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 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 in terms of their brokerage relationship, Matrix 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 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 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 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 follows the Matrix Asset Advisors Client Trading Policy and Procedures document to determine order aggregation. Matrix 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 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 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 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 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 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 commissions that are higher than normal). Typically, full positions are filled when purchase is for 25-50 shares or fewer.

**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 commissions that are higher than normal). 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 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 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 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 prefers Schwab and Fidelity for a variety of reasons including but not limited to the following:

- \* 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 has a greater ability to engage in block trades on behalf of its accounts. This might enable Matrix 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.

- \* Schwab and Fidelity have allowed Matrix 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.

- \* Matrix 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 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.

- \* There are differences between the services provided by Schwab and Fidelity, including handling of cash sweep accounts, money market yields, timing for cash settlement and others. Matrix considers these differences in our evaluation when selecting a custodian / broker for clients.

## **Schwab Advisor Services**

Matrix 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 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 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 is independently owned and operated and not affiliated with Fidelity.

Matrix has an arrangement with National Financial Services LLC, and Fidelity Brokerage Services LLC (together with all affiliates, "Fidelity") through which Fidelity provides Matrix 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 in conducting business and in serving the best interests of their clients but that may benefit Matrix.

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 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, at no additional charge to Matrix, certain research and brokerage services, including research services obtained by Fidelity directly from independent research companies, as selected by Matrix (within specified parameters).

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

In addition, when Matrix utilizes the services of a sub-advisor pursuant to a Managed Account Sub-Advisory Agreement, the sub-advisor will also review each such account on an ongoing basis.

### Review Triggers

Matrix 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 situation or goals.

## 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 appraisal of assets. 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 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 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 receives from brokers. Matrix 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 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 Promoters

If an unaffiliated person introduces a client to Matrix, we may compensate that promoter through direct or indirect compensation in accordance with the requirements of Rule 206(4)-1 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Matrix pays any such cash referral fee to the promoter from our standard investment advisory fee. Advisory fees paid by any referred client are neither increased nor reduced as a result of the referral fee paid to the promoter by Matrix.

The promoter will disclose at the time of the solicitation whether they are or are not a current client of the firm; whether they will receive any cash or non-cash compensation for the referral; and a statement that the receipt of compensation for a referral creates a conflict of interest. In addition, the client will receive a copy of a written statement disclosing the terms and conditions of the arrangement between Matrix and the promoter, including the compensation the promoter will receive from Matrix and any material conflicts of interest on the part of the promoter given the referral arrangement.

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

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## Custody

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### Account Statements

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

Matrix has direct debit capability for management fees for clients that authorize Matrix 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 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 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 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's 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 to trade with their broker/custodian, Matrix will do so. Client designated trading and directed brokerage are discussed in the Brokerage Practices section above.

## Limited Power of Attorney

Matrix 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 standard investment management agreement implicitly authorizes Matrix 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, as the investment adviser for the account, must vote all proxies relating to securities held for the plan's account. Matrix 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 has retained an independent, third-party proxy voting service, Institutional Shareholder Services (ISS), to provide advice and counsel on proxy voting. Matrix 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 follows will be sent to clients upon request.

For Matrix holdings (companies owned in client portfolios per Matrix investment discretion), ISS monitors corporate actions and provides information and analyses with regard to proxy voting issues. Matrix 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 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, 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's behalf, may also vote proxies for companies held in restricted accounts according to ISS guidelines for which Matrix has no investment discretion.

Should a material conflict arise between Matrix Asset Advisors, Inc's interest and that of its clients (i.e., Matrix owns shares in a Client, Matrix 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 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 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 and/or ISS on Matrix's 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).
- (iii) A record of each vote cast on behalf of a client (maintained by the proxy voting service and/or Matrix).
- (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 to any Client request for proxy voting information for the Client's account.

Matrix 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's principal office.

Matrix's CCO monitors Proxy Voting recordkeeping for client accounts.

### **Class Action Litigation & Securities Claim Filings**

Matrix has engaged a third-party service provider, Chicago Clearing Corporation ("CCC"), to provide class action litigation monitoring and securities claim filing services on behalf of the Firm's clients.

Clients are included in this service unless they choose to opt out, and clients may change their opt-out election at any time by notifying us in writing or by calling. When a claim is settled and payments are awarded to Matrix's clients, it may be necessary to share client information, such as name and account number, with CCC in connection with this service.

Matrix 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 collects and retains 10.5% of each claim recovery a client receives, which will be subtracted from the payment made to the client. However, CCC does not collect any fee for settlements resulting from SEC-initiated litigation (the client receives 100% of the award), or for which no award is received.

Because Matrix provides this service through CCC, Matrix does not monitor class action suits or process claim forms on a client's behalf (whether or not the client participates in the service CCC provides). Matrix is not responsible or liable for: (a) any assistance Matrix provides to CCC concerning monitoring or processing class action claims or (b) any CCC act in monitoring or processing such claims. Matrix has the right to change the provider of this service. If we do, Matrix will notify a client and provide the opportunity to opt out.

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## Financial Information

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### **Prepayment of Fees**

Matrix bills management fees on a quarterly basis in advance based upon the prior quarter-end asset value. Upon termination of the investment management agreement between Matrix and a client, any unearned portion of a pre-paid management fee will be refunded to the client in a timely manner.

### **Financial Condition**

Matrix is financially secure and has a healthy balance sheet.

### **Bankruptcy**

Matrix has never filed for bankruptcy.

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