



**korzo Financial LLC**  
228 Hamilton Ave 3rd Floor  
Palo Alto, CA 94301 USA

April 30, 2024

**FORM ADV PART 2A  
BROCHURE**

This brochure provides information about the qualifications and business practices of korzo Financial LLC. If you have any questions about the contents of this brochure, contact us at 650-600-6720 or [support@korzo.com](mailto:support@korzo.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about korzo Financial LLC is available on the SEC's website at <https://adviserinfo.sec.gov/firm/summary/323459>.

korzo Financial LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.



## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last registration update with the SEC was approved January 23, 2023, we have the following material changes to report:

### ■ Item 4: Advisory Business

Additional information has been added to describe our Portfolio Management Service including:

- Our investment approach is informed by proprietary and non-proprietary technology deployed through artificial intelligence and machine learning technology platforms as part of our investment, research, and/or decision making process.
- Your assets may be invested according to one or more model portfolios developed by our firm. korzo performs a suitability analysis to assess the risk tolerance level of a Client. Parameters extracted from the Client's answers are used to determine the investment objectives.

Chat with your Finances service has been added. korzo Financial LLC offers financial planning services and insights of customer transaction and investment data through the use of software and natural language processing. Insights are provided to the user by digitally generated voice, video, and text through a chat interface. This service is included with our Portfolio Management Services or can be purchased as a standalone service. Financial Planning and Consulting Services are no longer offered therefore related disclosures have been removed.

### ■ Item 5: Fees and Compensation

Our Annual Fee Schedule for Portfolio Management Services has been updated as follows:

- We no longer charge Portfolio Management Services based on a percentage of the total assets in your account. This service is offered for a flat \$19.99 per month.
- If you subscribe only to our Chat with your Finances service (no Portfolio Management Services), you will be charged a flat \$19.99 per month. Fees will be paid by the Client through the Apple App Store, Google Play Store, or Stripe. Financial Planning and Consulting Services are no longer offered therefore related disclosures have been removed.

### ■ Item 7: Types of Clients

- We added a minimum of \$100 to open and maintain an advisory account.

### ■ Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

- Risks associated with the use of Artificial Intelligence and Software and Algorithms have been added.

### ■ Item 11: Code of Ethics, Participation or Interest in Client Transaction and Personal Trading

- Information about our Personal Trading Practices and Aggregated Trading has been added.

### ■ Item 12: Brokerage Practices

- Apex Crypto and Prime Trust have been removed as custodians.

### ■ Item 13: Review of Accounts

- This item has been updated to describe how algorithms within our app will continuously monitor accounts and allocations.

### ■ Item 15: Custody

- We do not deduct fees from the custodian. Fees will be paid by the Client through the Apple App Store, Google Play Store, or Stripe.

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## Item 4 Advisory Business

### Description of Firm

korzo Financial LLC is a registered investment adviser based in Palo Alto, CA ("korzo"). We are organized as a limited liability company ("LLC") under the laws of the State of DE. We have been providing investment advisory services since 01/01/2023. We are primarily owned by korzo Inc.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to korzo Financial LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### Portfolio Management Services

We offer discretionary portfolio management services through an interactive App that you download from the App store on your mobile device or through a link on our website that you can use on your computer. Once you have downloaded the App, you will be asked to enter information about your financial circumstances and objectives. The software will use the information provided to determine your current financial position and to define and quantify your long-term goals and objectives. Once the system has analyzed those long-term objectives (both financial and non-financial), it will assess and develop shorter-term, targeted objectives. These recommendations are designed to help you achieve your stated financial goals and objectives. Our investment advice is offered through our proprietary online platform and is tailored to meet our clients' needs and investment objectives.

Our investment approach is informed by proprietary and non-proprietary technology deployed through artificial intelligence and machine learning technology platforms as part of our investment, research, and/or decision making process. We take that information and then apply our own vetting process to ensure the accuracy of the data.

As a part of our Portfolio Management Service, Clients may elect to have exposure to crypto assets based on their investment risk and financial parameters.

If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will also have discretion over the broker or dealer to be used for securities transactions in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing through the App.

As part of our portfolio management services, in addition to other types of investments (see disclosures below in this section), we may invest your assets according to one or more model portfolios developed by our firm. korzo performs a suitability analysis in the form of a questionnaire in order to assess the risk tolerance level of a Client. Parameters extracted from the Client's answers are used to determine the investment objectives. Factors taken into consideration when constructing the custom investment objective include the Client's age, net worth, investment



goals, time horizon, employment status, propensity for risk, and other factors which are bespoke to the individual Client's situation or financial circumstances. Information from the suitability analysis is used to assign the Client to a model portfolio from one of the following categories:

- Capital preservation Income
- Growth income
- Growth
- Speculation
- Maximum growth
- Balanced

These models are designed for investors with varying degrees of risk tolerance ranging from a more conservative investment approach to a more aggressive investment strategy. Capital preservation portfolios are classified as being on the lower end of the volatility spectrum with less potential upside (and downside during market downturns) relative to the maximum growth portfolios which are on the higher end of the volatility spectrum and conversely have both higher potential for upside (and downside during market downturns).

Clients should update their risk questionnaire if they have a change in their investment objectives or risk tolerance including any significant life events that may affect their investment objectives. When a Client has a change in any of these categories, it's the Client's responsibility to update their risk questionnaire. Based on these updates, the korzo application will update, reallocate, and rebalance a client's portfolio accordingly. Client's have the option to opt into a different model portfolio which has been assigned to them based on the suitability analysis after they sign a consent acknowledging the decision and update their risk questionnaire accordingly. Clients should consult their tax advisor to understand the tax implications of switching from one model portfolio classification to another. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can be purchased in the model. Nonetheless, clients may impose restrictions on investing in certain securities or types of securities in their account. In such cases, this may prevent a client from investing in certain models that are managed by our firm.

### **Chat with your Finances**

Clients that subscribe to our Portfolio Management Services also receive financial planning services and insights on their brokerage and banking transactions and investment data for accounts linked within the app. These insights are provided through the use of software and natural language processing via our Chat with your Finances service. Insights are provided to the user by digitally generated voice, video, and text through a chat interface.

Our Chat with your Finances service can also be purchased as a standalone service under a separate agreement. This arrangement does not include Portfolio Management Service or financial advice. Clients will receive insights into their brokerage or banking accounts they link within the application.

### **Types of Investments**

The types of investment generally included in portfolios recommended in the App include equity securities, options contracts on securities, options contracts on commodities, money market funds, derivatives, structured products, mutual funds, ETFs, leveraged ETFs and digital assets including crypto currencies. Additional types of investments may be recommended based on your stated goals and objectives.



Since the investment strategies and advice provided through the App are based on each client's specific financial situation, the investment recommendations we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

#### **Assets Under Management**

As of December 31, 2023, we do not have any discretionary or non-discretionary assets under management.

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

#### **Portfolio Management Services**

Portfolio Management Services, including our Chat with your Finances service are offered for a monthly subscription of \$19.99. Fees will be paid by the Client through the Apple App Store, Google Play Store, or Stripe.

You may terminate the Advisory Agreement upon written notice. Should you choose to cancel the subscription, the service will remain available and assets will be liquidated on the next immediate business day. Users will still have access to the service until the current billing cycle ends.

#### **Chat with your Finances**

Users that want to subscribe to the korzo chat feature, with no Portfolio Management Services, are charged a flat \$19.99 per month. Fees will be paid by the Client through the Apple App Store, Google Play Store, or Stripe.

#### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the Fees and Compensation section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, including high net worth individuals, corporations or other businesses.

In general, we do not require a minimum dollar amount to open and maintain an advisory account; however, we have the right to terminate your account if it falls below a minimum size which, in our sole opinion, is too small to manage effectively.

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

### Our Methods of Analysis and Investment Strategies

We use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

- **Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

- **Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

- **Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

- **Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Modern Portfolio Theory** - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

- **Risk:** Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.

**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

- **Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

- **Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of time.

**Short Sales** - Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a "short sale" you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his advantage. The short seller makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling.

- **Risk:** Short selling is very risky. Investors should exercise extreme caution before short selling is implemented. A short seller will profit if the stock goes down in price, but if the price of the shares increase, the potential losses are unlimited because the stock can keep rising forever. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, gains have a ceiling level because the stock price cannot fall below zero.

- **Risks:** A short seller has to undertake to pay the earnings on the borrowed securities as long as the short seller chooses to keep the short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller's margin account to buy back the loaned shares or issue a "call away" to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up taking huge losses.



- **Risk:** Margin interest can be a significant expense. Since short sales can only be undertaken in margin accounts, the interest payable on short trades can be substantial, especially if short positions are kept open over an extended period.

- **Risk:** Shares that are difficult to borrow – because of high short interest, limited float, or any other reason – have “hard-to-borrow” fees. These fees are based on an annualized rate that can range from a small fraction of a percent to more than 100% of the value of the short trade. The hard-to-borrow rate can fluctuate substantially on a daily basis; therefore, the exact dollar amount of the fee may not be known in advance, and may be substantial.

**Option Writing** - a securities transaction that involves selling an option. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell a particular security at a specified price on or before the expiration date of the option. When an investor sells a call option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. When an investor sells a put option, he or she must pay the strike price per share if the buyer exercises the option, and will receive the specified number of shares. The option writer/seller receives a premium (the market price of the option at a particular time) in exchange for writing the option.

- **Risk:** Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

**ESG Investing** - ESG Investing maintains a focus on Environmental, Social, and Governance issues. ESG investing may be referred to in many different ways, such as sustainable investing, socially responsible investing, and impact investing. ESG practices can include, but are not limited to, strategies that select companies based on their stated commitment to one or more ESG factors; for example, companies with policies aimed at minimizing their negative impact on the environment, social issues, or companies that focus on governance principles and transparency. ESG practices may also entail screening out companies in certain sectors or that, in the view of the investor, demonstrate poor management of ESG risks and opportunities or are involved in issues that are contrary to the investor's own principals.

- **Risk:** “ESG Investing” is not defined in federal securities laws, may be subjective, and may be defined in different ways by different managers, advisers or investors. There is no SEC “rating” or “score” of ESG investments that could be applied across a broad range of companies, and while many different private ratings based on different ESG factors exist, they often differ significantly from each other. Different managers may weigh environmental, social, and governance factors differently. Some ESG managers may consider data from third party providers which could include “scoring” and “rating” data compiled to help managers compare companies. Some of the data used to compile third party ESG scores and ratings may be subjective. Other data may be objective in principle, but are not verified or reliable. Third party scores also may consider or weight ESG criteria differently, meaning that companies can receive widely different scores from different third party providers. A portfolio manager’s ESG practices may significantly influence performance. Because securities may be included or excluded based on ESG factors rather than traditional fundamental analysis or other investment methodologies, the account's performance may differ (either higher or lower) from the overall market or comparable accounts that do not employ similar ESG practices. Some mutual funds or ETFs that consider ESG may have different expense ratios than other funds that do not consider ESG factors. Paying more in expenses will reduce the value of your investment over time.

**Artificial Intelligence (AI)** - korzo's investment approach is informed by proprietary and non-proprietary technology deployed through artificial intelligence, machine learning, and anomaly detection platforms and software as part of our investment, research, and/or decision making process. We take that information and then apply our own vetting process to ensure the accuracy thereof. Any perceived or actual advantage through such (technological) systems for analysis that incorporate big data, artificial intelligence and/or machine-learning and technology, over



traditional statistical analysis, may not be realized or may dissipate. Quickly consuming enormous numbers of data and records to more accurately make conclusions or predictive recommendations or transmit information to a client is susceptible to “bad data in, bad data out” syndrome. In the case of machine-learning, “bad data” can result in various inaccuracies, problems, or bias now, or developed over time. There is no guarantee that machine-learning can or will be designed to accurately or properly analyze, learn, forecast or act on the output information, or will not draw a faulty analytical connection from complete, missing, inaccurate, or corrupted data sets.

**Software and Algorithm Risk** - korzo provides investment advisory services primarily over the internet. Clients input information about themselves and their investing goals in korzo’s online interface and our software generates recommendations and constructs and manages portfolios based on information provided. Although korzo has standards governing the design, development, and testing of software before it is put into production with client assets, there is a risk that software may not perform as intended or as disclosed. korzo’s algorithms may not perform as intended for a variety of reasons, including but not limited to incorrect assumptions, changes in the market, available liquidity, and/or changes to data inputs. korzo periodically modifies its algorithms, or a computer system’s code or underlying assumptions, and these changes may have unintended consequences. We conduct testing designed to ensure that our algorithms continue to function as intended when new code is introduced and existing code is updated. Although such testing is intended to ensure that code changes do not create unintended consequences, clients should understand that testing, no matter how comprehensive, cannot guarantee the absence of code-related issues with our algorithms.

**Trading** - As part of our primary investment strategy when managing your account(s), we will use frequent trading (in general, selling securities within 30 days of purchasing the same securities). Short-term trading is not appropriate for all investors and we only use it if we have determined that it is suitable for you. Short-term trading includes buying and selling securities frequently in an attempt to capture significant market gains and avoid significant losses.

- **Risk:** When a frequent trading policy is in effect, there is a risk that investment performance within your account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

### **Cash Management**

In managing the cash maintained in your account, we utilize the sole exclusive cash vehicle (money market) made available by the custodian. There may be other cash management options away from the custodian available to you with higher yields or safer underlying investments.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.



Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

#### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

#### **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

#### **Recommendation of Particular Types of Securities**

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

**Money Market Funds:** A money market fund is technically a security. The fund managers attempt to keep the share price constant at \$1/share. However, there is no guarantee that the share price will stay at \$1/share. If the share price goes down, you can lose some or all of your principal. The U.S. Securities and Exchange Commission ("SEC") notes that "While investor losses in money market funds have been rare, they are possible." In return for this risk, you should earn a greater return on your cash than you would expect from a Federal Deposit Insurance Corporation ("FDIC") insured savings account (money market funds are not FDIC insured). Next, money market fund rates are variable. In other words, you do not know how much you will earn on your investment next month. The rate could go up or go down. If it goes up, that may result in a positive outcome. However, if it goes down and you earn less than you expected to earn, you may end up needing more cash. A final risk you are taking with money market funds has to do with inflation. Because money market funds are considered to be safer than other investments like stocks, long-term average returns on money market funds tend to be less than long term average returns on riskier investments. Over long periods of time, inflation can eat away at your returns.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap"). However, the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Mutual Funds and Exchange Traded Funds:** Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

**Leveraged Exchange Traded Funds:** Leveraged Exchange Traded Funds ("Leveraged ETFs" or "L-ETF") seeks investment results for a single day only, not for longer periods. A "single day" is measured from the time the L-ETF calculates its net asset value ("NAV") to the time of the L-ETF's next NAV calculation. The return of the L-ETF for periods longer than a single day will be the result of each day's returns compounded over the period, which will very likely differ from multiplying the return by the stated leverage for that period. For periods longer than a single day, the

L-ETF will lose money when the level of the Index is flat, and it is possible that the L-ETF will lose money even if the level of the Index rises. Longer holding periods, higher index volatility and greater leverage both exacerbate the impact of compounding on an investor's returns. During periods of higher Index volatility, the volatility of the Index may affect the L-ETF's return as much as or more than the return of the Index. Leveraged ETFs are different from most exchange-traded funds in that they seek leveraged returns relative to the applicable index and only on a daily basis. The L-ETF also is riskier than similarly benchmarked exchange-traded funds that do not use leverage. Accordingly, the L-ETF may not be suitable for all investors and should be used only by knowledgeable investors who understand the potential consequences of seeking daily leveraged investment results.

- **Leveraged ETF Leveraged Risk:** The L-ETF obtains investment exposure in excess of its assets in seeking to achieve its investment objective — a form of leverage — and will lose more money in market environments adverse to its daily objective than a similar fund that does not employ such leverage. The use of such leverage could result in the total loss of an investor's investment. For example: a 2X fund will have a multiplier of two times (2x) the Index. A single day movement in the Index approaching 50% at any point in the day could result in the total loss of a shareholder's investment if that movement is contrary to the investment objective of the L-ETF, even if the Index subsequently moves in an opposite direction, eliminating all or a portion of the earlier movement. This would be the case with any such single day movements in the Index, even if the Index maintains a level greater than zero at all times.

- **Leveraged ETF Compounding Risk:** Compounding affects all investments, but has a more significant impact on a leveraged fund. Particularly during periods of higher Index volatility, compounding will cause results for periods longer than a single day to vary from the stated multiplier of the return of the Index. This effect becomes more pronounced as volatility increases.

- **Leveraged ETF Use of Derivatives:** The L-ETF obtains investment exposure through derivatives. Investing in derivatives may be considered aggressive and may expose the L-ETF to greater risks than investing directly in the reference asset(s) underlying those derivatives. These risks include counterparty risk, liquidity risk and increased correlation risk (each as discussed below). When the L-ETF uses derivatives, there may be imperfect correlation between the value of the reference asset(s) and the derivative, which may prevent the L-ETF from achieving its investment objective. Because derivatives often require only a limited initial investment, the use of derivatives also may expose the L-ETF to losses in excess of those amounts initially invested. The L-ETF may use a combination of swaps on the Index and swaps on an ETF that is designed to track the performance of the Index. The performance of an ETF may not track the performance of the Index due to embedded costs and other factors. Thus, to the extent the L-ETF invests in swaps that use an ETF as the reference asset, the L-ETF may be subject to greater correlation risk and may not achieve as high a degree of correlation with the Index as it would if the L-ETF only used swaps on the Index. Moreover, with respect to the use of swap agreements, if the Index has a dramatic intraday move that causes a material decline in the L-ETF's net assets, the terms of a swap agreement between the L-ETF and its counterparty may permit the counterparty to immediately close out the transaction with the L-ETF. In that event, the L-ETF may be unable to enter into another swap agreement or invest in other derivatives to achieve the desired exposure consistent with the L-ETF's investment objective. This, in turn, may prevent the L-ETF from achieving its investment objective, even if the Index reverses all or a portion of its intraday move by the end of the day. Any costs associated with using derivatives will also have the effect of lowering the L-ETF's return.

**Options Contracts:** Options are complex securities that involve risks and are not suitable for everyone. Option trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the "expiration date"). The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

Selling options is more complicated and can be even riskier.

The option trading risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options which do not have secondary markets on which to sell the options prior to expiration can only realize its value upon expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The option trading risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk substantial losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options could lose more money than a short seller of that stock could on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader. Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may surge or decline unexpectedly, leading to automatic exercises.

Other option trading risks are:

- The complexity of some option strategies is a significant risk on its own.
- Option trading exchanges or markets and option contracts themselves are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm goes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to timing across borders.

Risks that are not specific to options trading include market risk, sector risk and individual stock risk. Option trading risks are closely related to stock risks, as stock options are a derivative of stocks.

**Derivatives:** Derivatives are types of investments where the investor does not own the underlying asset. There are many different types of derivative instruments, including, but not limited to, options, swaps, futures, and forward contracts. Derivatives have numerous uses as well as various risks associated with them, but they are generally considered an alternative way to participate in the market. Investors typically use derivatives for three reasons: to hedge a position, to increase leverage, or to speculate on an asset's movement. The key to making a sound investment is to fully understand the characteristics and risks associated with the derivative, including, but not limited to counter-party, underlying asset, price, and expiration risks. The use of a derivative only makes sense if the investor is fully aware of the risks and understands the impact of the investment within a portfolio strategy. Due to the variety of available derivatives and the range of potential risks, a detailed explanation of derivatives is beyond the scope of this disclosure.

**Structured Products:** A structured product, also known as a market-linked product, is generally a pre-packaged investment strategy based on derivatives, such as a single security, a basket of securities, options, indices, commodities, debt issuances, and/or foreign currencies, and to a lesser extent, swaps. Structured products are usually issued by investment banks or affiliates thereof. They have a fixed maturity, and have two components: a note and a derivative. The derivative component is often an option. The note provides for periodic interest payments to the investor at a predetermined rate, and the derivative component provides for the payment at maturity. Some products use the derivative component as a put option written by the investor that gives the buyer of the put option the right to sell to the investor the security or securities at a predetermined price. Other products use the derivative component to provide for a call option written by the investor that gives the buyer of the call option the right to buy the security or securities from the investor at a predetermined price. A feature of some structured products is a "principal guarantee" function, which offers protection of principal if held to maturity. However, these products are not always Federal Deposit Insurance Corporation insured; they may only be insured by the issuer, and thus have the potential for loss of principal in the case of a liquidity crisis, or other solvency problems with the issuing company. Investing in structured products involves a number of risks including but not limited to: fluctuations in the price, level or yield of underlying instruments, interest rates, currency values and credit quality; substantial loss of principal; limits on participation in any appreciation of the underlying instrument; limited liquidity; credit risk of the issuer; conflicts of interest; and, other events that are difficult to predict.

**Crypto Currencies:** Crypto currencies (also known as Digital Assets) generally refer to an asset that is issued and/or transferred using distributed ledger or blockchain technology, including, "virtual currencies (also known as crypto or crypto-currencies)," "coins," and "tokens". We may invest in and/or advise clients on the purchase or sale of crypto assets. This advice or investment may be in actual digital coins/tokens/currencies or via investment vehicles such as exchange traded funds (ETFs) or separately managed accounts (SMAs). The investment characteristics of crypto assets generally differ from those of traditional securities, currencies, commodities. Crypto assets are not backed by a central bank or a national, international organization, any hard assets, human capital, or other form of credit and are relatively new to the marketplace. Rather, crypto assets are market-based: a crypto asset's value is determined by (and fluctuates often, according to) supply and demand factors, its adoption in the traditional commerce channels, and/or the value that various market participants place on it through their mutual agreement or transactions. The lack of history to these types of investments entail certain unknown risks, are very speculative and are not appropriate for all investors.

**- Price Volatility of Crypto Assets Risk:** A principal risk in trading crypto assets is the rapid fluctuation of market price. The value of client portfolios relates in part to the value of the crypto assets held in the client portfolio and fluctuations in the price of Digital Assets could adversely

affect the value of a client's portfolio. There is no guarantee that a client will be able to achieve a better than average market price for crypto assets or will purchase crypto assets at the most favorable price available. The price of crypto assets achieved by a client may be affected generally by a wide variety of complex factors such as supply and demand; availability and access to crypto asset service providers (such as payment processors), exchanges, miners or other Digital Asset users and market participants; perceived or actual security vulnerability; and traditional risk factors including inflation levels; fiscal policy; interest rates; and political, natural and economic events.

**- Crypto Asset Service Providers Risk:** Service providers that support crypto assets and the crypto asset marketplace(s) may not be subject to the same regulatory and professional oversight as traditional securities service providers. Further, there is no assurance that the availability of and access to virtual currency service providers will not be negatively affected by government regulation or supply and demand of crypto assets. Accordingly, companies or financial institutions that currently support virtual currency may not do so in the future. **Custody of Crypto Asset Risk:** Under the Advisers Act, SEC registered investment advisers are required to hold securities with "qualified custodians," among other requirements. Certain crypto assets may be deemed to be securities. Some crypto assets do not currently fall under the SEC definition of security and therefore many of the companies providing crypto asset custodial services fall outside of the SEC's definition of "qualified custodian". Accordingly, clients seeking to purchase actual digital coins/tokens/currencies may need to use non qualified custodians to hold all or a portion of their crypto assets.

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**- Government Oversight of Crypto Assets Risk:** Regulatory agencies and/or the constructs responsible for oversight of crypto assets or a crypto asset network may not be fully developed and subject to change. Regulators may adopt laws, regulations, policies or rules directly or indirectly affecting crypto assets, including their treatment, transacting, custody, and valuation.

## Item 9 Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

## Item 10 Other Financial Industry Activities and Affiliations

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker;
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund);
3. other investment adviser or financial planner;
4. futures commission merchant, commodity pool operator, or commodity trading adviser;
5. banking or thrift institution;





6. accountant or accounting firm;
7. lawyer or law firm;
8. insurance company or agency;
9. pension consultant;
10. real estate broker or dealer; and/or
11. sponsor or syndicator of limited partnerships.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, nonpublic information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("aggregated trading"). Refer Brokerage Practices section in this brochure for information on our aggregated trading practices.

## **Item 12 Brokerage Practices**

To utilize the services of korzo, you are obligated to use the brokerage and custodial services of Alpaca Securities LLC to custody securities and Alpaca Crypto LLC to custody crypto assets (whether one or more "Custodian"). Clients enter into an agreement whereby Alpaca Securities LLC ("Alpaca Securities"), an unaffiliated SEC-registered broker-dealer and Financial Industry Regulatory Authority ("FINRA") member, will act as the



clearing broker and qualified custodian for Client accounts. Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In recognition of the value of the services the Custodian provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Our selection of custodian is based on many factors, including the level of services provided, the custodian's financial stability, and the cost of services provided by the custodian to our clients, which includes the yield on cash sweep choices, commissions, custody fees and other fees or expenses.

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, the most favorable compared to other available providers and their services. We consider various factors, including:

- Capability to buy and sell securities for your account itself or to facilitate such services.
- The likelihood that your trades will be executed.
- Availability of investment research and tools.
- Overall quality of services.
- Competitiveness of price.
- Reputation, financial strength, and stability.
- Existing relationship with our firm and our other clients.

#### **Investments in Digital Assets / Crypto Assets**

If Clients elect to invest in digital assets such as crypto assets, they must also open a cryptocurrency account ("crypto account") with Alpaca Crypto LLC ("Alpaca Crypto") and provide full discretionary authority over that account to korzo. Crypto assets within Client accounts are invested according to each Client's risk profile and suitability parameters. Crypto accounts, agreements, and transaction processing will be conducted through Alpaca Crypto LLC. Alpaca Crypto will buy and sell supported crypto assets ("crypto transactions"), and track crypto transactions via the korzo platform. The investments in each Client's crypto account are held in a separate account in the name of the Client at Alpaca Crypto, and not with korzo. Alpaca Crypto does not support the offering of any crypto assets through an IRA.

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

We do not have any soft dollar arrangements.

#### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products are in addition to any benefits or research we pay for with soft dollars, and may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

#### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.



### **Directed Brokerage**

We routinely require that you direct our firm to execute transactions through Alpaca Securities LLC and Alpaca Crypto LLC. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

### **Aggregated Trades**

Alpaca Securities LLC and Alpaca Crypto LLC do not support aggregated trades (the practice of combining multiple orders for shares of the same security). In order to ensure fair trade execution among Clients, when we have multiple orders in the same security on the same day, we randomize the individual orders to ensure no preferential treatment is given to specific users.

### **Item 13 Review of Accounts**

As an Internet-only adviser, the algorithms within the App monitor your accounts continuously to ensure that allocations are within the recommended model based on the information you provided regarding your personal and financial circumstances. You may review and update your financial information through the App at any time. We recommend that you keep the information in the system regarding your personal and financial situation up to date as your portfolio recommendations can change as your personal circumstances evolve. Information regarding the holdings in your accounts will be provided by the custodian at least quarterly. We recommend you review those statements carefully and update your information in the system at least quarterly, if needed.

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

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

### **Item 15 Custody**

We will not directly debit your account(s) for the payment of our portfolio management advisory fees. korzo Financial's fees will be paid by the Client through the Apple App Store, Google Play Store, or Stripe.

We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. You should carefully review account statements for accuracy.

We will also provide statements to you. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, contact us immediately at the telephone number on the cover page of this brochure.



#### Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular asset class be prohibited. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

#### Item 17 Voting Client Securities

We will not vote proxies on behalf of your advisory accounts. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitations to vote proxies.

#### Item 18 Financial Information

We have not filed a bankruptcy petition at any time in the past ten years.

#### Item 19 Additional Information

##### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

##### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.