

Kaizenvest

Form ADV Part 2A Appendix 1
Kaizenvest Wrap Fee Program Brochure

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This wrap fee program brochure provides information about the qualifications and business practices of Kaizenvest, LLC (hereinafter “Kaizenvest”). If you have any questions about the contents of this brochure, please contact us at support@kaizenvest.com or at 503-931-9125. 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 Kaizenvest also is available on the SEC’s website at www.adviserinfo.sec.gov

SUMMARY OF MATERIAL CHANGES

CONTENTS

Summary of Material Changes	2
Services, Fees, and Compensation	4
Introduction.....	4
Summary of Advisory Services.....	4
Fees.....	4
Account Requirements and Types of Clients.....	5
Portfolio Manager Selection and Evaluation.....	6
Investment Methodology	6
Client Information with Portfolio Managers	8
Client Information Provided to Portfolio Managers.....	8
Client Contact with Portfolio Managers	8
Additional Information	9
Disciplinary History	9
Other financial Industry Activities and Affiliations	9
Code of Ethics	9
Introduction.....	9
Participation in Client Transactions and Potential Conflicts of Interest	9
Review of Accounts	10
Client Referrals and Compensations	10
Conflicts of Interest	10
Acknowledgement of Receipt of Code	10
Violations of the Code	10
Financial Information	11

SERVICES, FEES, AND COMPENSATION

INTRODUCTION

Kaizenvest, a limited liability company organized under Oregon Law, is a Securities and Exchange Commission (SEC) Registered Investment Advisor. Kaizenvest provides automated investment management services to its clients. Kaizenvest is a sponsor of the Kaizenvest Wrap Fee Program. If you have any questions regarding the material contained in this brochure, contact us at support@kaizenvest.com or at 503-931-9125.

SUMMARY OF ADVISORY SERVICES

Kaizenvest is an automated investment service that provides goals based financial advising for individuals and families based on Nobel Prize winning Modern Portfolio Theory. Portfolios are personalized to clients' investment objectives and risk tolerance. Client investment accounts are globally diversified across many different asset classes, which helps to reduce volatility or fluctuation in the value of the portfolio. Kaizenvest invests in Exchange Traded Funds (ETFs), because they are very efficient and low cost. Client accounts are continuously monitored and automatically rebalanced to maintain appropriate risk level and investment objective. Client accounts are managed for tax efficiency by utilizing asset classes that are tax efficient within taxable accounts.

FEES

Kaizenvest clients pay an all-inclusive management fee of 0.25% per annum based on the client's total assets under management (AUM). The fee is not negotiable and includes: advisory services, trading commissions, custody of assets, clearing and execution, and account reporting.

The fee is deducted on a monthly basis and is calculated on a prorated amount of client's average daily balance over a monthly period and assessed at or near the end of the month. Kaizenvest will automatically deduct the fee from the client's assets under management. Clients should consider that, depending on the frequency of trading activities and the value of all bundled services (i.e. advisory services, trading commissions, custody of assets, clearing and execution, and account reporting), the wrap fee may or may not exceed the total cost of these services if provided separately.

ACCOUNT REQUIREMENTS AND TYPES OF CLIENTS

Kaizenvest is open to all individuals and families who are U.S. residents and maintain a checking account with a U.S. bank. There is no minimum account size. The minimum account opening deposit is \$10.

PORTFOLIO MANAGER SELECTION AND EVALUATION

Client portfolios are directly managed by Kaizenvest. Kaizenvest's Investment Committee serves as the Portfolio Manager and is not subject to the same evaluation criteria as a third-party manager. The Kaizenvest Wrap Fee Program is the only program offered by Kaizenvest.

INVESTMENT METHODOLOGY

Kaizenvest utilizes software to automate the implementation and ongoing management of client's investment portfolios. Kaizenvest employs Nobel Prize winning Modern Portfolio Theory (MPT), which seeks to maximize investment returns through asset allocation and global diversification, while maintaining a particular level of risk aversion. Traditionally MPT was only available to wealthy investors; clients are typically charged annual management fees in excess of 1%. However, software has enabled Kaizenvest to provide the same MPT investment methodology to all clients regardless of the size of their portfolio and we do so at a fraction of the cost.

There are many factors that go into employing MPT accurately. Portfolio construction is a tedious and cumbersome process that requires back-testing and significant quantitative research. Below are the key factors and steps that Kaizenvest takes to employ MPT.

1. One of the most important factors is for Kaizenvest to determine a client's appropriate risk tolerance level. This is personalized to each client based on goals, timeframe, and risk aversion. Clients answer a series of questions, then Kaizenvest employs sophisticated and proprietary risk assessment algorithms to derive the appropriate risk level based on client's investment objective and risk aversion.
2. Another important step in building investment portfolios is to determine what type of investment instruments are best suited. Kaizenvest uses Exchange Traded Funds (ETFs), because of their efficiency, low-cost, and liquidity. ETFs are a simple and passive way to gain exposure to an asset class. ETFs are passive in that they seek to track an index; there is not a fund manager charging a fee to try and beat the index. Research demonstrates that passive investing outperforms active management approximately 86% of the time. Kaizenvest analyzes the over 1,000 different ETFs based on cost, liquidity, and tracking error to their respective index. We constantly review new ETFs that come to market and frequently review the existing ETFs to ensure that they remain the most viable option for our clients.
3. Kaizenvest uses Mean Variance Optimization (MVO) to rigorously evaluate every possible combination of the different asset classes to determine the ideal

mix of asset classes that will provide the maximum expected return for each given level of risk. The inputs of MVO include the expected return and volatility of each asset class, and the covariance among asset classes. Kaizenvest uses the Black-Litterman Model, which is a mathematical formula developed in 1990 at Goldman Sachs by Fischer Black and Robert Litterman, to determine the vector of expected returns for each asset class, which is then input into the MVO.

4. We use two different portfolios for tax-efficiency; one being taxable (non-IRA) and the other being IRA (Individual Retirement Account). We evaluate the tax implications of different asset classes and choose which ones to include or omit within taxable and IRA accounts.
5. Rebalancing is a very important step in the investment management process. It's imperative to constantly monitor investment portfolios for drift. Drift is the concept that, over time, asset classes yield different returns, therefore the portfolio allocation changes. The problem with drift is that it changes the risk profile. Requiring the portfolio to be rebalanced in order to capture the original risk-return characteristics. At Kaizenvest, we monitor our client's portfolios on a daily basis and rebalance when necessary.
6. Periodically we reach out to our clients to see if there have been any life changes that alter either their risk tolerance profile or overall financial situation; in which case, we make appropriate recommendations based on the new information.

CLIENT INFORMATION WITH PORTFOLIO MANAGERS

CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS

No client information is shared with third-party portfolios managers, because Kaizenvest directly manages client portfolios.

CLIENT CONTACT WITH PORTFOLIO MANAGERS

Clients may contact Kaizenvest by calling our office during business hours or via email at any time.

ADDITIONAL INFORMATION

DISCIPLINARY HISTORY

Kaizenvest has never been the subject of disciplinary events or actions by regulators.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Kaizenvest does not have other financial industry activities and affiliations.

CODE OF ETHICS

INTRODUCTION

Rule 204A-1 under the Investment Advisers Act of 1940 ("Advisers Act") requires all investment advisors registered with the Securities and Exchange Commission ("SEC") to adopt codes of ethics that set forth standards of conduct and require compliance with federal securities laws. Kaizenvest is an investment advisor registered with the SEC with respect to various investment advisor products and services. To this end, Kaizenvest has adopted a code of ethics ("Advisor Code"). Kaizenvest's Advisor Code is detailed in a Statement of Policies and Procedures within Kaizenvest's Compliance Manual ("Compliance Manual")*, which sets forth the standards of business conduct that are required of employees of Kaizenvest.

This Advisor Code applies to all Kaizenvest employees and any individual registered with Kaizenvest as an Investment Advisor Representative ("IAR") as 'Supervised Persons' under the Advisers Act Rules. The Advisers Act defines "Supervised Person" to mean any partner, officer, director (or other person occupying a similar status or performing similar functions), or employee of an investment advisor, or other person who provides investment advice on behalf of the investment advisor and is subject to the supervision and control of the investment advisor.

This Advisor Code is intended to reflect fiduciary principles that govern the conduct of Kaizenvest and its Supervised Persons in those situations where Kaizenvest acts as an investment advisor as defined under the Advisers Act in providing investment advice to clients ("advisory clients").

PARTICIPATION IN CLIENT TRANSACTIONS AND POTENTIAL CONFLICTS OF INTEREST

Kaizenvest permits supervised persons to maintain personal securities accounts or holdings at Kaizenvest and other financial institutions. Holdings include those securities in which a supervised person has any direct or indirect beneficial ownership (including a trust) and may include securities identical to or different than those recommended to clients by Kaizenvest. A supervised person is considered to be the beneficial owner of an account in which he or she has any financial interest or ability to exercise control, and of any account belonging to immediate family members (including any relative by blood or marriage) sharing the covered person's household. Supervised persons must notify the

Chief Compliance Officer, and receive prior written approval for opening accounts or holding personal securities at financial institutions other than Kaizenvest. Every supervised person that does not permit their custodian(s) to copy Kaizenvest on reporting statements, transaction confirms etc., shall provide initial and annual holdings reports and quarterly transaction reports to the Chief Compliance Officer which must contain the information described below.

Supervised persons may not buy or sell any security prior to a pending transaction being executed for Kaizenvest advisory clients.

REVIEW OF ACCOUNTS

Kaizenvest monitors accounts on a daily basis for rebalancing purposes. Kaizenvest performs non-periodic account reviews on an individual basis when necessary and triggered by certain account activity. Kaizenvest periodically reviews with the client if life changes have occurred that require updated investment recommendations.

CLIENT REFERRALS AND COMPENSATIONS

Existing clients are offered incentives for referring potential clients. New clients are made aware of such incentives prior to opening an account. New clients are in no way charged extra fees to compensate for the incentives rewarded to the referring client.

CONFLICTS OF INTEREST

As a registered adviser, and as a fiduciary to our advisory clients, Kaizenvest and its supervisory persons have a duty of loyalty and to always act in utmost good faith, place our clients' interests first and foremost, and to make full and fair disclosure of all material facts and, in particular, information as to any potential and/or actual conflicts of interests.

ACKNOWLEDGEMENT OF RECEIPT OF CODE

New employees receive the Code of Ethics and the Compliance Officer annually distributes the current Code of Ethics to all supervised persons. Each supervised person must acknowledge receipt of the Firm's Code of Ethics annually and return a signed acknowledgement/certification form to the Compliance Officer.

VIOLATIONS OF THE CODE

Any violation or noncompliance with the Code must be immediately reported to the chief compliance officer and to the Legal Department. Examples include non-compliance with applicable rules and regulations, fraud or illegal acts involving any aspect of the firm's business, material misstatements in client records or reports, or any activity that is harmful to clients. Any violation of the Code may result in disciplinary action including, but not limited to, warnings, fines, disgorgement, suspension, demotion, or termination of employment or licensing.

FINANCIAL INFORMATION

Kaizenvest is required to disclose any financial conditions that may impair the likelihood to meet contractual agreements with clients. Kaizenvest is not exposed to any financial impairments.