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FORM ADV PART 2A

Client Brochure

January 1, 2019

This brochure ("Brochure") provides information about the qualifications and business practices of M1 Advisory Services LLC ("M1"), a registered investment advisor. Registration does not imply a certain level of skill or training but only indicates that M1 has registered its business with state and federal regulatory authorities, including the United States Securities and Exchange Commission (our SEC number is 801-106511). 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.

If you have any questions about the contents of this Brochure, please contact M1 at 312.600.6668 or [support@M1finance.com](mailto:support@M1finance.com). Additional information about M1 is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

Form ADV Part 2 Client Brochure

Item 2      **Material Changes**

None

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Item 4      **Advisory Business**

A. General Description of the Firm

M1 Advisory Services LLC (“M1”) is an investment advisor registered with the United States Securities and Exchange Commission (“SEC”). M1 provides portfolio management services.

Founded in 2015, M1, formerly known as Forza Advisors Group LLC, is a wholly owned subsidiary of M1 Holdings Inc., formerly known as M1 Holdings LLC and prior to that, Forza Financial Group LLC. M1 Holdings Inc. is a privately held company, based in Chicago, Illinois. M1 Holdings Inc. is controlled by Brian Barnes Revocable Trust. Brian Barnes, M1’s CEO, is the principal owner of M1 Holdings Inc.

Additional information about M1’s services, structure and officers is provided on Part 1 of M1’s Form ADV which is available online at <http://www.advisorsinfo.sec.gov>. Please also visit [www.m1finance.com](http://www.m1finance.com) for additional information.

B. Summary of M1’s Advisory Services

M1 provides its clients with personalized total portfolio solutions that match their investment objectives and risk tolerance. M1’s portfolios use passive strategies and modern portfolio theory to determine each client’s asset allocation. M1 has determined optimal asset classes and the ETF strategies that most efficiently tracks those asset classes. Once a client is given their risk profile they will be recommended a total portfolio solution. M1’s clients maintain complete discretion to accept their recommended total portfolio solution, adjust their recommended total portfolio solution, choose a different portfolio solution with different risk/return characteristics, or create their own self-directed portfolio with exchange traded securities.

C. Tailored Services and Investment Restrictions

M1 tailors its total portfolio solutions to each client’s individual willingness and ability to take risk. M1 gathers the Client’s financial information during initial signup and asks users take a brief risk questionnaire. The M1 considers the user’s age, financial standing, financial goals, investment knowledge, investment comfort, and risk tolerance. M1 places each user into a specified risk tranche and recommends a corresponding portfolio solution. M1 Client’s retain complete discretionary control of their account at all-times. Clients can accept their recommended total portfolio solution, adjust their recommended portfolio solution, choose another portfolio solution designated for a risk level other than their M1 risk appointment, or deny all portfolio solutions and create their own self-directed portfolio.

#### D. Wrap Fee Programs

M1 does not place Client assets into a wrap fee program.

#### E. Assets Under Management

As a newly formed investment advisor, M1 does not currently manage any assets on a discretionary nor on a nondiscretionary basis. This total is calculated using the closing U.S. market prices as of December 31, 2018.

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

#### A. Advisory Fees

M1 is compensated for its advisory services by charging a fee based on the net market value of a Client's account. M1 reserves the right to, in its sole discretion to negotiate, reduce or waive the advisory fee for certain Client accounts for any period of time determined by M1. In addition, M1 may reduce or waive its fees for the accounts of some Clients without notice to, or fee adjustment for, other Clients.

M1 charges an annualized fee of 0.35% on a Client's assets under management. Annual fees are not charged in advance. Fees are charged on a monthly basis, calculated on a daily basis and deducted on a monthly basis.

M1 calculates a daily advisory fee, which is equal to the fee rate multiplied by the net market value of the Client's account as of the close of trading on the NYSE on such day, or as the close of markets on the immediately preceding trading day for any day when the NYSE is closed.

#### B. Other Account Fees

M1 is a fee only investment advisor, and other than its advisory fee described above, neither M1 nor its employees or officers receive or accept any direct or indirect compensation related to investments that are purchased or sold for Client accounts.

Clients may however pay other fees or expenses to third-parties. The issuers of some of the securities or products purchased in Client accounts, such as ETFs, or other similar packaged financial products, may charge product fees that affect Clients. M1 does not charge these fees nor does it benefit directly or indirectly from any such fees. An ETF typically includes embedded expenses that may reduce the ETFs net asset value, and therefore directly affect the funds' performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of ETFs may include management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer.

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

M1 does not charge performance-based fees. Advisory fees are only charged as noted in Item 5.

Item 7            **Types of Clients**

M1 is open to all individuals, trusts and other legal entities (subject to M1s approval) who are U.S. residents over the age of 18. There is no minimum account size to maintain an M1 account. There is also no minimum initial deposit.

Item 8            **Method of Analysis, Investment Strategies and Risk of Loss**

M1 will provide Clients the option of a total portfolio solution based on their ability and willingness to take risk. M1 will give all Clients a questionnaire which will place each client into an individual tranche based on risk. Using Mean-Variance Optimization, M1 can provide clients with a portfolio that will maximize profit for each individual risk level. To create the portfolios, M1 uses a Black-Litterman approach to apply Modern Portfolio Theory (MPT). Basic MPT problematically creates undiversified portfolios with high concentrations in the smaller asset classes. The addition of M1s utilization of a Black-Litterman model allows for current market capitalizations of the asset classes to be considered. Such methodology creates more diversified portfolios. All MPT models need two inputs, risk and return. M1 primarily invests for the long term so the common uses of Standard Deviation for risk and Arithmetic Mean for return are not effective in our opinion because those measures take on a single period view point. M1 instead uses a Conditional Value at Risk (CVAR) model for risk and Geometric Mean for return because these measures more accurately measure the long-term growth potential of a portfolio. To recreate asset classes M1 uses passive Exchange Traded Funds (ETFs). ETFs are used because they are highly liquid and have a low cost compared to other passive indexing strategies. To choose the ETFs used in M1's total portfolio solutions, M1 uses a discrete scoring system that is a mixture of qualitative and quantitative analysis focused on the finding the lowest cost ETF that track the asset class most closely. M1 will reevaluate and rebalance all M1 total portfolios quarterly.

**M1 cannot guarantee any level of performance or that any Client will avoid a loss of assets. Any investment in securities involves the possibility of financial loss that Clients should be prepared to bear.**

When evaluating risk, financial loss may be viewed differently by each Client and may depend on many different risk items. Each of which may affect the probability of adverse consequences and the magnitude of any potential losses. The following risks may not be comprehensive, but should be considered carefully by a prospective Client before using M1's services.

**Management Risks**

M1 applies its investment techniques and risk analysis in making investment recommendations to its Clients. There is no guarantee that they will produce the desired results. In addition, there is no guarantee that a strategy based on historical information will produce the desired results in the future, and if market dynamics change, the effectiveness of the strategy be limited. Each investment strategy runs the risk that investment techniques will fail to produce the desired results.

**Investment Risks**

Investments in securities, including ETFs and the securities that they in turn invest in, involve various risks, including those summarized below. In addition, each ETF has its own investment style, which may

involve risks different from those described below. Clients and prospective Clients should be aware that investing in securities involves risk of loss that Clients should be prepared to bear.

### **Model Risks**

M1 may use quantitative analyses and/or models. Any imperfections, limitations or inaccuracies in its analyses and/or models could affect its ability to implement strategies. By necessity, these tools make simplifying assumptions that may limit their effectiveness. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and /or it may not include the most current information available.

### **ETF General Risks**

ETFs in which may be held in Client Accounts involve certain inherent risks generally associated with investments in a portfolio of securities, including the risk that the general level of security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain index securities in the secondary market or discrepancies between the ETF and the index with respect to the weighting of the securities or the number of securities held. ETFs have their own fees and expenses as set forth in the ETF prospectuses.

ETFs may have exposures to derivative instruments, such as futures contracts, forward contracts, options and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contractual terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so.

### **Market/Systematic Risks**

Equity and fixed income markets rise and fall daily. The performance of Client Accounts is tied to these markets. When markets fall, the value of a Client's Account will fluctuate, which means a client could lose money.

### **Asset Allocation/Strategy/Diversification Risks**

The asset classes in which an investment strategy seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the investment strategy will be affected by its allocation among the various asset classes. The asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which can reduce overall return if the concentrated assets underperform. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities. Depending on market conditions, there may be times where diversified portfolios perform worse than less diversified portfolios.

## **Investment Strategy Risks**

There are risks associated with the long-term core strategic holdings for any investment strategy. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities.

## **Trading/Liquidity Risks**

A particular ETF may be difficult to purchase or sell or may become difficult to sell after being purchased in a Client' Account. Broker may be unable to sell ETFs on behalf of a Client at an advantageous time and/or price due to then- existing trading market conditions.

## **SECURITIES RISKS**

### **Equity-Related Risks**

#### **General Risks**

The prices of equity securities, and the value of the ETFs that invest in them, will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

#### **Large- and Mid-Cap Risks**

Stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large and mid-cap U.S. stocks fall behind other types of investments-bonds or small-cap stocks, for instance- the performance of investment strategies focused on large- and/or mid-cap stocks will lag the performance of these other investments.

#### **Small-Cap and International Risks**

Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks. During a period when small-cap and /or international stocks fall behind other types of investments-U.S. large- and mid-cap stocks, for instance- the performance of investment strategies focused on small-cap or international stocks may lag the performance of these other investments.

### **Fixed Income-Related Risks**

#### **General Risks**

Bond markets tend to rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates, are subject to various risks. As with an investment whose performance is tied to bond markets, the value of a fixed income ETF will fluctuate, which means that you could lose money.

### **Interest Rate Risks**

When interest rates rise, bond prices usually fall, and with them the value of an ETF holding the bonds. A decline in interest rates generally raises bond prices, and with them potentially the value of an ETF share, but could also hurt the performance of an ETF by lowering its yield. The longer the duration of the investments held by an ETF, the more sensitive to interest rate movements its value is likely to be.

### **Credit Risks**

A decline in the credit quality of a fixed income investment could cause the value of a fixed income ETF to fall. The ETF could lose value if the issuer or guarantor of a portfolio investment fails to make timely principal or interest payments or otherwise honor its obligations. The emphasis of a fixed income strategy on quality and preservation of capital also could cause an ETF to underperform certain other types of bond investment, particularly those that take greater maturity and credit risks.

### **High-Yield Risks**

High-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to great levels of credit and liquidity risks. High-yield securities and the ETFs that invest in them may be considered speculative.

### **Government Securities Risks**

Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks, maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. Government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

### **State and Regional Risks**

To the extent that an ETF is invested in securities from a given state or geographic region, its value and performance could be affected by local, states and regional factors, including erosion of the tax base and changes in the economic climate. National governmental actions, such as the elimination of tax-exempt status, also could affect performance. In addition, an ETF may be more sensitive to adverse economic, business or political developments if a substantial portion of it is invested in municipal securities that are financing similar projects.

### **Foreign Risks**

Investments in securities of foreign issuers or securities with credit or liquidity enhancements provided by foreign entities may involve certain risks such as adverse changes in foreign economic, political, regulatory and other conditions; differing accounting, auditing, financial reporting, and legal standards and practices; differing securities market structures; and higher transaction costs. In addition, sovereign risk, or the risk that a government may become unwilling or unable to meet its loan obligations or guarantees, could increase the credit risk of financial institutions connected to that particular country.



## **FOREIGN INVESTMENT-RELATED RISKS**

### **General Risks**

Investments in securities of foreign issuers may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); differing accounting, auditing, financial reporting, taxes and legal standards and practices; differing securities market structures; and higher transaction costs.

### **Emerging Market Risks**

These and other risks (e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers) are greater for those ETFs investing in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

### **Frontier Markets Risks**

The risks associated with investing in foreign or emerging markets generally are magnified in frontier markets, also known as “next emerging” markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/ disruption of markets risks.

### **Geopolitical/Disruption of Markets Risks**

Geopolitical events may adversely affect global economies and markets and thereby decrease the value of and/or the ease of trading the ETFs invested in those affected markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of the strategy’s investments.

### **Currency Risks**

Fluctuations in exchange rates may adversely affect the value of a strategy’s foreign currency holdings and investments denominated in foreign currencies.

## **RISKS RELATED TO OTHER ASSET CLASSES**

### **Commodities Risks**

Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including world-wide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing.

### **Hard Asset Risks**

The production and marketing of hard assets, such as precious metals, oil and gas, real estate and/or agricultural commodities may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and

possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. In periods of rising hard asset prices, such securities or instruments may rise at a faster rate, and conversely, in times of falling hard asset prices, such securities may suffer a greater price decline.

### **Real Estate Risks**

Real estate-related investments may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts (“REITS”) may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs managers, prepayments and defaults by borrowers, adverse changes in tax laws, and with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986 and/or to maintain exempt status under the Investment Company Act.

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

M1 nor any of its employees has any legal, financial, regulatory or other “disciplinary” items to report.

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

M1 has entered into an agreement with Apex Clearing Corporation (“Apex”, “Clearing Firm” or “Broker”). Apex provides trade execution, clearing and custodial services for Clients’ Account transactions pursuant to the authority the Client has given under the applicable Account Agreement.

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

M1 maintains a code of ethics that requires all officers and employees to conduct themselves with the highest standards of conduct and business ethics in all aspects of their activities concerning M1 and M1 Clients. A copy of M1’s Code of Ethics is available at [www.m1finance.com](http://www.m1finance.com) to clients and prospective clients upon request.

M1 or individuals associated with M1 may buy or sell securities identical to or different from those held in Client Accounts. In addition, any related person(s) may have an interest or position in certain securities which may be held in a Client Account or contemplated to be purchased or sold by a Client.

It is the express policy of M1 that no person employed by M1 may use material, non-public information obtained during the course of their work to purchase or sell any security prior to any pending transaction(s) being executed for a Client Account. This policy is intended to prevent employees from benefitting from transactions placed on behalf of Client Accounts.

Item 12            **Brokerage Practices**

M1 is a registered investment advisor and as such will not execute securities transactions for Client Accounts. As noted in Item 10, M1 has entered into an agreement with Apex Clearing Corporation (“Apex”, “Clearing Firm” or “Broker”). Apex provides trade execution, clearing and custodial services for Clients’ Account transactions pursuant to the authority the Client has given under the applicable Account Agreement.

M1 Finance LLC, a wholly owned subsidiary of M1 Holdings Inc. and an affiliate of M1, is a FINRA registered broker-dealer (“M1 Finance”). M1 Finance acts as an introducing broker dealer in effecting securities transactions for Client’s accounts in which Apex provides trade execution and clearing services.

M1, through Apex, will seek the best overall execution of transactions for Client accounts consistent with its judgement as to the business qualifications of the various brokers through which M1 Accounts are available. M1 will obtain information as to the general level of commission rates being charged by the brokerage community from time to time, and will periodically evaluate the overall reasonableness of brokerage commissions paid on Client transactions by reference to such date to ensure competitive commission rates. “Best execution” means the best overall qualitative execution, not necessarily the lowest possible commission cost. Accordingly, the factors that M1 considers when selecting or recommending brokers are ones that directly benefit Client account and are consistent with obtaining the best execution of their transactions. These factors include: execution capability and available liquidity; timing and size of particular orders; commission rates; responsiveness; trading experience; reputation; integrity and fairness in resolving disputes; quality of their application programming interfaces and technology; and other factors.

M1 does not engage in “soft dollar” practices involving the receipt of research or other brokerage service from client commission money, nor does M1 receive any research or other products in connection with Client transactions. M1 does not use Client commission money to compensate or otherwise reward brokers for client referrals.

M1 may, but is not required to, aggregate orders for a Client’s account with orders of other Clients. M1 may aggregate sale and purchase orders for Clients. In such event, the average price of securities purchased or sold in such a transaction may be determined and a Client may be charged or credited, the average transaction price. As a result, the price may be less favorable to the Client that in would be if similar transactions were not being executed concurrently for other accounts.

Item 13            **Review of Accounts**

M1s investment tools are intended for Clients to utilize to review their account and better understand and manage their holdings and performance. M1 personnel conduct only limited, non-periodic individual reviews on client accounts when flagged by certain investment activity and account settings.

M1 will contact Clients at least once a year via electronic channels to ask them to update their information on the M1 website if there have been any material changes. Clients who have experienced material changes to their financial circumstances or investment objectives, or which to impose or

modify restrictions on the management of their accounts should promptly update their information on M1s website.

Clients receive electronically a confirmation of each transaction and an account statement (at least quarterly) detailing positions and activity in their accounts. That statement includes a summary of all transactions made on the Client's behalf, all contributions and withdrawals made to or from the account, all fees and expenses charged to the account, and the account value at the beginning and end of the period. That statement may be based upon information obtained from third parties.

Item 14      **Client Referrals and Other Compensation**

M1 currently does not pay or receive fees for Client referral, nor does it offer or receive sales awards, prizes or other forms of compensation for providing advice or investment management services to Clients.

Item 15      **Custody**

M1 has entered into an agreement with Apex Clearing Corporation ("Apex", "Clearing Firm" or "Broker"). Apex provides trade execution, clearing and custodial services for Clients' account transactions pursuant to the authority the Client has given under the applicable Account Agreement.

Item 16      **Investment Discretion**

M1 requires that an Account Agreement be completed by a Client who decides to retain M1 as their investment advisor. Under the terms of the Account Agreement, M1 assumes full discretionary trading and investment authority over the Client's assets held with Broker. This means that M1 is given full authority under a power of attorney arrangement to select the timing, size and identity of securities to buy and sell for the Client. Additional information about the Account Agreement can be found in Items 4 and 7 above.

Item 17      **Voting Client Securities**

M1, as a matter of policy, does not vote proxies for the portfolio securities of its clients.

Item 18      **Financial Information**

M1 does not require or solicit the prepayment of any advisory fees and is therefore not required to include a balance sheet or its most recent fiscal year. M1 does not have any adverse financial condition that is reasonably likely to impair its ability to continuously meet contractual commitments to our Clients. M1 is not the subject of any bankruptcy petition, nor has it been the subject of any bankruptcy petition at any time during the past 10 years.