



Envestnet Portfolio Solutions, Inc.

75 State Street, 6th Floor

Boston, MA 02109

866-924-8912

[www.envestnet.com](http://www.envestnet.com)

March 31, 2014

This Brochure provides information about the qualifications and business practices of Envestnet Portfolio Solutions, Inc. ("EPS"). If you have any questions about the contents of this Brochure, please contact us at 312-827-2800. 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 EPS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## **Item 2 – Material Changes**

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. There were no material changes to this Brochure dated March 31, 2014 from the previous versions. There were minor changes, including program changes and changes to related persons, enhancements and clarifications throughout.

In the past, EPS has offered or delivered a brochure, with information about its qualifications and business practices, to clients on at least an annual basis. Pursuant to SEC rules, if there are material changes to the Brochure, EPS will provide a summary of any material changes to its Brochure within 120 days of the close of its fiscal year. EPS may also provide information about material changes to clients at other times during the year, if necessary.

We will provide you with a new Brochure, at any time, without charge.

Currently, our Brochure may be requested by contacting Debra DeVoe, Chief Compliance Officer, at 312-827-7950, or [debra.devoe@investnet.com](mailto:debra.devoe@investnet.com). Our Brochure is also available on our web site ([www.investnet.com](http://www.investnet.com)), also free of charge.

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#### Item 4 – Advisory Business

EPS is an investment management firm registered as an investment adviser with the SEC in 1993 that provides investment management and investment advisory services through independent investment advisors (“Advisor”) for use with Advisors’ clients (each a “Client”). EPS also serves institutional clients such as pension or profit-sharing plans, trusts, estates, and corporations. As of December 31, 2013, EPS had \$8.6 billion in assets under management.

EPS is a wholly owned subsidiary of its parent company Envestnet, Inc. (NYSE:ENV), a publicly held company.

EPS offers investment and operational support services to financial intermediaries carrying the programs described above. These services are funded through fees charged to the client and include: portfolio and account management, control and reporting software, accounting and performance reporting services as well as customized illustrations, brochures and promotional literature. EPS also provides, through its affiliate Envestnet Asset Management, Inc. (“EAM”), a registered investment adviser and asset management platform provider, technology, operational and administrative support services to EPS’s advisory program accounts. EAM may assist EPS and Advisors with a variety of account processing and maintenance duties including client account initiation and set up, client account trading and processing, custodial reconciliation, and the computation and preparation of client reports.

EPS provides Advisors with an extensive range of investment advisory services for use by Advisors with their Clients through its Private Wealth Management programs, including Separately Managed Accounts (“SMA”), ActivePassive Portfolios (“ActivePassive Portfolios”), Mutual Fund and Exchange Traded Fund (ETF) Asset Allocation Strategies (“PMC Strategies”), PMC Sigma Mutual Fund Solutions (“MFS”), PMC Strategic ETF Solutions, Unified Managed Account (“UMA”), PMC Guided Portfolios (formerly referred to as the Multi-Manager Account) program, PMC Select Portfolios and PMC Select Dynamic Portfolios™, PMC Tactical ETF Portfolios, PMC Dynamic ETF Portfolios™, Paradigm Liquid Alternatives, Ascent Portfolios and PMC Ultra Short-Term Fixed Income Portfolios and Third-Party Fund Strategists (together, the “Programs” and individually a “Program”). In addition to Paradigm Liquid Alternatives and Ascent Portfolios, investment strategies that are prefaced with “PMC”, “Sigma” or “ActivePassive” designate that the investment strategy is a proprietary strategy of EPS or its affiliated investment adviser EAM, as opposed to the many third-party investment strategies that we also make available in the SMA, UMA and Third-Party Fund Strategists programs. The Programs generally are made available by EPS through each Client’s independent Advisor, and in certain limited instances, directly to the Client. In addition to the EPS advisory services offered in the Programs, EPS also offers Advisors many advisory service tools, whereby EPS provides only administrative and technology services and investment research and due diligence. A Client’s Advisor determines which services and Programs of EPS to utilize with its Clients and may utilize the services of other third-party services providers in conjunction with the Programs; Clients should therefore consult their Advisors’ Form ADV Part 2 for a fuller description of that Advisor’s specific use of EPS, EAM and the Programs. The services offered by EPS include:

- Assessment assistance of the Client’s investment needs and objectives
- Investment policy planning assistance
- Assistance in development of an asset allocation strategy designed to meet the Client’s objectives
- Recommendations on suitable style allocations
- Identification of appropriate managers and investment vehicles suitable to the Client’s goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the Client
- Ongoing monitoring of individual asset manager’s performance and management for “Approved” investment strategies (See Item 6)
- Review of Client accounts to ensure adherence to policy guidelines and asset allocation



- Recommendations for account rebalancing, if necessary
- Online reporting of Client account's performance and progress
- Fully integrated back office support systems to advisors, including interfacing with Client's custodian, trade order placement, and confirmation and statement generation either through independent sources or through Portfolio Brokerage Services, Inc. ("PBS"), EPS's affiliated broker/dealer.

### ***The Program***

For all Programs, Client and Advisor compile pertinent financial and demographic information to develop an investment program that will meet the Client's goals and objectives. Utilizing the EPS platform tools, Advisor allocates the Client's assets among the different options in the Program and determine the suitability of the asset allocation and investment options for each Client, based on the Client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. EPS's research team uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. For all Programs, Client directly owns the underlying securities, mutual funds or ETFs in each of the Program's investment strategies. As further described below, EAM also serves as the investment advisor to a series of target date funds for the EAM/Reliance Trust Employee Benefit Investment Trust Series One - PMC Pathway Funds. Mutual funds, ETFs, closed-end funds, unit investment trusts and real estate investment trusts exchange traded funds are collectively referred to throughout this document generally as a "Fund" or "Funds."

For Clients selecting the SMA program, the Client is offered access to an actively managed investment portfolio chosen from a roster of independent asset managers (each a "Sub-Manager") from a variety of disciplines. Unlike a mutual fund, where the funds are commingled, a separately managed account is a portfolio of individually owned securities that can be tailored to fit the Client's investing preferences. EPS will assist Advisor in identifying individual asset managers and investment vehicles that correspond to the proposed asset classes and styles or Advisor may independently identify asset managers. EPS retains the Sub-Managers for portfolio management services in connection with the SMA program through separate agreements entered into between EPS and the Sub-Manager (or through EAM's agreement with the sub-manager) on terms and conditions that EPS deems appropriate. For certain Sub-Managers, EPS has entered into a licensing agreement with the Sub-Manager, whereby EAM performs administrative and/or trade order implementation duties pursuant to the direction of the Sub-Manager. In such situation the Sub-Manager is acting in the role of a Model Provider (as defined below).

Clients may also select individual Funds through the SMA program.

In the ActivePassive Portfolios program, EPS provides discretionary investment advisory services under which EPS selects mutual fund investments for Clients consisting of a series of third party index mutual funds as well as one or more actively managed funds from the PMC Fund family. The ActivePassive Portfolios may be offered to Clients directly by EPS or may be offered by Advisors. Under the ActivePassive Portfolios program, EPS has discretionary authority to direct investment of the monies contributed by the Client. Such discretionary authority includes the discretion to adjust asset allocations to the ActivePassive Portfolios, and to replace or reduce allocations to specific mutual funds without prior consultation with the Client. EPS periodically monitors client portfolios and when deemed appropriate makes changes in both asset allocations as well as specific mutual fund selections. EPS does not maintain custody of the individual funds or other assets owned by each Client. Clients are themselves the registered owners of the mutual funds which are held by a registered broker-dealer and/or qualified custodian on each Client's behalf. The PMC Funds are a proprietary fund family of EPS's affiliate, EAM and as the investment advisor to the PMC Funds, EAM receives a management fee based on assets invested in the PMC Funds. EPS does not receive compensation for the



portion of assets invested in the PMC Funds through ActivePassive Portfolios that are invested in the PMC Funds selected by EPS.

For Clients selecting a mutual fund or ETF asset allocation strategy, EPS manages mutual fund asset allocations based on EPS's recommended investment strategy (each a "PMC Strategy"). The PMC Strategies are fully discretionary, mutual fund and/or ETF asset allocation program offering a series of model portfolios positioned at various points along the risk/return spectrum that corresponds to the individual Client's goals and objectives. Once the Client's assets are invested, EPS may add, remove or replace mutual funds at its discretion. The MFS program, Ascent Portfolios and PMC Strategic ETF Solutions are also a part of the PMC Strategies. Certain Advisors may re-brand a PMC Strategy and label the investment strategy according to that Advisor's design, as further described in the Advisor's Form ADV Part 2A.

For Clients selecting the PMC Select Portfolios, EPS's affiliate, EAM utilizes its proprietary mutual fund family, the PMC Funds, for the appropriate investments based on the Client's corresponding investment objectives and risk profile. Where appropriate, EAM may also utilize non-proprietary mutual funds in the PMC Select Portfolios. EAM is responsible for developing, constructing and monitoring the asset allocation and strategy for each portfolio. EAM serves as the investment advisor of the PMC Funds and manages the PMC Funds in a "manager of managers" approach by selecting and overseeing multiple sub-advisors to the funds who manage distinct segments of a market, asset class or investment style.

The PMC Select Dynamic Portfolios are centered around the strategic allocations of the PMC Funds used by the PMC Select Portfolios, as described above, but also allow for an underweighting or overweighting between the PMC Funds for each portfolio. EPS's affiliate, EAM manages the PMC Select Portfolios with sub-advisory services currently provided by William Blair, LLC.

For Clients choosing the PMC Tactical ETF Portfolios, EPS's affiliate, EAM develops a diversified strategic portfolio of exchange-traded funds, using a blend of asset allocation technologies. The portfolio is then actively traded at EAM's discretion pursuant to a tactical strategy based on a series of macroeconomic, fundamental, risk and technical variables with the aim of adjusting asset class exposures opportunistically with market movements. The PMC Tactical ETF Portfolio Portfolios are managed by EAM with sub-advisory services currently provided by Innealta Capital, a division of Al Frank Asset Management Inc.

For Clients selecting the PMC Dynamic ETF Portfolios™, EPS's affiliate, EAM develops diversified portfolios of exchange traded funds that provide exposure to global asset classes, market sectors using a broad range of ETFs. The portfolios are actively managed to overweight or underweight market sectors to take advantage of market opportunities. The PMC Dynamic ETF Portfolios™ are managed by EAM with sub-advisory services currently provided by William Blair, LLC.

For Clients using the UMA program, the Client is offered a single portfolio that accesses multiple asset managers and Funds, representing various asset classes, that is customized by the Client's financial advisor. Utilizing the EPS tools, Advisor customizes the asset allocation models for a particular Client or selects EPS's proposed asset allocations for types of investors fitting Client's profile and investment goals. The Advisor then further customizes the portfolio by selecting the specific, underlying investment strategies or Funds in the portfolio to meet the Client's needs. Once the Advisor has established the content of the portfolio, EPS provides overlay management services for UMA accounts and implements trade orders based on the directions of the investment strategies contained in the UMA portfolio.

Client's Advisor may also offer a version of the UMA, whereby Advisor does not exercise investment discretion in the selection of the asset allocation or the specific, underlying investment vehicles and investment strategies used in each sleeve of the UMA portfolio (a "Client-Directed UMA"). In the Client Directed UMA, the Advisor will provide Client with recommendations regarding the appropriate asset



allocation and the underlying investment vehicles or investment strategies to meet the Client's objectives, but the Client is directing the investments and changes made to Client's UMA portfolio and is ultimately responsible for the selection of the appropriate asset allocation and the underlying investment vehicles or investment strategies. As described above, EPS provides overlay management services for UMA accounts and implements trade orders based on the directions of the investment strategies contained in the UMA portfolio.

For Clients in the PMC Guided Portfolios program (formerly referred to as the Multi-Manager Account program), the Client is offered a single portfolio created and managed by EPS that accesses multiple asset managers and Funds representing various asset classes. EPS allocates the portfolio across investment asset classes and complementary asset managers to create a blend that fits the Client's investment profile and risk tolerance. EPS includes Funds in the PMC Guided Portfolios program to complete the asset class exposure of the asset managers utilized. For portions of some of the PMC Guided Portfolios portfolio, EPS may also utilize proprietary strategies such as PMC Dynamic ETF Portfolios™, Enhanced Portfolio Strategies or a PMC Fund (see more on use of PMC Funds in PMC Guided Portfolios program below).

A portion of the assets that make up the PMC Guided Portfolios program may be invested in the PMC Funds, where appropriate, in conjunction with using multiple asset managers and other Funds that comprise the PMC Guided Portfolios. Since EAM, an affiliate of EPS, serves as the investment advisor to the PMC Funds, the amount that EPS receives with respect to PMC Guided Portfolios program assets that are invested in the PMC Funds may be greater than just the portion of the PMC Guided Portfolios program fee. In order to address the economic incentive that EPS or EAM may have in investing PMC Guided Portfolios program assets in PMC Funds, when PMC Funds are utilized in a PMC Guided Portfolio, EPS makes a corresponding fee reduction to the fee that EPS normally charges for managing the PMC Guided Portfolios in order to offset the fees it receives as a result of those PMC Guided Portfolios assets being invested in the PMC Funds. EPS and EAM may still recognize ancillary benefits in investing PMC Guided Portfolios assets in PMC Funds.

The PMC Liquid Endowment Model is a new series of PMC Guided Portfolios that, depending on the assets in the account, may include mutual funds, ETFs, Third Party Fund Strategists and SMAs. EAM chooses the different asset allocations and investment strategies and Funds for each of the PMC Liquid Endowment Models. The models with managed for the smaller asset accounts will consist of mutual funds and ETFs while models for larger asset accounts will include; mutual funds, ETFs, Third Party Fund Strategists and SMAs.

For Clients using Paradigm Liquid Alternatives, the Client is offered a portfolio designed to provide the characteristics of alternative investments in the form of a portfolio of registered Funds. The portfolios are predicated on the belief that an investor's allocation to alternative investments is influenced by the overall risk level of the strategic portfolio. The risk-based portfolios have been optimized for an allocation sleeve of 10% to 30% of the overall portfolio. This sleeve has been designed to be funded proportionally from all asset classes used in the strategic portfolio.

The PMC Ultra Short-Term Fixed Income Portfolio is designed to provide investors with an attractive alternative to money market fund yields. The portfolio is for investors who seek higher returns than those offered by money market funds and are willing to accept some principal fluctuation risk in pursuit of higher returns. The portfolio is comprised of a diversified group of highly rated short and ultra short-term bond funds selected by EAM and combined to offer a combination of liquidity, yield and quality. The portfolio is not a money market fund, nor is it FDIC insured.

The PMC Quantitative Portfolios are EAM's proprietary SMA portfolios. At their core, the PMC Quantitative Portfolios are passively managed, and are structured to provide a pre-tax return mimicking a broad-based benchmark index at a cost that is competitive with ETFs. The PMC Quantitative Portfolios are designed and constructed to offer several primary attributes, including: cost-efficient exposure to beta, tax-efficiency, and the ability to be customized. In executing the PMC Quantitative Portfolios EAM is mimicking an index and





does not attempt to select stocks through investment fundamentals research. Instead, the PMC Quantitative Portfolios attempt to enhance after-tax return through active tax management. The portfolios are constructed quantitatively, with risk assessment and tax management considerations being the sole criteria. The PMC Quantitative Portfolios currently track a variety of equity indices, and have the ability to be customized to track benchmarks that fit an advisor's specific objectives.

EPS also makes available asset allocation strategies of a variety of mutual fund and ETF asset managers in the Third-Party Fund Strategists program. Each portfolio may consist solely of mutual funds or ETFs or may combine both types of funds to pursue different investment strategies and asset class exposures. Pursuant to a licensing agreement entered into with the asset manager, EPS provides overlay management of the portfolios and performs administrative and trade order implementation duties pursuant to the direction of the asset manager.

### ***Third Party Models and Model Providers***

Many of the asset managers available in the Programs described above are accessed through the use of investment models ("Third Party Models"), whereby the asset manager, acting as a "Model Provider," constructs an asset allocation and selects the underlying investments for each portfolio. EPS performs overlay management of the Third Party Models by implementing trade orders, periodically updating and rebalancing each Third Party Model pursuant to the direction of the Model Provider. EPS may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third Party Models created by particular Model Providers.

In managing the Third Party Models, certain Model Providers may pursue an investment strategy that utilizes underlying mutual funds or exchange traded funds advised by the Model Provider or its affiliate(s) ("Proprietary Funds"). In such situations, the Model Provider or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund's prospectus). These fees will be in addition to the management fees that a Model Provider receives for its ongoing management of the Third Party Models and creates a financial incentive for the Model Provider to utilize Proprietary Funds. Clients should discuss any questions with or request further information from their Advisor concerning the use of Proprietary Funds in Third Party Models or the conflict of interest this creates.

### ***Portfolio Overlay***

EPS also provides Third Party Model overlay services. The tax overlay and management services seek to consider tax implications that may detract from the Client's after-tax returns. The Socially Responsible Investing overlay screens integrate Environmental, Social and Governance (ESG) factors into the Client's investments.

### ***Mutual Funds***

EPS's affiliate EAM serves as the investment adviser to the PMC Funds, consisting of the PMC Core Fixed Income Fund and the PMC Diversified Equity Fund (information available at [www.investpmc.com](http://www.investpmc.com)).

### ***Account Customization and Investment Restrictions***

The Programs are intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Each Client's account is managed on the basis of the Client's financial situation and stated investment objectives, in accordance with the Client's reasonable investment restrictions imposed by Client on the management of the assets in the account. In addition, Clients will be contacted at least annually by their Advisor, and notified





quarterly to contact Advisor, in order to confirm whether there have been any changes to the Client's financial situation, investment objectives or if Client would like to impose or modify investment restrictions on the account.

### ***Wrap Fee Programs***

Advisor to Client may offer the Program as a "wrap fee program" as described in Advisor's Appendix 1 of its Form ADV Part 2A. EPS may also offer the Programs as a "wrap fee program" and provides portfolio management services. EPS manages the wrap fee programs in the same manner as described in this document and receives fees for its portfolio management services as described in Appendix 1 of its Form ADV Part 2A.

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

Clients in the Programs pay a program fee (each, a "Program Fee") to EPS from which EPS, either directly or through EAM, pays the Sub-Managers, Model Providers and the account administration fee. Depending on the services utilized by the Advisor, the Program Fee also includes investment management services comprised of client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of Approved investment strategies and Funds, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services. However, Clients who's Advisors perform or utilize a third-party to perform certain of these services listed above pay a lower Program Fee.

As one of its services, EPS performs account billing administration, whereby EPS, acting as billing service provider deducts the Program Fee, fees charge by Advisor and the custodian fee from the Clients account and pays the applicable parties. However, as agreed upon with Client, Advisor and custodians may choose to independently deduct fees from the Client's accounts. Advisory fees may be collected by EPS but are paid directly to the Advisor. Clients should separately refer to Advisor's Form ADV Part 2A for a description of Advisor's fees.

Certain fees are not included in the Program Fee, the most significant of which is the fee charged by the Advisor. Even if Client is utilizing custodial asset-based pricing, certain fees charged by a broker or custodian may also be assessed (described more fully below in "Other Issues Relating to Fees"). The Program Fees shown below include assumed brokerage, clearing and custody fees based on a percentage of Client's assets held in the Program, but do not include assume fees charged by the Advisor. Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker/custodian (as opposed to transaction-based fees such as commissions). For certain custodial relationships, EPS is able to present the asset based fee as part of the Client's fee schedule in the client agreement. To the extent that such fees are not included in the fee schedule, the client will be so informed in writing. Clients, through coordination with their Advisor, may utilize transaction-based pricing for clearing and custody services. In that case, those fees will be disclosed separately to the Client in the applicable custodian's clearing and custodial paperwork.



The standard fee schedules for EPS's Programs are as follows, but lower fees may be separately negotiated by the Advisor:

#### SMA Portfolios

Amount	Equity/Balanced SMA Portfolios*	Fixed Income SMA Portfolios*	Funds	PMC Liquid Alternatives	PMC Quantitative Portfolios
First \$250,000	0.50%-1.81%	0.50%-1.50%	0.27%-0.69%	0.45%-0.75%	0.25%-0.55%
Next \$250,000	0.50%-1.56%	0.50%-1.31%	0.27%-0.50%	0.45%-0.63%	0.25%-0.55%
Next \$500,000	0.50%-1.50%	0.50%-1.25%	0.25%-0.41%	0.45%-0.63%	0.25%-0.55%
Next \$1,000,000	0.50%-1.36%	0.50%-1.21%	0.23%-0.38%	0.45%-0.63%	0.25%-0.55%
Next \$3,000,000	0.50%-1.26%	0.50%-1.20%	0.23%-0.36%	0.45%-0.63%	0.25%-0.55%
Over \$5,000,000	0.50%-1.26%	0.50%-1.20%	0.23%-0.35%	0.45%-0.63%	0.25%-0.55%

\* The fee charged depends on the manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETFs and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees.

\*\* EPS or its affiliates may receive 12b-1 fees from mutual funds in which Clients invest. Fees charged with respect to mutual funds will be credited with the amount of any distribution or Rule 12b-1 fees EPS receives.

#### Asset Allocation Programs

Amount	MFS*	PMC Strategies*	PMC Dynamic and Tactical ETF Portfolios	PMC Ultra Short-Term Fixed Income	Third Party Fund Strategist
First \$250,000	0.65%-0.81%**	0.40%-1.00%	0.65%-0.90%	0.20%-0.25%	0.40%-0.94%
Next \$250,000	0.50%-0.63%**	0.33%-0.81%	0.63%-0.87%	0.20%-0.25%	0.33%-0.75%
Next \$500,000	0.45%-0.56%**	0.27%-0.76%	0.61%-0.85%	0.20%-0.25%	0.27%-0.66%
Next \$1,000,000	0.37%-0.46%**	0.23%-0.73%	0.59%-0.83%	0.20%-0.25%	0.23%-0.59%
Next \$3,000,000	0.31%-0.39%**	0.19%-0.70%	0.57%-0.81%	0.20%-0.25%	0.19%-0.51%
Over \$5,000,000	0.30%-0.38%**	0.19%-0.69%	0.55%-0.79%	0.20%-0.25%	0.19%-0.50%

\* The fee charged depends on the manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETFs and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees.

\*\* EPS or its affiliates may receive 12b-1 fees from mutual funds in which Clients invest.

### Multi-Style Accounts

Amount	Unified Managed Accounts (UMA)*	PMC Guided Portfolios
First \$250,000	0.25%-0.88%	0.35%-1.56%
Next \$250,000	0.25%-0.63%	0.35%-1.31%
Next \$500,000	0.25%-0.56%	0.35%-1.19%
Next \$1,000,000	0.25%-0.49%	0.35%-1.05%
Next \$3,000,000	0.25%-0.44%	0.35%-0.91%
Over \$5,000,000	0.25%-0.41%	0.35%-0.91%

\* Add an additional 0.35% - 0.60% for each Third Party Model used in the UMA portfolio. However, certain Third-Party Models may have lower or higher fees.

\*\* Envestnet or its affiliates may receive 12b-1 fees from mutual funds in which Clients invest. Fees charged with respect to mutual funds will be credited with the amount of any distribution or Rule 12b-1 fees Envestnet receives.

### ***Fee Billing Calculation***

For the majority of EAM's Advisor relationships, the Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of quarter. Unless otherwise agreed to by the Client with Advisor, Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account. EAM billing services can accommodate different billing calculations. These customizations, such as billing in arrears or billing accounts based on the average daily balance result from customizations requested by the Advisor. Clients with different billing arrangements set up with the Advisors should refer to their Advisor's Form ADV or Appendix 1 and client agreement for specific details. The level of the Program Fee will vary with the amount of assets under management and the particular investment styles and investment options chosen or recommended. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by EAM.

### ***Termination***

The client agreement terms and conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly program fee, based upon the number of days remaining in the quarter after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind, otherwise certain commissions and/or fees may be charged by the broker-dealer liquidating security positions.

### ***Other Issues Relating to Fees***

In the agreement entered into by Client with Advisor, the Program Fee may also contain administration fees for services performed by the individual Advisor representative's corporate office. Clients should separately refer to Advisor's Form ADV Part 2A or Appendix 1 for a description of these types of fees.

Additionally, EAM acts as the advisory technology platform for broker-dealers (including broker-dealer clearing custodians) that coordinate support services for Advisors and EPS and/or sponsor the Program. In such cases the Program Fee stated in the client agreement will also contain fees for such services that are paid



to the broker-dealer/custodians. Certain broker-dealer/custodians also charge EAM for supporting technology interfaces with their technology resources. These fees are included as part of the Program Fee, but are separate from the custodial/brokerage fee listed in the brokerage/custodial agreement. These fees range depending on the particular program utilized, the level of integration of the EPS technology platform with the clearing custody platform, and the particular broker-dealer/custodian. These fees can make up between 5-35% of the fee charged by EPS.

When Advisor or Client selects a Sub-Manager or Model Provider, the Program Fee encompasses the fees paid to the Sub-Manager or Model Provider for their services in addition to the EPS fees associated with making those strategies accessible and administering them in the Program. EPS separately negotiates the agreements between Sub-Managers and Model Providers, including fees paid, on terms and conditions that it deems acceptable. Fees generally range from 0.15% to 1.00% of the assets under management. Certain Model Providers participating in the Third-Party Fund Strategist program may not charge management fees, because they utilize their proprietary mutual funds and/or ETFs and receive fees from the underlying expenses of the Funds. The pricing terms are routinely re-negotiated with individual Sub-Managers and Model Providers, whereby EPS, Sub-Manager or Model Provider may receive a greater or lesser percentage of the Program Fee than the current percentage at the time Client selected a particular investment strategy. In general, this reapportionment does not increase the Program Fee that the Client pays. In the rarer case where the Program Fee negotiations results in a need to increase the Program Fee, Client and/or Client's Advisor (if such Advisor has investment discretion to act on behalf of the Client) would be notified in advance of any increase in Program Fees, with full opportunity to select another strategy in the Program or otherwise change Client's account.

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the program to a particular Client include the size of the account; the type of account (*i.e.*, equity or fixed income); the size of the assets devoted to a particular strategy; and the managers selected.

In some cases, Advisors who recommend the Programs to their Clients may receive compensation from EPS as a result of their Clients' participation in the programs. This compensation may be more than what the Advisor would receive if the Client participated in other programs or paid separately for investment advice, brokerage and other services. Such Advisors may therefore have a financial incentive to recommend the Program over other programs or services. While this fee may be paid from Program Fees collected by EPS, the Program Fees have not been increased to cover fees paid to those Advisors.

The Program Fee does not cover certain charges associated with securities transactions in Clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any Funds, (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed by Funds may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into the Program. With respect to this latter type of charge, EPS may liquidate such assets transferred into a Program in its sole discretion. Clients should thus be aware that if they transfer in-kind assets into a Program, EPS may liquidate such assets immediately or at a future point in time and Clients may incur a brokerage commission or other charge, including a CDSC. Clients also may be subject to taxes when



EPS liquidates such assets. Accordingly, Clients should consult with their financial advisor and tax consultant before transferring in-kind assets into a Program.

In addition to the redemption fees described above, a Client may incur redemption fees, when the portfolio manager to an investment strategy determines that it is in the Client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Funds prior to the expiration of the minimum holding period of the Funds. Some mutual funds also assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees. The Program Fee does not cover certain custodial fees that may be charged to Clients by the custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

For smaller accounts, a minimum account fee may apply to the Program Fee or fees charged by the custodian. Minimum accounts fees are expressed in annual amounts, but are determined and assessed based on the account asset value at the beginning of each quarter. For example, if an account has a \$100 minimum annual account Program Fee, it will be assessed a minimum of \$25 every quarter. Therefore, if a client has large asset inflows or outflows during the year that cross the minimum asset value threshold, it is possible for an account to be assessed a minimum fee for a particular quarter even if at the end of the year a look back over the account's average balance for the entire year would have placed it above the minimum asset value threshold.

See Item 12 below for a description of the factors that EPS considers in utilizing broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

EPS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client).

#### **Item 7 – Types of Clients**

As described above under Programs, EPS provides portfolio management services to individuals, high net worth individuals, Advisors, banks, trusts, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, trust programs and other U.S. and international institutions. As described above, the Programs generally are made available by EPS through each Client's independent Advisor, and in certain limited instances, directly to the Client. Participation in each of the Programs may carry a minimum account size for any particular portfolio selected. Generally mutual fund or ETF asset allocation portfolios will require \$25,000 - \$50,000 account size minimums. Separately managed accounts for equity strategies will require \$100,000 account size minimums and \$250,000 account size minimums for fixed income strategies. Multi-sleeve portfolios will generally require \$150,000 account size minimums.

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

### ***Methods of Analysis***

EPS provides Advisors with a variety of portfolio construction methods utilizing an analytics module that allows choice of multiple programs and products to blend a solution that best meets Client requirements. For constructing EPS's and EAM's proprietary strategies (ActivePassive, PMC and Sigma strategies) and in assisting Advisor with selecting asset allocations and portfolio construction EPS and EAM uses the capital markets assumptions construction process of Black-Litterman and inverse optimization methods to estimate the expected returns for asset classes. This process results in the construction of optimized, diversified portfolios across a wide set of risk tolerances and preferences that can be employed by the Advisor. The Advisor can select investment strategies using a variety of search screens on the EPS technology platform that are configurable to create Advisor specific selection criteria. In addition, Advisors may utilize third-party analytic modules that are licensed through the EAM platform and independent of EAM's proprietary analysis.

In assisting Advisor with asset allocation and portfolio construction, EPS uses demographic and financial information provided by the Client and Advisor to assess the Client's risk profile and investment objectives. EPS uses proprietary analytical tools and commercially available optimization software applications to develop its asset allocation strategies. Factors used as inputs in the asset allocation process include historical rates of risk and return on various asset classes, correlation across asset classes, and risk premiums, among others. However, the Advisor has the flexibility to choose EPS recommended asset allocations and portfolios or independently find potential investment solutions for their Clients through the Advisor's own research.

EPS also has the ability to utilize asset allocation from third party sources to assist in the construction of portfolios for Advisors. This asset allocation "overlay" capability can be applied to one account or multiple accounts across a household or group of households, and can also be "attached" to a variety of product types.

### ***Investment Strategy and Fund Research and Due Diligence***

In the Programs, EPS provides access to two types of SMA investment strategies, Third Party Models and Funds to Advisors and Clients, "Approved" and "Available." For Approved SMA strategies, Third Party Models and Funds, EPS employs a multi-phase approach in its evaluation ("Due Diligence"). Among the types of information analyzed are historical performance, investment philosophy, investment style, historical volatility and correlation across asset classes. Also reviewed are the manager's Form ADV Part 2, as well as portfolio holdings reports that help demonstrate the manager's securities selection process and the prospectuses of the Funds.

While EPS provides Advisor with recommendations on "Approved" products and investment strategies, the Advisor is responsible for determining whether any particular Fund or investment strategy is suitable for use with a particular Client.

In addition to Approved SMA strategies, Third-Party Models and Funds, EPS also provides access to certain SMA strategies, Third-Party Models and Funds with respect to which EPS has not performed Due Diligence. For SMA strategies, Third-Party Models and Funds categorized as "Available," EPS has performed no review of the investments strategy or Fund and EPS makes no recommendations concerning the use of them. Instead, Client's Advisor is responsible for determining that it has sufficient information about SMA strategies, Third-Party Models and Funds to select them for use with Clients.

### ***"Approved" SMA investment strategies, Third Party Models and Funds***

In evaluating investment strategies and Funds, EPS utilizes the research resources of the investment team of



its affiliated advisor, EAM. EAM evaluates managers specializing in each of the asset categories listed, including equities (both domestic and foreign); corporate debt; commercial paper; certificates of deposit; municipal securities; mutual funds; real estate investment trusts; government securities; options; and futures. The investment professionals at the investment management firms are a primary source of information to EAM, providing quantitative and qualitative information. In addition, EAM employs several publicly available databases from independent sources. These databases are used to verify the information provided by the managers. However, neither EAM nor EPS independently review the performance calculations of asset managers and performance information of all of the managers may not be calculated on a uniform basis.

The manager approval process differs for SMAs, mutual funds, and ETFs. Both SMAs and mutual funds are reviewed using EAM's proprietary research methodology. This process uses the PMC Quantitative Risk/Return Ranking Model with three or five (depending on EAM's peer group) years of actual monthly performance to select managers that perform at the top of their peer group. Any manager and mutual fund available on the EAM platform that ranks in the top 30% of its peer group as measured against all managers in the appropriate set of Morningstar categories is added to the Approved universe. Approved managers and mutual funds that fall below the top 50% list level are removed from the Approved list and revert to the Available list unless overridden by the PMC Manager Research team and approved by EAM's "PMC Investment Policy Committee."

EAM's approach combines the following three sources of information in an optimal approach to benchmark analysis: Morningstar peer grouping analysis, statistical search for potentially better-fitting benchmarks, and the manager's self-declared benchmark.

EAM's proprietary Quantitative Risk/Return Ranking Model uses the following key characteristics based on historical returns: (i) Consistent Active Value – Portfolios that have consistently beaten their benchmark over time; (ii) Effective and Consistent Risk Control – Portfolios that have consistently tracked their respective benchmark over time (iii) An Efficient Risk/Return Profile – Portfolios that have generated meaningful active returns relative to the risk taken.

In addition to this quantitative-based approval process, the EAM research analysts work to provide additional insight across this approved universe by strategically performing additional analytics, including but not limited to: (i) manager interviews to gain a clearer understanding of the investment process; (ii) holdings-based analysis using a factor model to calculate performance attribution; (iii) finding statistically significant alpha scores using a custom Returns-Based Style Analysis (RBSA) process and advanced statistical techniques (based on "Monte Carlo simulation") to calculate the confidence intervals for the manager's alpha. EAM research analysts contact managers they determine should be examined and conduct interviews to help evaluate if the factors pertinent to a successful investment organization and strategy are changing. Some of the topics that may be covered include: (i) organizational stability; (ii) investment personnel tenure and experience (iii) an understanding of the financial economics employed in the investment selection process that creates consistent active value; (iv) an understanding of the benchmark risk control philosophy and methods (v) systems and trading capabilities.

### ***Index Managers***

Index managers are removed from each peer group and evaluated using a separate tracking error calculation. Index managers whose tracking error is below 1% are designated "Approved." Other than a compliance review, no other subjective review is performed on these approved managers.



### ***“Approved” ETFs***

The approved list includes exchange-traded funds (ETFs) that meet certain quantitative criteria under EAM’s ranking methodology. The ETF ranking methodology consists of two main steps. First, EAM screens ETFs on five criteria. Second, EAM calculates a weighted average score of three performance dimensions for post-screen ETFs and ranks them within their respective peer-groups. In order to exclude sub-standard firms and products, certain filters are imposed on the ETF universe. The screening criteria consist of the following five components: structure, active vs. passive management, available data history, UMP style and total sponsor assets under management (AUM). ETFs are eligible for the ranking process only if they pass all five tests.

In addition, EAM uses three broad dimensions to evaluate ETF performance: tracking, liquidity, and cost. Tracking Measure is the most important of the three dimensions and involves obtaining the tracking error, which is calculated against the EAM investment style benchmark using the monthly returns over the last 24-month period. The dimensions of liquidity and cost have multiple sub-dimensions.

The methodology described is applied to the ETF ranking process on a quarterly basis in the selection of Approved ETFs, and lends support to using all of the above dimensions as unique sources of information to construct the overall ETF ranking score. The first set of approved ETFs includes the top two or three (in case of ties) ETFs per peer-group. Exceptions are allowed for approval of certain ETFs on a case-by-case basis. For more information on EAM’s ETF valuation process Client should request a copy from Advisor.

### ***Exceptions and Conflict of Interests***

The PMC Investment Committee may make exceptions for managers on the Approved list. For these exceptions, analysts use the qualitative and quantitative tools listed described above to make the determination that while the manager does not make the 50% cut-off list described above, the manager otherwise warrants to remain on the Approved list. For example, the SMA strategy may not have a track record of sufficient length, but the portfolio manager has a proven track record. The PMC Investment Committee approves or disapproves all exceptions and can remove managers from the Approved list at any time within its sole discretion.

Manager’s that have a significant affiliation with a client of EPS or its affiliate EAM or are a direct client of EPS or EAM must be reviewed as exceptions and must be approved by the PMC Investment Committee to ensure that EPS has confidence in recommending these managers as “Approved.” Like any other exception, the PMC Investment Committee can remove managers from the Approved list at any time within its sole discretion.

As described in Item 4, EAM acts as portfolio manager for several of the strategies in the Program. EAM’s proprietary investments strategies are prefaced by “PMC”, “Ascent”, “Sigma”, or “Paradigm.” All PMC, Ascent, Sigma, and Paradigm are listed as Approved since EAM actively manages these products and the PMC Investment Policy Committee is confident in its investment methodology. The conflict of rating a proprietary strategy as Approved is mitigated to a degree because the PMC, Ascent Sigma, and Paradigm products are based on a “manager-of-managers” approach. In this regard, strategies like MFS or PMC Guided Portfolios are selecting a combination of underlying asset managers and/or Funds and are not acting as traditional “stock-pickers.” For the PMC Quantitative Portfolios, the strategies are mimicking designated indices and are not designed to add investment value through selecting individual stocks. Should the PMC Investment Policy Committee lose confidence in one of the underlying asset managers or Funds, that asset manager or Fund is replaced with one that better complements the overall portfolio.

In order to ensure that our research and portfolio management decisions are unbiased, EAM has implemented an informational barrier between the team responsible for negotiating manager fees and the



team responsible for researching and recommending Sub-Manager/Model Providers for use on the platform or in portfolios.

EAM's affiliate ERS, Inc. ("ERS") provides services to retirement plans under Section 3(21) and Section 3(38) of ERISA. In providing such services directly to retirement plans, ERS may be servicing a client base with whom Advisors who may also be providing similar services.

Please also see Item 4 above describing the use of PMC Funds in the PMC Guided Portfolios program.

### ***Investment Strategies***

EPS provides Advisors with access to a large variety of investment strategies and Funds as a core tenet of its capability. While many different investment strategies and Funds can be selected, EPS provides Advisors with the ability to utilize our technology platform to assess portfolios holistically and across multiple programs, custodians, and registrations, allowing the Advisor to make a household assessment of their Client's needs. This analysis capability allows Advisors to consider multiple options for investment strategies and Funds as they seek to match their Client's needs with the features and benefits of each program

For a description of the EPS Programs, please refer to Item 4 above.

### ***Risk of Loss***

Investing in securities involves risk of loss (including loss of principal) that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed-income strategies are subject to interest rate risk and the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market

EPS seeks managers and Funds with a variety of investment strategies in an effort to make a wide range of investment strategies available to Advisors and Clients. Some strategies may be high-risk strategies. Such strategies usually have the potential for substantial returns; however, there are correspondingly significant risks involved in the strategies and are not intended for all types of Clients. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the loss of all assets placed in the strategies. It is strongly recommended that Clients diversify their investments and do not place all of their investments in high-risk investment strategies. Certain types of investment strategies have particular types of risk. Strategies that invest in international securities involve special additional risks, including currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Strategies that invest in small capitalized companies involve risks, including relatively low trading volumes, a greater degree of change in earnings, and greater short-term volatility. Smaller companies typically have a higher risk of failure, and are not as well established as larger blue-chip companies. Growth strategies can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks. High-yield bond strategies invest in lower-rated debt securities (commonly referred to as junk bonds) and involve additional risks because of the lower credit quality of the securities in the portfolio. Clients should be aware of the possible higher level of volatility and increased risk of default. Concentrated, non-diversified or sector strategies invest more of their assets in a few holdings involve additional risks, including share price fluctuations, because of the increased concentration of investments. The lack of industry diversification subjects the Client to increased industry-specific risks. Finally, municipal investment



strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Certain ETFs in the PMC Dynamic ETF Portfolios™, PMC Tactical ETFs and Third-Party Models utilize leveraged equity ETFs. The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to their underlying index.

Tactical and dynamic investment strategies involve more frequent trading than the traditional “buy-and-hold” investment strategies. Such trading can increase transaction costs and create more short-term tax gains than Client may be used to seeing in other types of strategies.

### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of EPS or the integrity of EPS's management. EPS has no legal or disciplinary action that must be disclosed in response to this Item.

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

EPS and EAM also provide other products and services to Advisors and other financial professionals in the role as a third-party service provider to assist them with administering their business needs.

#### ***Consulting Services and Software Tools***

EPS provides a customizable asset management software program through a web-enabled platform (“Platform”) primarily to other large investment advisors, broker-dealers and financial services companies (“Institutions”).

EPS and EAM provide consulting services and software tools to selected Institutions. In addition, EPS licenses the Platform to certain Institutions. The Platform is typically customized and private labeled in the name of the applicable Institution. Institutions provide the Platform to advisors, who can use the Platform to manage the accounts of their respective Clients.

The Platform provides Institutions the ability to offer their clients a separate accounts program, various asset allocation programs and account reporting services. EPS and EAM also allow Institutions to combine these programs to suit the needs of their clients.

#### ***Advisor Directed Models***

EPS offers Advisors the ability to create their own investment model portfolios for Clients (an “Advisor Directed Model”). For Client's using an Advisor Directed Model, EPS is providing only administrative services, provides no advisory services and is not responsible for the selection of the specific investment choices made with respect to an Advisor Directed Model. For certain types of Advisor Directed Models, EPS will also place trade orders pursuant to the direction of the Advisor (“Advisor Proprietary Models”) but does not exercise discretion over the Client accounts or act as an advisor to the Client.

The Advisor may configure the Advisor Directed Models program so that neither Advisor nor EPS will exercise investment discretion in relation to the Client's investment model portfolio (a “Non-Discretionary Advisor Directed Models Program”). In a Non-Discretionary Advisor Directed Models Program, the Client has



the ability to create his/her own model portfolios from among a group of designated investment vehicles. Advisors will review investment model strategies with Client to determine that the use of a particular investment strategy is appropriate and suitable for Client. Client will then approve any subsequent changes to the investment model.

### ***Alternative Investments***

EPS makes investment managers of non-traditional or alternative investment strategies accessible to Advisors for recommendation to their Clients that meet the appropriate suitability criteria. Examples of such investments include so-called “hedge” products and private equity placements. Unless otherwise disclosed in writing to Client, EPS is solely providing administrative services in connection with non-traditional or alternative investment strategies and Client will be required to enter into a separate client agreement with the third-party alternative portfolio manager, containing separate terms and conditions and important disclosures.

### ***Reporting Only Services***

EPS offers reporting and data aggregation services to allow Institutions and Advisors the ability to monitor their clients’ accounts. Advisors are able to examine their clients’ holdings, allocation of assets and portfolio performance. Performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household’s or family’s assets.

### ***Back Office Processing/ Billing and Custodial Services***

EPS provides back-office functions including daily account reconciliation and asset transfers. EPS uses electronic data feeds from trading/clearing/custodial firms to streamline the account reconciliation process.

EPS’s billing software automates billing for Institutions and Advisors. The Platform can accommodate a billing structure to include house-holding of accounts to capture scaling rates, several layers of combined accounts and assets, flat fee billing, credits, advance or arrear billing, daily weighted average billing and event triggered billing.

EPS has arrangements that are material to its advisory business or its Clients with a related entity. PBS is a registered broker/dealer and affiliate of EPS. PBS conducts some trade execution services for EPS as described herein and receives a fee from EPS. PBS may, from time to time, execute transactions at the request of and for the account of Sub-Managers in one or more of EPS’s Programs for which PBS will receive compensation in the form of commissions. In certain circumstances, PBS may enter into prime brokerage arrangements with other brokers that are providing brokerage services to Clients. Prime brokerage allows PBS to facilitate the consummation of certain brokerage transactions initiated by Sub-Managers by acting as an executing broker.

EPS is under common control with the following entities that are engaged in the securities or investment advisory business. Certain directors and members of executive management of EPS also serve as directors and/or executive management of these entities:

Investnet Asset Management, Inc. (“EAM”), Registered Investment Adviser  
35 East Wacker Drive, Suite 2400  
Chicago, IL 60601  
Firm CRD #111694



ERS, Inc. ("ERS") Registered Investment Advisor  
35 East Wacker Drive, Suite 2400  
Chicago, IL 60601  
Firm CRD #167052

Portfolio Brokerage Services, Inc. ("PBS"), Registered Broker/Dealer  
1999 Broadway, 42nd Floor  
Denver, Colorado 80202  
Firm CRD #18554

Portfolio Management Consultants, Inc. ("PMC"), Registered Investment Adviser  
1999 Broadway, 42nd Floor  
Denver, Colorado 80202  
Firm CRD #107747

Portfolio Management Consultants, Inc. and PBS are wholly-owned subsidiaries of PMC International, Inc. ("PMCI")  
1999 Broadway, 42nd Floor  
Denver, CO 80202.

EAM, EPS, ERS and PMCI are wholly-owned subsidiaries of Envestnet, Inc.,  
35 E. Wacker Drive, Suite 2400  
Chicago, IL 60601.

EAM serves as the investment advisor to a mutual fund family: The PMC Funds, consisting of the PMC Core Fixed Income Fund and the PMC Diversified Equity Fund (information available at [www.investpmc.com](http://www.investpmc.com)).

See Item 4 above concerning the potential conflict of interest that EAM has when it utilizes PMC Funds in the PMC Guided Portfolios program.

### **Item 11 – Code of Ethics**

EPS employees or related persons may have accounts with investment managers that EPS recommends to Clients as part of its investment programs. This means that EPS employees or related persons may buy or sell securities that Clients also own in their accounts. Investment decisions for EPS personnel may not be made at the same time or in the same manner as those made for Clients.

EPS or a related person of EPS may purchase or sell securities that are recommended to, or purchased, or sold for, Clients. Personal securities transactions by persons associated with EPS are subject to EPS's Code of Ethics. The Code of Ethics includes various reporting, disclosure and approval requirements, described in summary below. EPS designed these requirements to prevent or mitigate actual or potential conflicts of interest with Clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment.

In accordance with Securities and Exchange Commission rules relating to recordkeeping by investment advisors, EPS requires prompt reports of all securities transactions identified in the Code of Ethics as "Reportable Securities" transactions. EPS further requires that all brokerage account relationships be disclosed, that EPS receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all access persons. Transactions in U.S.



government securities, bankers acceptances, bank certificates of deposit, commercial paper, high quality short-term instruments, including repurchase agreements, index-based futures/options, options/futures on treasury notes and bills or currency options/futures, shares of open-end mutual funds and commodities are excluded from the reporting requirements.

The responsibilities of EPS's Chief Compliance & Ethics Officer (or designee) include overseeing the regular monitoring and verification of compliance of covered persons with the requirements of the Code of Ethics, and reporting material violations to EPS's senior management. Covered transactions of the Chief Compliance & Ethics Officer will be approved by another officer (or designee) of EPS. In addition to reporting and recordkeeping requirements, the Code of Ethics imposes various substantive and procedural restrictions on Reportable Securities transactions. The Chief Compliance & Ethics Officer may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

A copy of EPS's Code of Ethics can be obtained by contacting the following individual at EPS:

Debra DeVoe  
Chief Compliance Officer  
Envestnet Asset Management, Inc.  
35 E. Wacker Drive, Suite 2400  
Chicago, Illinois 60601  
(312) 827-2800

### ***Potential Conflict of Interest***

EPS's CEO, Judson Bergman, is a Trustee for the RS Guardian Funds. The RS Guardian Funds (GBEMX) are an approved mutual fund on the EPS and EAM platform. The RS Guardian Funds resulted from the merger of The Guardian Life Insurance Company of America and RS Investments in May 2006. Investments in the RS Guardian Funds made through the EPS and EAM platform may be viewed as an accommodation to Mr. Bergman.

### **Item 12 – Brokerage Practices**

EPS operates the Programs as a directed brokerage subject to most favorable execution of client transactions. EPS does not require a Client to utilize any particular broker/custodian and currently has relationships with many brokers/custodians that provide brokerage, clearing and custody services to Clients in the Programs. The choice of which broker/custodian to utilize is determined by Client in consultation with their Advisor and a Client enters into a separate contractual relationship with the selected broker/custodian. Advisors may limit their Clients to a subset of broker/custodians. Those Advisors may be affiliated with one or more of these brokers/custodians and may require their Clients to contract with that broker/custodian. If an Advisor requires a Client to utilize the services of an affiliated broker/custodian, the Advisor may benefit and Client should review the Advisor's Form ADV Part 2A for a description of any potential conflicts of interests.

Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker/custodian (as opposed to transaction-based fees such as commissions). For certain custodial relationships, EPS is able to present the asset-based fee as part of the Client's fee schedule in the client agreement. To the extent that such fees are not included in the fee schedule, the client will be so informed in writing. Such fees may be charged directly to the Client. Several of the available brokers/custodians have minimum fees for Client accounts which will be fully disclosed to Clients in the applicable account documentation.





As stated in Item 5 “Fees and Compensation” above, certain broker-dealers (including custodians) charge EPS fees for use of their brokerage services. These fees are included as part of the Program Fee, but are separate from the custodial/brokerage fee listed in the brokerage/custodial agreement.

### ***Best Execution***

By directing brokerage, Clients may not receive the benefit of the lowest trade price then available for any particular transaction or Client account trade orders may not be able to be aggregated to reduce transactional costs. For the Programs, Sub-Managers and EPS will have the authority to effect transactions for Client accounts with or through a broker, dealer or bank other than that directed by Client, if EPS or Sub-Manager believes that “best execution” of transactions may be obtained through such other broker, dealer or bank, including any broker-dealer that is affiliated with Advisor, EPS or Sub-Manager. In such cases, commissions or other compensation to the brokers in such transactions will be in addition to the Program Fee (see Item 5 above, “Other Issues Relating to Fees”).

In placing orders for purchase and sale of securities and directing brokerage to effect these transactions, EPS’s primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, EPS considers a number of factors, including, without limitation, the overall direct net economic result to the Client, the financial strength, reputation and stability of the broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other matters involved in the receipt of brokerage services.

EPS has in place procedures to monitor transactions by Sub-Managers and orders placed by EPS. A Best Execution Committee meets quarterly to review the results of the documented monitoring conducted during the quarter.

### ***Trade Allocations***

Sub-Managers and Advisors performing trade order placement, trading rotation and allocation are managed by the Sub-Managers and Advisor. These Sub-Managers and Advisors have their own allocation policy and will direct how partial executions are allocated. EPS has no input or supervisory responsibility for these policies.

### ***EPS Supported Trade Allocations***

#### ***Separately Managed Accounts***

Certain trade orders are created by the Sub-Manager and sent directly to the appropriate custodian according to their own trade rotation policies. However, if a Sub-Manager chooses not to send the orders directly, the following trade rotation procedure is followed by EPS. Orders created in the amount of 2000 shares or less for the various custodians will be sent simultaneously since most market centers provide automatic execution guaranteed fills for most equities of this size or less. For custodial orders above 2000 shares, orders will be placed in order of size going from smallest to largest.

To ensure compliance with this policy, on a bi-monthly basis EPS will maintain a log showing receipt and trade submission for trades during the review period.

If the Sub-Manager directs EPS to allocate orders within each custodian, the partial fill will be pro-rata allocated among the individual Client accounts. Sub-Managers may aggregate Client trades with their own directed trades or trades for other Clients. Please refer to each Sub-Manager’s Form ADV for any policies they may have regarding aggregation of trades.



### ***Model-Based***

For trade orders placed by EPS for EPS's or EAM's proprietary strategies or Third-Party Models, the custodial trade rotation is a process that provides objective preference to custodians by submitting trades for each custodian in sequence starting with a different custodian on each series of block trades. The starting custodian moves down one position on the list at the start of each new trading day.

EPS maintains a daily record of custodial order file transmissions which comprises each day's rotation list. Upon receipt of a new custodian block order, the order is submitted to the next custodian on the rotation list. A rotation queue checklist is maintained to document the daily rotation process.

Once orders are filled, the Platform generates block allocations for the respective block trades. EPS then submits the allocation files to the respective custodians before 8:00PM EST for allocation to the respective Clients.

### ***Block Trading***

Block trading is permitted where the following conditions are met and if EPS has determined, on an individual basis that the securities order is:

1. In the best interests of each Client participating in the order.
2. Consistent with EPS's duty to obtain best execution.
3. Consistent with the terms of the investment advisory agreement of each participating Client.

In addition, the following conditions must apply:

1. Any investment by one Client shall not be dependent or contingent upon the willingness or ability of another Client to participate in such transaction.
2. The terms negotiated for the block transaction should apply equally to each participating Client.
3. The allocation of securities purchased or sold in a block trade must be made in accordance with EPS's allocation procedures.
4. The books and records of EPS must reflect, for each bunched order, the securities held by, purchased and sold for each Client.

### ***Errors***

Although EPS takes reasonable steps to avoid errors, occasionally errors do occur. EPS seeks to identify errors and works with the Client's Advisor, Sub-Manager and/or qualified custodian to correct the error affecting any Client account as quickly as possible, in order to put the Client in the position they would have been in had the error not occurred. All losses to a Client resulting from an error will be reimbursed to the Client's account immediately after corrections are made, while any market gains that result from the correction of such error will inure to the benefit of the Client unless the error is identified prior to settlement and is moved to the error account of the Client's Advisor, Sub-Manager, custodian, EPS or EAM.

### **Item 13 – Review of Accounts**

EPS performs nightly reconciliation of Client accounts on the Platform against data provided by the Client's custodian. Exceptions are researched and appropriate corrections are made when necessary. Completely reconciled accounts are made available at the beginning of the next business morning.

Clients receive statements from the custodian at least quarterly providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions from the clearing firm. In addition, depending on the Advisor, Clients may also receive a quarterly performance report prepared by



EPS showing the allocation of the assets in the account as well as the performance of the account during the previous quarter.

Advisors are required to contact Client on an annual basis to determine if there have been any changes to the Client's financial situation and stated investment objectives or if the Client wishes to impose any reasonable investment restrictions on the management of the assets in the account.

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

EPS, through its affiliated broker-dealer, may receive Rule 12b-1 fees from mutual funds in which Clients invest. The amount of the 12b-1 fee EPS receives will be credited against the Private Wealth Management program fee paid by the Client.

EPS may compensate Advisors or advisory firms for recommending or referring Clients to the Programs. While the fee may be paid from the Program Fee, the Program Fee has not been increased to cover the fee paid to those Advisors or advisory firms.

#### **Item 15 – Custody**

If provided with the authority through its billing services for certain accounts, EPS has the ability to debit advisory, manager, platform and other fees directly from Client accounts; however, EPS does not have authority to possess or take actual custody of Clients' funds or securities. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains Client's investment assets. Depending on the Advisor, Clients may also receive a quarterly performance report prepared by EPS and EPS urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 16 – Investment Discretion**

Clients that participate in the Programs are required to grant full discretionary investment authority to EPS. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular Client account.

When selecting securities and determining amounts, EPS observes the investment policies, limitations and restrictions of the Clients. For registered investment companies, EPS's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and impose restrictions on certain types of investments (e.g., illiquid securities) and favor the holding of investments once made. Investment guidelines and restrictions must be provided to EPS in writing.

EPS will generally limit the exercise of its investment discretion to the following circumstances:

- For SMA, EPS generally will only use this grant of discretion to replace Funds and investment strategies, including Sub-Managers, when it deems such a change is necessary or appropriate; to rebalance a Client's account and place trade orders as directed by the applicable Model Provider; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.
- For MFS, PMC Select Portfolios and PMC Select Dynamic Portfolios, EPS, through its affiliate EAM, will generally use this grant of discretion to invest in, hold and sell shares in various mutual funds; to liquidate any "in kind" assets that are transferred into the MFS program; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.

- For PMC Strategic ETF Solutions, PMC Dynamic ETF Portfolios™ and PMC Tactical ETF Portfolios (collectively the “ETF Portfolios”), EPS, through its affiliate EAM, will generally use this grant of discretion to invest in, hold and sell shares in various exchange traded funds; to liquidate any “in kind” assets that are transferred into the ETF Portfolios program; and to liquidate sufficient assets to pay the Program Fee when necessary and advisable.
- For UMA, PMC Guided Portfolios,, PMC Ultra Short-Term Fixed Income Portfolio, PMC Quantitative Portfolios, Ascent Portfolios and PMC Liquid Alternatives and Third-Party Fund Strategists, EPS, through its affiliate EAM, generally will only use this grant of discretion as described in the previous circumstances for SMA, MFS and ETF Solution.

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

EPS generally delegates proxy voting to the Sub-Managers to whom it allocates Client assets. The Sub-Manager is responsible for voting or abstaining from voting with respect to any proxy solicitations for any securities purchased on behalf of each Client; provided, however, that the Client has not notified the Sub-Manager (or the Advisor or EPS which would notify the Sub-Manager) of its desire to exercise the Client’s right to vote such proxies or to delegate the authority to vote such proxies to another party.

For Programs in which EPS is providing overlay management services, including when a Sub-Manager is acting in the role of a Model Provider, EPS is responsible for voting proxies relating to securities held by Clients. EPS has developed appropriate principles, policies and procedures to ensure that such proxies are voted in the best interests of Clients. These policies and procedures are relatively general in nature to allow EPS the flexibility and discretion to use its business judgment in making appropriate decisions with respect to Client proxies. It is EPS’s policy to vote Client shares primarily in conformity with Glass Lewis & Co. (Glass Lewis) recommendations, in order to limit conflict of interest issues between EPS and its Clients. Glass Lewis is a neutral third party that issues recommendations based on its own internal guidelines. EPS votes Client shares via ProxyEdge, an electronic voting platform provided by Broadridge Financial Solutions Inc. Additionally, ProxyEdge retains a record of proxy votes for each Client.

EPS acknowledges and agrees that it has a fiduciary obligation to Clients to ensure that any proxies for which it has voting authority are voted solely in the best interests and for the exclusive benefit of its Clients. The policies are intended to guide EPS and its personnel in ensuring that proxies are voted in such manner without limiting EPS or its personnel in specific situations to vote in a pre-determined manner. These policies are designed to assist EPS in identifying and resolving any conflicts of interest it may have in voting Client proxies.

Because EPS does not act as a financial advisor for Client assets invested in the Advisor Directed Models, EPS does not vote proxies relating to securities held. Proxy voting responsibilities for the Advisor Models are either voted by Advisor or directly by Client.

Upon request, Clients can receive a copy of EPS’s proxy voting procedures, a copy of the Sub-Manager’s proxy voting procedures, Glass Lewis’s proxy voting guidelines or a copy of the record of how a proxy vote was cast by EPS or the Sub-Manager by contacting the following individual at EPS:

Debra DeVoe  
Chief Compliance Officer  
Envestnet Asset Management, Inc.  
35 E. Wacker Drive, Suite 2400  
Chicago, Illinois 60601  
(312) 827-2800



#### **Item 18 – Financial Information**

Registered investment advisors are required in this Item to provide you with certain financial information or disclosures about EPS's financial condition. EPS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.