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***dba MBR Financial***

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(Item 1)

This brochure provides information about the qualifications and business practices of MBR Financial. If you have any questions about the contents of this brochure, please contact us at 832-667-8787 and/or [contactus@mbrfinancial.com](mailto:contactus@mbrfinancial.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 MBR Financial is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **(Item 2) Material Changes**

The last update to this brochure was filed in March 2020. No Material Changes have occurred since that update.

*If this page is not accompanied by the full brochure and you wish to obtain a copy of the full brochure at no charge, please contact MBR Financial at 832.667.8787.*

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## ITEM 4. ADVISORY BUSINESS

### Advisory Firm Description

Margolis Brady Raghavan Financial, Inc. *dba* MBR Financial (“MBR” or the “Firm”) has been in business since September 2011 and began acting as a Registered Investment Advisor upon receipt of registration in June 2013. Mary Margolis, Alfred “Trey” Brady, III, Daniel J. Bender and Suresh Raghavan, CFA, are principal owners of the Firm.

### Types of Advisory Services

The Firm provides lifetime and estate planning, investment and wealth management, and insurance services to clients. The Firm works with clients to determine which services are best suited to meet their individual needs and goals.

### Financial Planning

The Firm works with individuals and high net worth families on their planning needs, including:

- Pre-retirement
- Investment allocation
- Risk analysis
- Estate
- Preparing the next generation (Stewardship of family wealth)
- Asset protection
- Expatriate benefit maximization

The Firm works with business owners to develop plans for:

- Ownership transitions
- Key employee retention

Planning is a continuous process. The Firm:

- **Discovers** to understand what the client is most committed to accomplish, fix or avoid, and collect financial information
- **Analyzes** assessment of the client’s situation, with special emphasis on uncovering gaps or inefficiencies. “What if” scenarios are modeled to determine the short and long-term impact of planning options
- **Collaborates** with the client’s other advisors so clients can hear balanced viewpoints and make informed decisions.
- **Constructs** findings and recommendations.
- **Executes** the clients’ decisions.
- **Monitors** the clients’ progress. Repeat the process as circumstances warrant.

### Investment Management

The Firm offers assistance in designing, implementing, monitoring, and managing investment portfolios for clients. Such assistance includes:

- Determining clients’ investment goals
- Evaluating their current portfolio and assets
- Identifying investment constraints

- Assessing clients’ risk tolerance
- Developing an investment policy document tailored to the client
- Implementing an appropriate asset allocation, style / theme distribution, and manager and security selection.
- Determining the investment strategy to help maximize after tax investment returns given a level of risk that has been jointly assessed with the client
- Managing the clients’ portfolio(s) on a continuous basis.

**Insurance Services**

Individuals affiliated with the Firm provide insurance products to clients as appropriate. Please see “Other Financial Industry Activities and Affiliations” on page 5 below for more details.

**Client Assets Under Management**

As of December 31, 2019, the Firm had a total of \$506,244,173 in discretionary and \$119,557,209 non-discretionary assets under management for a total of \$625,801,382 in assets under management.

**ITEM 5. FEES AND COMPENSATION**

**Financial Planning**

The Firm generally charges financial planning fees on a flat or hourly basis, given the estimated time to complete the desired scope of work identified by the client. Financial planning fees are typically paid in advance. Hourly charges are assessed against the prepaid fee as work is conducted (with rates ranging from \$150 to \$500 per hour). Planning clients sign a Financial Planning Agreement that shows the total fixed fee or the estimated total hourly fee for the plan and defines the amount to be prepaid. These fees are charged in addition to the investment management fee shown below if clients choose to have the Firm manage their investments. Clients are free to purchase recommended investment products elsewhere.

**Investment Management**

The Firm’s investment management fee is based on the assets under management, as described below, and which may be adjusted up or down based on the complexity of the client’s situation.

Tiers	Assets Under Management	Annual Fee
First \$1,000,000	\$0-\$1,000,000	1.00%
Next \$1,000,000	\$1,000,001 - \$2,000,000	0.80%
Next \$3,000,000	\$2,000,001 - \$5,000,000	0.75%
Next \$5,000,000	\$5,000,001 - \$10,000,000	0.50%
\$10,000,000+	Above \$10,000,000	Negotiable

Muni Account Fee Schedule: (Applies only to accounts holding predominantly municipal securities or cash equivalents)

Tiers	Assets Under Management	Annual Fee
Flat Rate	\$1-\$25,000,000+	0.50%

For billing purposes, client portfolios are “aggregated” as long as those clients are part of the same family, even if they are in different households. Clients are billed quarterly in advance at the rate of one fourth of the annual fee shown above; typically, the fee is deducted from clients’ accounts. Fees are calculated on the portfolio valuation, as determined by MBR’s portfolio management system, at the close of market on the last business day of each previous quarter. Account values reported on custodial statements may differ from those values recorded by MBR’s system. If a client should engage MBR during a quarter, the initial fee will be charged at the beginning of the next quarter. Fees are calculated from the date of the initial funding of the account or the date of execution of the client’s investment management agreement, whichever is later. The investment management fee is charged on cash and accrued interest in the account and is typically deducted before the tenth day of the first month in the quarter. The Firm’s fee schedule may change in the future and any such changes will be applicable to clients after 30 days’ advance written notice.

MBR recommends certain qualified clients to invest in alternative investments (which include co-investments), which are not held by qualified custodians and are not priced by qualified custodians. The value of the alternative investment(s), as reported by the fund manager on a quarterly basis, is included in the Firm’s base calculation of its investment management fee, and often lags our billing schedule, so frequently the value shown for the alternative investment is for an earlier date. This investment management fee (0.25%/year) is in addition to the fee charged by the entity making the investment decisions for the alternative investment.

Fees for relationships below \$10 million are not negotiable. Affiliates of Firm personnel may have fees waived or discounted at the Firm’s discretion. Other clients may pay different fees as negotiated with their corporate employers. Clients with prior investment management relationships with MBR personnel who have been charged at different rates than those shown above will be “grandfathered” at MBR’s discretion, so clients receiving the same service may be paying different fees. The Firm’s investment management fee is separate from transaction, exchange, wire transfer, margin interest, account, or any other fees charged by the custodian.

***Implementation with Mutual Funds/ETFs/or Individual Securities:*** When the Firm recommends a security for a client’s account, three separate fees may be charged to the client, either directly or indirectly:

The first fee is the Firm’s investment management fee, in which the fund is included in the asset base for the quarterly fee calculation.

The second is the set of internal fees charged by the investment company for the fund’s investment management, marketing, administration, and marketing assistance. These internal expenses are disclosed in each fund’s prospectus, provided to each client by the custodian. (This set of fees also applies to any exchange traded fund (“ETF”) or money market fund purchased in the client’s account.)

The third fee may be a transaction fee assessed by the custodian for providing access to a universe of mutual fund families or ETFs through one account. To avoid such fees, a client would be required to open a separate account with each individual mutual fund company or sponsor instead of using the custodian recommended by the Firm, although this could negatively affect the Firm’s ability to deliver services efficiently to the client. Not all mutual fund or ETF trades incur this transaction fee. When recommending mutual funds for client portfolios, the Firm is able to purchase “no-load” funds or “load-waived” funds.

One supervised person of MBR has, as a registered representative of Purshe Kaplan Sterling Investments (“PKS”), recommended the purchase of securities or other investment products, placed through PKS, resulting in commissions to that individual. Such compensation includes asset-based sales charges or service fees from the purchases of mutual funds or variable annuities. Most of these “trails” are as a result of past recommendations in, for example, client 529 plans, which in the past only offered funds paying commissions. No MBR client’s new investments today are placed into securities paying commissions or trails. To the extent that MBR has recommended investment products (such as variable annuities and some mutual funds) which continue to generate a commission, the PKS registered representative employed by MBR receives those payments. MBR has a conflict of interest with its clients as a result of these commission payments to one of its supervised persons. This conflict is mitigated through MBR’s policies and procedures and Code of Ethics. MBR does not charge investment management fees on assets, which generate a commission or other compensation to its personnel.

### **Termination**

Both the Financial Planning and Investment Management Agreements (“Agreements”) allow for either party to terminate the Agreement immediately upon receipt of written notice. The client may terminate either Agreement without penalty within five (5) business days after entering into the Agreement. Otherwise, any prepaid and unearned fees will be refunded to the client on a pro-rata basis or, in the case of financial planning, based on the amount of work conducted to date.

## **ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Certain qualified clients may pay performance fees to MBR on alternative investments which MBR has recommended. This creates a potential conflict of interest for the Firm, which may be incentivized to recommend higher risk investments on behalf of clients in order to generate higher fees. This risk is mitigated through continuous monitoring of all accounts in accordance with each client’s investment objective(s).

## **ITEM 7. TYPES OF CLIENTS**

MBR provides investment advisory services to:

- Individuals and families
- High net worth individuals
- Pension and profit-sharing plans

The minimum account size for investment management services is \$1,000,000, although this is negotiable.

## **ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis**

The Firm’s analysis uses Morningstar, Bloomberg, internally developed metrics, and other reports on managers in order to review past performance, sector focus, capitalization, risk, and expected future performance. MBR has established an Investment Advisory Committee comprised of MBR personnel and outside investment experts who meet quarterly to review the portfolio strategies,

asset allocation, and current investments. The firm's internal Investment Working Group meets more frequently to be able to respond to new client assets, major market moves and to review potential investment changes. Typically, the Working Group meets during months that the Investment Advisory Committee does not have a meeting.

### **Investment Strategies**

Each portfolio "*mandate*" has specific return objectives, risk, and a range of target return outcomes. For each mandate, the Firm actively manages the underlying investments based on a disciplined analysis and due diligence process, with input from the Investment Advisory Committee comprised of outside professionals and internal members. The management process focuses on three areas:

- **Asset Allocation**

The typical allocation to cash, bonds and stocks in that strategy is referred to as the central tendency. The actual holdings of cash, bonds and stocks are managed within "strategic ranges" that allow the Firm to adjust the risk level of client portfolios, based on the Firm's outlook for market conditions over the ensuing twelve to eighteen months. The process uses a proprietary top-down methodology for determining *asset allocation* based on twelve different parameters that are rated and ranked as to their order of importance.

- **Style/Theme Distribution**

The holdings are opportunistically varied within stocks, based on capitalization (large, mid, small), style (growth, blend, value), geography (domestic, international, developed, emerging and frontier), sector (primarily GICS sectors), and other alternatives. Similarly, bond sub-sectors are varied, based on safety, rate sensitive, inflation protected, credit (both high grade and high yield), geography (domestic, international, developed and emerging) as well as whether they are taxable or non-taxable.

- **Manager and/or Security Selection**

The portfolio is implemented through mutual funds, ETFs, or individual securities, based on a disciplined selection process. Sophisticated quantitative screening is used to identify a smaller set of funds and/or ETFs, based on a number of criteria (Sharpe ratio, performance, expense ratio, top ten holdings, information ratio, risk, consistency, etc.) from the universe of available mutual funds, ETFs, and individual securities. Once this is completed, a qualitative process is used to further assess funds' and ETFs' levels of discipline, longevity and stability, as well as their ability to out-perform specific "narrow" and "broad" benchmarks. This qualitative process typically occurs either through a personal visit or conference call with the fund management team by one or more of the Firm's Principals.

The funds' and ETFs' actual outcomes (along with those of the entire portfolio) are evaluated on an on-going basis using quantitative tools with respect to risk as well as return; adjustments are made to client portfolios when deemed necessary.

When mutual funds are used to implement a portfolio, MBR chooses from mutual funds available through Fidelity Institutional Wealth Services ("Fidelity"). The Firm performs its own due diligence in the selection of these mutual funds which includes an analysis of transaction fees, redemption fees and internal expenses. MBR makes every effort to select funds and fund classes with the lowest cost to a client given assumptions of holding periods.

- **Alternative Investments**

When appropriate for a client's objective, risk tolerance and qualifications, MBR recommends the client participate in private issues, which may be single purpose vehicles, funds of funds, private equity and hedge funds. These are usually structured as limited partnerships with differing minimum investments, liquidity, fees and carries. Occasionally the sponsor of a private investment fund that MBR clients have invested in will notify MBR of the opportunity to make investments through the existing private investment fund or through a new investment fund (a co-investment). The co-investment generally may have favorable terms for investors compared to the sponsor's current investment fund terms. (Current co-investments do not have terms that are more favorable). Each co-investment opportunity is offered first to every MBR client participating in the existing investment fund and secondly to other MBR clients if they qualify. Some MBR personnel who qualify participate in both the existing investment fund and the co-investments with clients.

MBR personnel participating in co-investments with clients creates a conflict of interest with its clients because MBR personnel have an interest in the investment being proposed to clients. Overall investment returns of clients who participate in a co-investment may produce different performance than experienced by investors not in the co-investment. Additionally, not all MBR clients are provided the opportunity to participate in each co-investment, as not all MBR clients are qualified, have the funds available for investment and/or such an investment would not be suitable for such client. In the event a limited opportunity arises for co-investment, clients will have preference over MBR personnel.

Currently MBR charges its clients a management fee on these alternative investments and co-investments, but does not charge its personnel. MBR also charges its clients a performance fee on the alternative investments and co-investments and does not assess these fees to its personnel. The difference in fee structures creates a conflict between MBR personnel and participating clients.

### **Risk of Loss**

MBR does not guarantee the future performance of the account or any specific level of performance, the success of any investment decision or strategy that the Firm may use, or the success of the overall management of clients' accounts. The client understands that investment decisions made for the client's account(s) are subject to various market, economic, political and business risks, and that those investment decisions will not always be profitable. Investing in mutual funds and ETFs entails greater fees than if investments were made directly in the underlying issues. "Alternative investments" such as hedge funds entail additional risk, with potential performance fees, more speculative trades and the potential use of derivatives. Private equity funds usually entail extensive lockups such that a client's investment will be illiquid for an extended period. These investments are only recommended to sophisticated clients who meet required net worth and income qualifications. Clients are reminded that investing in any security entails risk of loss they should be willing to bear.

## **ITEM 9. DISCIPLINARY INFORMATION**

There have been no disciplinary actions against the Firm or any of its principals.

## **ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Several principals are also licensed insurance agents and recommend insurance products to our clients. This creates a conflict of interest with clients, as the Firm receives a commission from insurance product sales. Clients are free to purchase recommended insurance products elsewhere.

One Firm Principal is a registered representative of PKS, a registered non-affiliated broker-dealer and receives a commission for brokerage transactions placed in the past through PKS. No trades are being executed through PKS at this point.

## **ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **Code of Ethics**

The Firm has adopted a Code of Ethics, which describes the general standards of conduct expected of all personnel (collectively referred to as “employees”) and focuses on three specific areas where employee conduct has the potential to adversely affect clients:

- Misuse of nonpublic information
- Personal securities trading
- Outside business activities

Failure to uphold the Code of Ethics may result in disciplinary sanctions, including and up to termination from MBR. Any client or prospective client may request a copy of our Code of Ethics, which will be provided at no cost.

The following basic principles guide all aspects of our business, and represent the minimum requirements to which all employees are expected to adhere:

- Clients’ interests come before employees’ personal interests, and before the interests of the Firm.
- The Firm and its Principals must fully disclose all material facts about conflicts of interest of which they are aware, whether between the Firm and clients or between employees and clients.
- Employees must disclose on the Firm’s behalf and on their own behalf possible conflicts of interest, and must work to manage the impact of such conflicts.
- The Firm and its employees must not take inappropriate advantage of their positions of trust with, or responsibility to, clients.
- The Firm and its employees must always seek to comply with all applicable securities laws.

### *Misuse of Nonpublic Information*

The Code of Ethics contains a policy against the use of nonpublic information in conducting business for the Firm or in their personal trades. Employees should neither convey nonpublic

information nor depend upon it to place or recommend securities trades, whether personal or on behalf of a client.

#### *Personal Securities Trading*

MBR or individuals associated with the Firm may buy, sell or hold in their personal accounts the same securities recommended to clients or held in client accounts. The Firm does not allow front running. Pre-approval authorization from the Chief Compliance Officer (“CCO”) is required for employees seeking to invest in initial public offerings and private placement investments.

Employees are required to submit reports of personal securities trades on a quarterly basis, and personal securities holdings at least annually. These are reviewed by the CCO to ensure compliance with the Firm’s policies.

#### *Outside Business Activities*

Employees are required to report any outside business activities generating revenue. If any are deemed to be in conflict with clients, such conflicts will be fully disclosed or the employee will be directed to cease such activity.

## **ITEM 12. BROKERAGE PRACTICES**

### **Selection of Brokers**

The Firm recommends using “qualified custodians” for client accounts, with each client signing a separate agreement with the custodian. In recommending a custodian, consideration is given to the range and quality of products the custodian offers, the technical support provided, execution quality, commission rates, and the financial responsibility and responsiveness of the custodian to both the Firm and its clients. The Firm recognizes its responsibility to attain best execution, and recognizes that limiting its custodial relationships may affect its ability to provide best execution on a trade-by-trade basis. However, the Firm evaluates its entire custodial relationship in assessing best execution on a client-by-client basis.

The Firm has an arrangement with National Financial Services LLC and Fidelity Institutional Wealth Services (collectively, and together with all its affiliates, "Fidelity") through which Fidelity provides the Firm with "institutional platform services." The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity's institutional wealth services that assist the Firm in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

### **Research and Other Soft-Dollar Benefits**

The Firm currently has no formal “soft-dollar” arrangements, in which specific products or services are paid for with commission dollars generated by individual trades placed on behalf of client accounts.

Fidelity (the recommended custodian) offers services intended to help the Firm manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom the Firm may contract directly.

The Firm is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds and ETFs without transaction charges and other no-load funds and ETFs at nominal transaction charges.

### **Brokerage for Client Referrals**

The Firm does not receive referrals from a broker/dealer or from any third party providing services to the Firm. However, the Firm uses other third parties to solicit and refer clients to the Firm, please see the section entitled, “Client Referrals and Other Compensation” for additional disclosures.

### **Directed Brokerage**

Clients may not request that trades be enacted through a specific broker of their own choosing. The Firm requires clients to use its recommended broker-dealer(s) as the account custodian. Not all financial services firms require their clients to use a particular custodian or broker.

### **Order Aggregation**

The Firm may aggregate brokerage orders for client accounts and may allocate the securities purchased or sold among participating accounts, with each account receiving the same terms. Some qualified custodians (including Fidelity) charge transaction fees at the account level, whether or not a trade is placed as a block trade; therefore, aggregating trades does not affect client transaction fees. The overarching principle for any allocation is that no client be intentionally favored over another client similarly situated. Firm employees may not participate in block trades with clients.

### **Trade Errors**

MBR defines trade errors to be errors discovered after a trade settles. If such an error should result in a loss to the client, MBR will make the client whole. If an error results in a gain, Fidelity keeps the gain and sends it to a charity of Fidelity’s choice.

## **ITEM 13. REVIEW OF ACCOUNTS**

Trades are reconciled daily, with each account being reviewed at least quarterly. Such reviews entail looking at holdings of each portfolio in accordance with each client’s investment objectives and risk tolerance, and in keeping with an Investment Policy Statement. Additional reviews may

be triggered by events such as a client meeting; a request for withdrawal from or deposit into an account; a change in a client's risk tolerance, financial position or investment objective; a change in a company or fund's management; unusual market or economic circumstances; or other unforeseen event(s). The Firm encourages clients to meet with Principals of the Firm at least annually.

Fidelity provides each client a monthly statement showing the account holdings and all transactions occurring during the period. The Firm may provide performance and other reports to clients on a case-by-case basis during meetings with clients.

#### **ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION**

The Firm uses one registered investment advisor as a third-party solicitor for referring clients. In the case when a client is referred to the firm by the third-party solicitor, the Firm pays an ongoing fee to such third-party solicitor. Where a referral fee is paid, such fact is disclosed to the client affected by the referral, as required.

#### **ITEM 15. CUSTODY**

Custody is defined as having any form of access to client funds or securities. Because the Firm generally has the authority to instruct the custodian to deduct the investment management fee directly from the client's account, the Firm is considered to have "custody" of client assets. This limited access may be monitored by the client through the review of account statements provided by the custodian either by surface mail or email, or by logging on to a client portal / website maintained by the custodian. These statements all show the deduction of management fees from the account.

Additionally, several clients have established standing instructions with Fidelity, which allow clients to direct MBR to send funds from their account to accounts with different owners with verbal instructions from the client. MBR has been determined to have a form of custody over these accounts since the amount and/or timing of these transfers are not pre-defined. However, these accounts do not require surprise examination by a public accounting firm.

#### **ITEM 16. INVESTMENT DISCRETION**

For discretionary accounts, the Firm has full trading authority under a limited power of attorney. As a result, the Firm will determine which investments, and how much of each, should be purchased or sold on a client's behalf, in accordance with the investment strategy set forth in each client's Investment Policy Statement. Clients may, in writing, place restrictions on the Firm's discretion.

Non-discretionary accounts are managed for clients not willing or unable to provide limited power of attorney to MBR. Such non-discretionary accounts are also called "self-directed" assets, which the Firm helps maintain as a convenience for clients. Depending on the Firm's involvement, the Firm may charge a management fee for these "non-discretionary" or "self-directed" assets.

**ITEM 17. VOTING CLIENT SECURITIES**

The Firm does not vote proxies for securities held in clients' accounts. Clients receive proxy material directly from their custodian by either email or regular mail. Clients may address questions concerning a proxy matter to the Firm's personnel via email or phone.

**ITEM 18. FINANCIAL INFORMATION**

There is no financial condition that is reasonably likely to impair the Firm's ability to meet contractual commitments to its clients.

Due to the unforeseen circumstances as a result of Covid-19, we have applied for and received a PPP loan in order to ensure our ability to retain our highly skilled employees.