

# ELLEVEST WRAP FEE PROGRAM BROCHURE

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This wrap fee program brochure provides information about the qualifications and business practices of Ellevest, Inc. ("Ellevest"), a registered investment adviser. Registration does not imply a certain level of skill or training. If you have any questions about the contents of this Brochure, please contact us at [support@ellevest.com](mailto:support@ellevest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Ellevest also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Material Changes

Ellevest's last update of its Wrap Fee Program Brochure was on February 27, 2018. The following material changes have been made to the Brochure since the last update:

- Clients may make additions to and withdrawals from their account at any time, subject to minimum account balance restrictions for Ellevest Premium or PWM and Ellevest's right to terminate the client's account. Additions for Ellevest Digital and Premium may be made in cash (check, wire, direct deposit and bill pay), IRA or brokerage transfer via ACATS or via Automatic Clearing House ("ACH") transaction from the client's linked checking or savings account. All ACH transactions are subject to a two business day processing period, not including the day the funds arrive, to ensure that the funds have fully settled and are available for investment. Deposited funds will not be invested until after completion of this processing period. For IRA or brokerage transfers, addition of securities are subject to Folio's ability to custody and Ellevest's ability to give direction to trade. Once securities have been transferred, those securities that are not appropriate for the creation of an Ellevest diversified portfolio will be sold.
- Ellevest may offer at its discretion, securities interests (warrants) in Ellevest, Inc. to those PWM clients that maintain a net AUM balance exceeding a threshold agreed upon with the firm. The warrants will be privately offered under the securities laws solely to accredited investors and agreed upon terms will be set forth in a private placement memorandum or term sheet. Generally, warrants will vest over a designated period and vesting would be conditional upon the client's maintenance of the required net AUM balance.
- Ms. Sophia Bera will no longer serve as a financial planner to Ellevest Premium clients. Ms. Jennifer Faherty has withdrawn the investment adviser registration to her firm Financial Wealth-being, LLC and will continue to work as a consultant to Ellevest in order to serve its Premium clients.

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## Advisory Firm Description

Ellevest, Inc. (“Ellevest”) is a Securities and Exchange Commission (“SEC”) registered investment adviser dedicated to helping women plan for and invest to close the gender investment gap. Founded in November 2014, the Firm is led by Sallie L. Krawcheck, CEO and Charles H. Kroll, President.

## Services, Fees and Compensation

### SERVICES

Ellevest offers three distinct services:

- the Ellevest Digital Wrap Fee Program (“Ellevest Digital”);
- the Ellevest Premium Wrap Fee Program (“Ellevest Premium”); and
- the Ellevest Private Wealth Management Wrap Fee Program (the “Ellevest PWM”).

Ellevest’s services (collectively the “Programs”) include discretionary investment advisory management services sponsored by Ellevest. Each Program seeks to provide personalized investment plans and portfolios tailored to the unique needs of women.

### Ellevest Digital

Ellevest Digital is offered exclusively online through the firm’s website, [www.ellevest.com](http://www.ellevest.com). Clients will provide information about themselves and their investment goals through the website. This will allow Ellevest to create a customized client investment plan. In doing so, Ellevest will consider the client’s assets, her financial goals, her time horizon, investment strategy and earnings power in a range of economic scenarios. Ellevest will then propose an investment plan to her which includes savings, funding, timeline and asset allocation recommendations, as well as a diversified portfolio that may include exchange traded funds (“ETFs”) and/or mutual funds and cash equivalents. The investment plan created by Ellevest for each client is based solely upon the information provided by the client through the website. As such, the suitability of the investment plan recommendations is limited by and relies on the accuracy and completeness of the information provided by the client.

A client that elects to implement Ellevest’s recommended investment plan and have her portfolio managed on an ongoing basis through the Ellevest Digital program, must enter into an advisory agreement with Ellevest and open a securities brokerage account and complete an account agreement with Folio Investments, Inc. (“Folio”), a SEC registered broker dealer that provides execution, clearing, custody and other brokerage related services to clients within the Ellevest Digital Program.

## **Ellevest Premium**

Ellevest Premium includes the services as described above for Ellevest Digital, plus the following consultation services unrelated to securities and therefore, non-investment in nature: 1. Access to an Ellevest Certified Financial Planner (“CFP®”) by telephone or email for guidance regarding topics such as new home purchase, debt management or preparing to start a family; and 2. Access to an Ellevest career coach for guidance on career events, such as salary negotiations.

The non-investment advisory services offered through Ellevest Premium are designed to respond to clients who have general financial planning and career planning questions. Our services are based on client questions and consultation needs and obtained by scheduling an appointment to speak via telephone with an Ellevest financial planner or career coach to discuss the relevant matter. Since the intent of these non-advisory services is to provide the client with general, real-time responses to their non-securities related financial planning and career planning questions in selected areas, we will not be able to gather detailed information or conduct detailed analyses about the client’s personal situation to tailor our guidance for such services.

Ellevest also offers separately from the services, the Ellevest Ascent Financial Planning Services for clients who are seeking more detailed financial planning analyses. Please contact us at [support@ellevest.com](mailto:support@ellevest.com) if you would like a copy of the Ellevest Financial Planning Services Brochure that describes those services.

## **Ellevest Private Wealth Management**

Ellevest Private Wealth Management (“Ellevest PWM”) provides discretionary, fee-based investment management and advisory services primarily to higher net worth individual investors. Ellevest specializes in building and managing portfolios while reducing fees, current taxes, and risk through diversification. Ellevest does not engage in market timing, make active bets on certain asset or sector classes, or time the selection of individual securities for the purpose of pursuing excess returns.

To participate in the Ellevest PWM Program, clients will provide information on their financial goals, ability to take on risk, investment time horizon, liquidity needs and other relevant information. Based on the information provided by the client, Ellevest’s Chief Investment Officer and Financial Advisors or their designees will work together to create an investment plan considering the client’s needs and objectives. A client that elects to implement Ellevest’s recommended investment plan will have her assets managed on a discretionary basis. Moreover, Ellevest will utilize selections from the full range of investments, including, but not limited to, common and preferred stocks, bonds, municipal securities, government securities, mutual funds, ETFs, unit investment trusts, hedge funds, other alternative investment products or investment options. The alternative products offered will vary as to type, objective and risk. Thus, the investor should review the offering

documents carefully before an investment is made. These alternative products are typically available to investors who meet minimum net worth requirements and who can afford to make a substantial minimum investment. The funds vary as to when interests can be liquidated thus are intended as long-term purchases.

Ellevest PWM clients will need to enter into a written advisory agreement with Ellevest and open a brokerage and custody account with Charles Schwab & Co., Inc. ("Schwab"), a SEC registered broker-dealer. Schwab will provide trade execution, clearance, settlement, custodial, recordkeeping and reporting services under the Ellevest PWM Program with respect to assets held in such account.

Ellevest also offers separately from the Ellevest PWM services, the Ellevest Financial Planning Services for PWM clients who are seeking such services. These services are offered at no additional charge to Ellevest PWM clients. Please contact Ellevest if you would like a copy of the Ellevest Financial Planning Services Brochure that describes those services.

### **Investment Discretion**

Ellevest has discretionary authority to manage assets on behalf of clients who enter into the Ellevest Digital, Ellevest Premium and Ellevest PWM Programs, as described above. Discretionary trading authority permits Ellevest to make trades in client accounts on their behalf, so that we may promptly implement the investment plan that we created for clients, and make ongoing changes as we believe appropriate. Those changes may include periodic rebalancing of asset classes when one or more asset classes have significantly increased or decreased in value. However, due to differences in how exchange traded funds and mutual funds are traded and settle, there may be additional transition time or transactions needed to effect the portfolio best suited for the client's goal.

### **FEES**

Fees for Ellevest's advisory services vary depending on the particular wrap fee program, as outlined below. Clients decide whether and how to retain Ellevest based on their unique needs and circumstances. Ellevest reserves the right to negotiate different fees for certain clients than what is specified below. Negotiated fees may differ based on factors, including but not limited to, the type and size of the account, the historical and/or expected size and number of trades for the account and the client related services to be provided to the client.

### **Ellevest Digital**

Under Ellevest Digital, clients will pay a single asset-based fee for brokerage, custodial and investment advisory services ("Digital Program Fee"). There is no fee for the investment plan or cash balances held in the Ellevest Digital Program's Emergency Fund goal.

The Digital Program Fee is:

- 25 basis points (0.25%) per year of assets under management, with no minimum balance.

The Digital Program Fee is prorated and charged monthly, in arrears, based upon the market value of the average daily account balance of the securities portfolio over the preceding month. Since the asset-based fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a month, the base fee payable with respect to such assets is adjusted accordingly. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the Client Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged to the client.

### **Ellevest Premium**

For Ellevest Premium, clients will pay a single asset-based fee for brokerage, custodial, investment advisory and certain non-securities related services (financial planning guidance and career coaching). ("Premium Program Fee"). There is no fee for the investment plan or cash balances held in the Ellevest Premium Program's Emergency Fund goal.

The Premium Program Fee is:

- 50 basis points (0.50%) per year of assets under management with a \$50,000 minimum aggregate account balance.

The Premium Program Fee is prorated and charged monthly, in arrears, based upon the market value of the average daily account balance of the securities portfolio over the preceding month. Since the asset-based fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a month, the base fee payable with respect to such assets is adjusted accordingly. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the Client Agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged to the client.

### **Ellevest PWM**

Under Ellevest PWM, clients pay Ellevest a single asset-based fee for brokerage, custodial, investment advisory and other related services ("PWM Program Fee").

Ellevest PWM has a minimum aggregate account balance of \$1,000,000 subject to reduction at Ellevest's sole discretion. There is no fee for the initial investment plan. However, more complex investment plans may incur a planning fee. Such fee will be negotiated in advance with the client.

The PWM Program Fee is as follows:

- 90 basis points (0.90%) per year for clients with aggregate account balances up to \$2 million;
- 80 basis points (0.80%) per year for clients with aggregate account balances between \$2 million and \$5 million;
- 60 basis points (0.60%) per year for clients with aggregate account balances between \$5 million and \$10 million; and
- 50 basis points (0.50%) per year for clients with aggregate account balances in excess of \$10 million.

The PWM Program Fee will be prorated and billed quarterly in arrears, based upon the market value of the Program Assets at quarter end. If assets are deposited into or withdrawn from an account during the quarter, the fee payable with respect to such assets is adjusted accordingly. For the initial period of an engagement, the fee is calculated on a pro rata basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged to the client.

#### Fee Comparison

As described above, a portion of the Program Fee for either the Ellevest Digital, the Ellevest Premium or the Ellevest PWM service is used to cover the securities brokerage commissions attributed to the management of Ellevest's clients' portfolios. Transaction charges vary based on the type of transaction (e.g. mutual fund, equity or fixed income security). The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Services provided through the Ellevest Digital Program, Ellevest Premium or the Ellevest PWM Program may cost clients more or less than purchasing these services separately. Fees paid for the Ellevest Digital Program, Ellevest Premium Program or the Ellevest PWM Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

Since Ellevest pays the transactions charges in the client's account, there is a financial incentive for Ellevest not to place transactions in the client's account, or to place such trades less frequently. Clients should understand that the cost to Ellevest for transaction charges may be a factor that Ellevest considers when deciding which securities to select, how frequently to place transactions and the level of advisory fee to charge the client. A wrap fee account may not be in the best interest of a client with minimal or no trading activity as compared to a non-wrap fee account or brokerage account where the client would otherwise pay trading costs as incurred, but a lower fee in a non-wrap account or no advisory fee in a brokerage account.



### Fee Discretion

The Program Fee for Ellevest Digital, Ellevest Premium or Ellevest PWM is negotiable. Ellevest in its sole discretion may from time to time offer lower fees through promotions, referrals and other discounts to some accounts that differ from the fees stated above.

### Other Fees

In addition to the Ellevest Program Fee for Digital, Premium or PWM services, clients may incur certain other fees imposed by third-party financial institutions. These additional fees and charges may include:

Brokerage, Clearing and Service Provider Charges: Ellevest's fees do not cover charges imposed by the broker-dealer (the firm through which we arrange for securities transactions to occur). These fees include, but are not limited to, service fees, IRA fees, mutual fund fees including sales load and other operating expenses on a fund. The prospectus or offering documents for mutual funds, hedge funds, limited partnerships, REITs or other investments will detail the fees and charges assessed by the managers of those products. Thus, when assets are invested in shares of mutual fund products, hedge funds, annuities, UITs or REITs, clients will pay both the management fees to Ellevest for its services in connection with these investments and management and other fees paid to the mutual fund or other product. In addition, there may be tax effects relating to fund share redemptions or the cancellations of policies made by or on behalf of clients, as well as deferred sales charges or redemption fees where the investment positions are sold prior to the expiration of a specified holding period.

Other Charges: Ellevest's fees does not cover wire transfer fees and taxes, paper statement fees, bounced checks fees, margin extension fees, safekeeping fees, termination fees and early redemption penalties.

### Direct Fee Debit of Ellevest's Fee

Digital, Premium and PWM clients will authorize Ellevest and their respective custodians to deduct their Ellevest Program fees directly from their brokerage accounts and pay such fees to Ellevest. The custodian will determine fair market value for fee calculation purposes. The custodian will deduct these Program fees and send statements to clients not less frequently than quarterly, detailing all account transactions, and fees, including Program Fees paid to Ellevest. It is the client's responsibility to verify the accuracy of such fee calculation.

### Account Additions and Withdrawals

Clients may make additions to and withdrawals from their account at any time, subject to minimum account balance restrictions for Ellevest Premium or PWM and Ellevest's right to terminate the client's account. Additions for Ellevest Digital and Premium may be made in cash (check, wire, direct deposit and bill pay), IRA

or brokerage transfer via ACATS or via Automatic Clearing House (“ACH”) transaction from the client’s linked checking or savings account. All ACH transactions are subject to a two business day processing period, not including the day the funds arrive, to ensure that the funds have fully settled and are available for investment. Deposited funds will not be invested until after completion of this processing period. For IRA or brokerage transfers, addition of securities are subject to Folio’s ability to custody and Ellevest’s ability to give direction to trade. Once securities have been transferred, those securities that are not appropriate for the creation of an Ellevest diversified portfolio will be sold. Additions to Ellevest PWM may be in cash or securities. Ellevest Digital and Premium clients may withdraw account assets on notice to Ellevest, subject to the usual and customary securities settlement procedures. Ellevest PWM clients may withdraw account assets through the Schwab website or by calling Schwab directly. However, Ellevest designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. Clients are advised that when cash or certain securities are withdrawn, they may be subject to transaction fees, and/or tax ramifications.

#### Claw back of Funds

When clients deposit funds in their account with Folio for the purchase of securities in connection with one or more of their chosen goals, (collectively, “Purchase Funds”), Ellevest will instruct Folio to invest these Purchase Funds subject to the processing period. Should the client have insufficient Purchase Funds in the bank or other account that serves as the funding source for the purchase of securities in their account (“Funding Account”), the bank or other financial institution that maintains this Funding Account (“Funding Bank”) may request the return of all or a portion of these Purchase Funds (a so-called “Clawback”). In this instance, the client will direct Ellevest to instruct Folio to sell those securities acquired with the Purchased Funds (“Purchased Securities”) necessary to effectuate the Clawback (“Clawback Amount”). Further the client directs Ellevest to instruct Folio to allocate any gain from the sale of the Purchased Securities exceeding the Clawback Amount to the client’s account for continued investment (“Clawback Gain”). Under no circumstances, does the client direct or otherwise authorize Ellevest to instruct Folio to transfer the Clawback Amount or Clawback Gain to herself, the Funding Bank or any other person. Consequently, Ellevest will not have custody or possession of any of the client’s funds or securities in connection with the Clawback.

Notwithstanding the foregoing, the client should understand that, depending on market conditions, the sale of Purchased Securities may not be sufficient to satisfy the Clawback Amount (“Clawback Loss”). In this instance, the client authorizes Ellevest to determine those additional securities and other investments in her account that must be sold to eliminate the Clawback loss (“Clawback Assets”) and instruct Folio to liquidate the Clawback Assets, without prior notice to herself. Liquidation of the Clawback Assets, generally, will be

made as follows: First from any remaining cash in the client's account, next from any remaining cash equivalents, and finally from the liquidation of ETFs. In the event the sale of Clawback Assets are insufficient to cover the Clawback loss and Ellevest is obligated to reimburse Folio for any remaining Clawback amount out of its own resources, Ellevest reserves the right to pursue other legal remedies against the client if there is insufficient value from the sale of the securities in the client's account to return the funds that are clawed back from the client's bank.

## Account Requirements and Types of Clients

The Ellevest Digital and Premium programs are offered to individuals. The PWM program is offered to individuals and retirement plans. All programs are tailored primarily for women.

- Ellevest Digital services does not require that you maintain a minimum account balance in your account. However, advisory assets that are less than the greater of \$1 or the portfolio specific minimum balance (which may fluctuate from time to time but can range from \$1 to approximately \$240), will not receive the complete asset allocation intended until sufficient contributions are received to reach the minimum account balance threshold.
- Ellevest Premium has a minimum account size of \$50,000, subject to reduction at Ellevest's sole discretion.
- Ellevest PWM has a minimum account size of \$1,000,000, subject to reduction at Ellevest's sole discretion.

## Portfolio Manager Selection and Evaluation

Ellevest is the sponsor and sole portfolio manager for the Ellevest Digital, Ellevest Premium and Ellevest PWM Programs. Ellevest's Chief Investment Officer oversees and is responsible for the investment advice offered in each Program.

## Investment Strategies and Methods of Analysis

### Ellevest Digital and Ellevest Premium

#### Investment Strategy

For the Ellevest Digital and Premium Programs, the Firm offers two sets of globally diversified investment portfolios that are personalized to a client's goal, time horizon, risk capacity, current financial assets, and earnings power. Clients may elect to implement an Ellevest impact portfolio or a traditional portfolio.

## **Impact Investments**

Impact Investments are designed to capture investment returns associated with gender diversity, women's leadership and advancement, high environmental and governance standards, and social impact. Investment returns from strategies with a designated focus, or strategies that exclude certain sectors of the market may differ from general market returns. For example, an investment strategy that excludes fossil fuels will not participate in the returns from fossil fuel investments, which are usually included as part of a general investment strategy intended to generate market returns.

## **Ellevest Impact Portfolio**

An Ellevest Impact Portfolio is a globally diversified portfolio of mutual funds and ETFs comprised of both impact and non-impact investments. The proportion of impact investments in an Ellevest Impact Portfolio varies, and is based upon the portfolio Ellevest recommends for each client based upon her goal, time horizon, risk capacity, current financial assets, and earnings power. Due to the lack of suitable impact investments in all asset classes, no Impact Portfolio is comprised exclusively of impact investments. Additional impact investments may be added to Ellevest Impact Portfolios as suitable investments become available.

## **Ellevest Traditional Portfolio**

An Ellevest Traditional Portfolio is a globally diversified portfolio of low-cost ETFs. Traditional Portfolios do not hold impact investments as defined above.

Management through Similarly Managed "Model" Accounts. Ellevest manages Ellevest Digital and Ellevest Premium accounts through the use of similarly managed "model" portfolios, whereby the Firm, depending on whether the client selects an impact or traditional portfolio, allocates all or a portion of its clients' assets among ETFs, mutual funds and cash equivalents on a discretionary basis using one or more of its proprietary investment strategies. To implement its investment strategies and to manage client accounts, the firm has developed a set of algorithms which drive portfolio and savings recommendations, as well as rebalancing. For each goal, Ellevest invests in portfolios of ETFs and/or mutual funds. Through the automated program clients may change the horizon of their goal, which will likely result in a different portfolio allocation and holdings. In general, choosing a shorter horizon will result in a more conservative portfolio, and choosing a longer horizon will result in a more aggressive portfolio. Ellevest allows only limited adjustment because it believes its automated program creates an investment plan that is best suited for the client, based on her goals.

Ellevest has developed proprietary algorithms to automatically monitor and manage digital accounts as well as processes and reports that help identify client accounts which may need rebalancing and/or other investment consideration. Such consideration may require manual management and action by Ellevest

personnel.

### **Methods of Analysis**

To effect the investment strategy selected by the client, the Firm has developed a set of algorithms that determine the underlying recommendations, including the selection of appropriate portfolios, for each client's goal. The algorithms are also used to manage and monitor each client's account and goals.

Ellevest does not engage in general market-timing, or specific timing of economic cycles, asset or sector classes, or individual securities. Ellevest's primary approach is a strategic asset allocation aimed at reducing over-all portfolio risk through diversification. The asset allocations are based upon tenets of modern portfolio theory and liability relative optimization and are integrated into Ellevest's algorithms. Such an approach considers the client's stated financial goal and is based upon assumptions about future economic factors such as inflation, interest rates, and the risk and return characteristics of asset classes and their correlations. This is effected, depending on the investment preference elected by the client, through the use of ETFs and/or mutual funds and cash equivalents. Such assets are all subject to varying degrees of investment, market, credit, interest rate, and regulatory risks. Moreover, clients should be aware that diversification does not ensure a profit or protect against a loss in a declining market. There is no guarantee that any particular asset allocation or mix of funds will meet their investment objectives or provide a given level of income or return.

*Forecasts.* Ellevest Digital and Ellevest Premium offers forecasts or projections of investment outcomes in its investment plans. Forecasts are estimates only, based upon numerous assumptions about future capital markets returns and economic factors such as interest rates and inflation, a client's salary growth and savings rates, the value of social security benefits, as well as information supplied by a client. As estimates, they are imprecise and hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. Additionally, they are subject to change over time with updates to our algorithm or underlying assumptions, and may be materially impacted by a client's failure to update their personal and financial information.

*Rebalancing.* To participate in the Ellevest Digital and Ellevest Premium Programs, Clients must agree to have their accounts automatically rebalanced periodically at Ellevest's discretion to the model strategy. While the Firm seeks to ensure that clients' assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client's individual tax ramifications. As a consequence of rebalancing, clients may incur potentially adverse tax consequences.

### **Ellevest PWM**

Ellevest constructs and manages globally diversified portfolios for Ellevest PWM clients. We use a top down approach, beginning with an asset allocation matching a client's risk preferences and investment objectives.

We then research and select those securities and funds to construct a portfolio to achieve those objectives. Lastly, our personnel will oversee and monitor all positions in PWM client accounts, making adjustments as necessary.

*Asset Allocation.* Through discussions with the prospective client, Ellevest develops an asset allocation tailored to a client's needs, including her risk preferences, investment horizon, income needs, tax situation, and current global market conditions.

*Portfolio Construction.* Ellevest implements a strategy for our clients by constructing global portfolios that may include individual debt instruments, mutual funds, ETFs, individual equities, closed-end funds, partnerships, private and illiquid investments, and investment strategies designed to capture investment returns associated with gender diversity, women's leadership and advancement, high environmental and governance standards, social impact, and other causes or restrictions expressed by the Client. Investment returns from strategies with a designated focus, or strategies that exclude certain sectors of the market may differ from general market returns. For example, an investment strategy that excludes fossil fuels will not participate in the returns from fossil fuel investments, which are usually included as part of a general investment strategy intended to generate market returns.

*Tax Management.* For taxable accounts, Ellevest seeks to implement tax-minimization techniques such as deferring capital gains when prudent and realizing losses when the tax benefits outweigh the costs of transacting. However, Ellevest does not render tax advice to Clients who, therefore, should consult their own tax advisors for specific guidance in this area.

*Rebalancing and Ongoing Management.* As the value of a client's investments fluctuates, her portfolio can diverge from her desired risk preferences. Rebalancing, the practice of adjusting a client's portfolio back to its original desired risk preference, occurs only when needed, as determined by Ellevest. Thus, Ellevest does not rebalance client accounts automatically on a quarterly or other consistent periodic basis. We monitor the client's portfolio and rebalance when necessary.

### **Performance Based Fees and Side-By-Side Management**

Ellevest does not charge performance-based fees (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

### **Voting of Client Securities**

Ellevest does not vote proxies on behalf of clients or advise clients regarding voting proxies for securities held in the Ellevest Digital, Ellevest Premium or the Ellevest PWM Programs. Clients are expected to vote their proxies and will receive proxies directly from their respective custodians.

## **Risk of Loss**

Investing in financial markets involves risk, including the potential loss of principal. This is a risk borne by the client. Ellevest constructs portfolios with allocations across multiple asset categories. This asset category diversification is intended to reduce the volatility in a client's investment portfolio when compared to a single asset category, such as large cap growth stocks. While a diversified investment portfolio, including a portfolio of investment products representing different asset categories, can mitigate some risks, it does not and cannot prevent possible loss. The performance of Ellevest's recommendations and/or investment decisions depend upon market movements and the combination of asset classes selected by Ellevest. There can be no assurance that a client will achieve her goals or positive investment performance over any period of time.

While it is not possible to enumerate all possible risks, below are some of the common factors that can produce a loss in a client's account and/or in a specific investment product, asset category or even in all asset categories.

- **Market Risk:** The price of a security, bond, or mutual fund and/or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Price Volatility:** The price of an investment product's shares may fluctuate, even significantly, in a short period of time.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Category or Style Risk:** During various periods of time, one category or style may underperform or outperform other categories and styles.
- **Tracking Risk:** Ellevest's traditional portfolios are designed to capture general market returns using low-cost ETFs. Ellevest's Impact Portfolios may exclude, overweight, or underweight some sectors of the market, which may result in investment returns different from general market returns.
- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline, and the market value of any mutual fund and/or exchange-traded fund holding those bonds.
- **Inflation Risk:** When any type of inflation is present, purchasing power may be eroding at the rate of inflation.

- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.

In addition, investments for the Ellevest Digital, Ellevest Premium and Ellevest PWM Program may focus on certain market sectors or classes of securities and carry additional risks. For example, clients should be aware of the following:

- Equity strategies, including investing in individual companies, involve investments in common stocks and are subject to the volatility and individual risks associated with those stocks;
- Exchange Traded Funds (ETF) are designed to track the performance of a benchmark index. Shareholders are subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent net asset value ("NAV"), which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares. Also, shareholders are liable for taxes on any fund-level capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.
- Real estate investment trusts or funds are subject to risks of the specific commercial or housing market in which the assets are invested, as well as interest rate risk;
- Small Cap and Emerging Market securities tend to be more volatile relative to the overall market;
- Bonds may "guarantee" return of principal if held to maturity, but any guarantee remains subject to the creditworthiness of the guarantor and, prior to maturity, the bond remains subject to interest rate, inflation and credit risks;
- Bond funds of all types are subject to the various risks of the underlying fixed income instruments in the fund, and there is no fixed maturity date;
- High Yield bonds expose the investor to investments in lower credit quality securities and hence risk of default and higher volatility;
- Tax-Exempt bonds may or may not provide returns higher than the after-tax returns of taxable bonds, so clients should consider their tax bracket and state of residence;
- International/Global/Foreign securities expose the investor to currency risk and political, social and economic risks of the countries in which the securities are domiciled, in addition to the equity or debt nature of the securities involved.



- Options strategies introduce additional elements of complexity regarding timing of market decisions and liquidity of positions.
- Alternatives including hedge funds, real estate investment trusts (REITs), private real estate funds, managed futures funds and private equity may be purchased within client accounts for clients who meet certain criteria and for whom such securities are suitable. Investing in these funds involves additional risk including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices, the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing tax information. You should be aware that these funds are not liquid as there is no secondary trading market available.

### Client Information Provided to Portfolio Managers

Ellevest acts as the sole portfolio manager under the Wrap Fee Program and, as such, the Firm does not share client information with any other portfolio managers to deliver investment advice to client accounts.

Clients have the ability to place limited restrictions to Ellevest's portfolio management. If reasonable, alternative asset allocations or securities may be made available. However, since Ellevest's portfolio management for Ellevest Digital and Ellevest Premium is executed through a model program, or for Ellevest PWM, designed in consideration of a particular strategy, under certain circumstances a client restriction on the purchase of a security included in the program may be inconsistent with the operation of the program if the security plays a necessary role in the overall investment strategy determined to be appropriate for the client. Under these circumstances, such a restriction may be so burdensome as to be unreasonable and Ellevest would likely refuse to accept the restriction and the client as part of the Ellevest Digital, Premium or PWM Programs.

### Client Contact with Portfolio Managers

#### **Ellevest Digital and Ellevest Premium**

The Ellevest Digital and Ellevest Premium advisory service is provided through an automated interactive web-based platform. Ellevest collects information about the client's financial circumstances, goals, and objectives through this platform to offer an appropriate Investment Plan for the client's needs. Since no investment advice is provided from direct client contact with portfolio managers, clients should update their information on the platform if their financial condition changes so that they may review any recommended alternative investment advice via the platform. Ellevest relies upon the accuracy of the information entered by the client when proposing an Investment Plan. The Investment Plan may not be suitable if the client has provided incorrect or out-of-date information.

Information regarding a client's portfolio holdings and tracking to goal will be available to clients through Ellevest's platform. Clients may contact Ellevest by phone or email during its business hours with questions about the service or service functionality.

### **Ellevest PWM**

Ellevest PWM clients will work with a Financial Advisor and/or Ellevest's Chief Investment Officer or her designee to gather information about such prospective client's financial situation, investment goals, needs and objectives to implement an investment plan. Thereafter, PWM clients will be contacted periodically by a representative of Ellevest to determine if the investment plan is still suitable for the client.

### **Additional Information**

#### **Disciplinary Information**

Ellevest has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

#### **Other Financial Industry Activities and Affiliations**

##### *Pax Ellevest Global Women's Index Fund*

Sallie Krawcheck is Chair of the Pax Ellevest Global Women's Index Fund (the "Pax Fund") and principal of Ellevest Asset Management LLC, a partner of Pax World Management LLC. The Pax Fund is a mutual fund that invests in the companies in the world for advancing women.

Where suitable and appropriate Ellevest may invest the assets of clients who have expressed an affirmative interest in investments designed to advance women's leadership, into the Pax Ellevest Global Women's Index Fund (the "Pax Fund"). Thus, these clients will pay their proportionate share of underlying fund expenses. In this regard, it is important to note that Sallie Krawcheck owns a controlling interest of Ellevest Asset Management LLC, a partner of Impax Asset Management LLC, the Fund's adviser. This interest confers on her the right to a portion of advisory fee earnings from the Pax Fund after payment from the Fund of certain organizational expenses and other fees. Consequently, Ellevest has a material conflict of interest when investing client assets in the Fund.

To comply with federal laws regarding investment of retirement accounts and to mitigate this conflict of interest, Sallie Krawcheck has agreed to waive that portion of the advisory fee earnings that she would otherwise have received in connection with Ellevest's investment of client assets into the Pax Fund. The Funds' adviser will donate amounts that Sallie Krawcheck would otherwise have received to one or more not-

for-profit entities dedicated to promoting the interests of women.

#### *Ellevest Network*

Sallie Krawcheck is Chair and majority owner of Ellevest Network (the “Network”), a global professional women’s network dedicated to helping women connect, learn and invest to promote economic engagement of women worldwide. The Network may from time to time, solicit and make promotional offers to its membership to utilize Ellevest services in exchange for cash payment from Ellevest for referrals of Ellevest members who subsequently become Ellevest clients.

#### *SimplySmart Asset Management, Inc.*

The Firm’s Chief Investment Officer, Sylvia Shiu Han Kwan, is the Chief Investment Officer and majority owner of SimplySmart Asset Management, Inc. (“SimplySmart”), a California registered investment adviser. Ms. Kwan works full-time at Ellevest. Although her duties at SimplySmart include business and portfolio management, her service to SimplySmart is not expected to conflict with her obligations to Ellevest.

#### *Morningstar, Inc.*

Morningstar, Inc. (“Morningstar”) has a minority equity interest in the Firm. Ellevest has separately engaged Morningstar to provide certain services, including its wealth forecast estimators and consultation regarding the make-up of the portfolios (including specific ETFs included in client portfolios). Morningstar’s ownership interest in Ellevest may create the appearance of a conflict of interest. However, Ellevest will use Morningstar’s services if it is in the best interest of clients. Further, Morningstar has no control over Ellevest’s investment decision making process.

### **Code of Ethics**

Ellevest has adopted a Code of Ethics (“Code”) as required by the applicable securities laws. The Code establishes and reinforces a standard of business conduct expected of its supervised persons and provides specific guidance related to managing conflicts of interests. This includes procedures to: (1) prevent access to material nonpublic information about Ellevest’s securities recommendations and client securities holdings and transactions by individuals who do not need the information to perform their duties; (2) review and approval of certain securities transactions and holdings by supervised persons with access to client information; and (3) report of any internal violations of the code. Ellevest will provide a copy of its Code to clients and prospective clients upon request. To request a copy of the Code, please contact Ellevest at [support@ellevest.com](mailto:support@ellevest.com) or write to Ellevest at 48 West 25<sup>th</sup> Street, 6<sup>th</sup> Floor, New York, NY 10010, Attention: Compliance.

## **Account Reviews**

Ellevest monitors clients' Digital, Premium and PWM portfolios on an ongoing basis to identify situations that may warrant a more detailed review or a specific action on behalf of a client. Such reviews include, but are not necessarily limited to, suitability and inactivity. Additionally, Ellevest will contact clients on a quarterly and annual basis to ask if there have been any changes to their financial situation and investment objectives. For Ellevest Digital and Ellevest Premium, clients will be reminded to update their information. For Ellevest PWM, Ellevest will work with the client to update her information. Reviews are generally conducted under the supervision of the firm's Chief Investment Officer.

Ellevest may also provide Ellevest PWM clients with written periodic performance reports that include relevant portfolio information such as asset allocation, account transactions, securities positions, the fair market value of investments in client portfolios and investment performance for the period. Ellevest does not verify performance data provided to it by third parties with the exception of the calculation methods and the related account holdings shown.

## **Compensation for Client Referrals**

Ellevest will pay referral fees to third party affiliate or non-affiliates ("solicitors") who refer clients to us. Payment may be made to the referrer if a referred person subsequently becomes an Ellevest client. Ellevest will also pay fees to third-parties solely for driving prospective clients to us from other websites. Should Ellevest engage in a solicitation arrangement, it will disclose this practice in writing and comply with Rule 206(4)-3 of the Investment Advisers Act. Clients are not charged a fee nor do they incur any additional costs for being referred to Ellevest by a solicitor.

## **Securities Offer to Ellevest PWM Clients**

Ellevest may offer at its discretion, securities interests (warrants) in Ellevest, Inc. to those PWM clients that maintain a net AUM balance exceeding a threshold agreed upon with the firm. The warrants will be privately offered under the securities laws solely to accredited investors and agreed upon terms will be set forth in a private placement memorandum or term sheet. Generally, warrants will vest over a designated period and vesting would be conditional upon the client's maintenance of the required net AUM balance.

## **Brokerage and Custody Practice**

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared with other available providers and their services. We consider a wide range of factors, including these:

- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests,

bill payment, etc.)

- Breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- Reputation, financial strength, and stability of the provider
- Their prior service to us and our other clients
- Availability of other products and services that benefit Ellevest, as discussed below

### **Duty to Seek Best Execution**

Ellevest's use of Folio or Schwab will comply with the Firm's duty to obtain "best execution." In seeking best execution, the determinative factor is not just cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker's services described above. To participate in the Digital or Premium Program, clients must direct all brokerage transactions for their accounts to Folio. To participate in the PWM Program, clients must direct all brokerage transactions for their accounts to Schwab. Clients cannot designate or select a different broker for trade execution.

### **Trade Away**

The Ellevest PWM Program Fee includes the costs of brokerage commissions/ticket charges for transactions executed through Schwab, and charges relating to the settlement, clearance, or custody of securities in your account. The PWM Program Fee does not include all fees and costs such as charges imposed directly by a mutual fund, index fund, or exchange traded fund, which are disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, commissions for trades executed away from Schwab, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

We may choose to execute trades with another broker-dealer ("trade away") from Schwab if we reasonably believe that such other broker-dealer can obtain a more favorable execution under the circumstances and it is in our clients' best interest to do so. The PWM Program Fee does not include commissions and other fees for services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from Ellevest's account at Schwab such as through our use of Schwab's PWM Brokerage Services. Ellevest will pay the flat dollar fee charged by Schwab for trades executed away from Schwab. However, the client will be responsible for paying any commissions and other compensation paid to broker-dealers other than Schwab. The broker-dealer executing the trade may charge fees that include

commissions, markups, markdowns or “spreads” paid to market makers. These fees are typically embedded into the price of the security and will be paid by the client.

### **Trade Aggregation**

When Ellevest considers it to be in your best interest, we may, but are not required to, aggregate your order for the sale or purchase of securities for your account with orders for other clients of the Program. Under this approach, the transactions may be averaged as to the price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account.

### **Trade Errors**

Consistent with its fiduciary duties, Ellevest’s policy is to exercise care in making and implementing investment decisions for client accounts. Ellevest typically employs validation tests and operational quality control procedures. However, Ellevest relies on a significant amount of data from multiple sources and cannot guarantee that all relevant data are free from error.

Under Ellevest’s policy, a trade error with potential material impact is defined as one that results in an asset allocation that differs from the client’s target asset allocation by more than the ranges established in Ellevest’s Rebalancing policy. Such errors will be further researched to determine whether clients were economically harmed as a result of the error. Where it is determined that Ellevest caused the error, as defined above, the client will be reimbursed by Ellevest for losses directly attributable to Ellevest’s error, if not de minimis (less than 0.25% of the market value of the account, or \$1, whichever is greater), and to the extent disadvantaged by an inappropriate portfolio. If an investment gain is realized in the client’s account, the client may retain such gain. Ellevest will maintain a trade error account that we will fund with de minimis amounts arising from trade errors. When the account reaches \$1,000, amounts greater than \$1,000 will be donated to charity.

### **Custody**

Ellevest does not maintain custody of your assets that we manage. Your assets are held in an account at a “qualified custodian”. For Digital and Premium clients, the custodian is Folio. For PWM clients, the custodian is Schwab. We are deemed to have custody of your assets since under the Client Agreement (for Digital or Premium clients) or Advisory Agreement (for PWM clients), you authorize us to instruct the respective custodian to deduct Ellevest’s advisory fees directly from your account. While Ellevest instructs the custodian to withdraw its fees, the custodian maintains actual custody of client assets.

Ellevest Digital, Premium and PWM clients will receive account statements from their custodian at least quarterly, which will reflect the withdrawal of any fees. Digital and Premium clients may also access account statements directly through the Ellevest website. All clients are advised to review their account statements

promptly to confirm the accuracy of the information contained. Should discrepancies or errors be found, clients should contact Ellevest or the custodian directly.

### **Services Available to Us from Folio**

Ellevest receives without cost from Folio, technology and related systems support that allows Ellevest to better monitor client accounts maintained at Folio. Ellevest receives this technology and support without cost as the Firm renders investment advisory services to clients that maintain accounts at Folio. The technology and support services are not provided for the direction of securities transactions in client accounts (i.e., not “soft dollars”) to Folio.

### **Products and Services Available to Ellevest From Schwab**

Schwab Advisor Services™ (“Schwab”) provides our clients and us with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. The availability of Schwab’s products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

*Schwab Services That May Benefit Clients:* Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

*Schwab Services That May Not Directly Benefit Clients:* Schwab makes available to us other products and services that benefit Ellevest but may not directly benefit clients or client accounts. These products and services assist Ellevest in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and that of third parties. We may use this research to service all or some substantial number of our clients’ accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that: provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients’ accounts; and assist with back-office functions, recordkeeping, and client reporting.

*Services That Generally Benefit Only Ellevest:* Schwab offers other services intended to help Ellevest manage and further develop our business enterprise. These services include: educational conferences and events;

technology, compliance, legal, and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants, and insurance providers. Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

**Ellevest's Interest in Schwab's Services:** Ellevest has entered into an agreement with Schwab Advisor Services whereby Ellevest has committed that it will have at least \$50,000,000 in end client statement equity in Schwab client accounts within twelve months from the date of the Agreement. Schwab will reimburse client transfer of account exit fees, the fees that clients' accounts would bear if the assets in those accounts were transferred to Schwab, up to \$10,000 within twelve months from the date of the agreement. The availability of these services from Schwab benefits Ellevest because they may assist a client in the selection of Ellevest or we do not have to purchase them.

Ellevest believes that its selection of Schwab as custodian and broker is in the best interests of our clients. We perform periodic reviews of Schwab's custodial and trade execution services, as well as that of any other custodians utilized, to verify the quality of those services and that the fees paid by clients are comparable to similar custodians and brokerages.

### **Financial Information**

In certain circumstances, registered investment advisers are required to provide you with financial information and disclosures about their financial condition. Ellevest does not have any financial condition that is reasonably likely to impair it from meeting its contractual commitments to clients and has never been subject of a bankruptcy proceeding.