

# Physis Investment Inc. Wrap Fee Program Brochure

*This wrap fee program brochure provides information about the qualifications and business practices of Physis Investment Inc. If you have any questions about the contents of this brochure, please contact us at (617) 852-9852 or by email at: [stefania@physisinvest.com](mailto:stefania@physisinvest.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 Physis Investment Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Physis Investment Inc.'s CRD number is: 304911.*

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*Registration as an investment adviser does not imply a certain level of skill or training.*

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## **General**

### **Item 2: Material Changes**

Physis Investment Inc. has not yet filed an annual updating amendment to this Wrap Fee Program Brochure. Therefore there are no material changes to this brochure to report.

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## Item 4: Advisory Business

### A. Description of the Advisory Firm

Physis Investment Inc. (hereinafter “PII”) provides Robo-advisory portfolio management to clients under this wrap fee program as sponsor and portfolio manager via an online interface. This entails the use of algorithm-based portfolio management advice, rather than in-person investment advice. These automated investment solutions are customized to each client and based on individual characteristics, such as the client’s age, risk tolerance, income, and current assets, among others.

PII provides robo-advisory portfolio management services via an online interface.

Total Assets Under Management	Annual Fees
\$200 – And Up	1.50%

The advisory fee is calculated using the value of the assets in the Account on the last business day of the prior billing period. These fees are generally negotiable and the final fee schedule will be memorialized in the client’s advisory agreement.

Robo-advisory portfolio management fees are withdrawn directly from the client’s accounts with client’s written authorization on a monthly basis. Fees are paid in advance.

Clients may terminate the agreement without penalty, for full refund of PII’s fees, within five business days of signing the Investment Advisory Contract. Thereafter, clients may terminate the Investment Advisory Contract immediately upon written notice.

### B. Contribution Cost Factors

The program may cost the client more or less than purchasing such services separately. There are several factors that bear upon the relative cost of the program, including the trading activity in the client’s account, the adviser’s ability to aggregate trades, and the cost of the services if provided separately (which in turn depends on the prices and specific services offered by different providers).

### C. Additional Fees

PII will wrap third party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.) for wrap fee portfolio management accounts. PII will charge clients one fee, and pay all transaction fees using the fee collected from the client. Accounts participating in the wrap fee program are not charged higher advisory fees based on trading activity, but clients should be aware that PII has an incentive to limit trading activities for those accounts since the firm absorbs those transaction costs.

Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, fees associated with “step out” transactions if the account uses different custodians or broker-dealers, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

#### **D. Compensation of Client Participation**

Neither PII, nor any representatives of PII receive any additional compensation beyond advisory fees for the participation of client’s in the wrap fee program. However, compensation received may be more than what would have been received if client paid separately for investment advice, brokerage, and other services. Therefore, PII may have a financial incentive to recommend the wrap fee program to clients.

### **Item 5: Types of Clients**

PII generally offers advisory services to the following types of clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals

There is no account minimum.

### **Item 6: Portfolio Manager Selection and Evaluation**

#### **A. Selecting/Reviewing Portfolio Managers**

PII will not select outside portfolio managers for management of this wrap fee program. PII will be the sole portfolio manager for this wrap fee program.

PII will use industry standards to calculate portfolio manager performance.

PII reviews the performance information to determine and verify its accuracy and compliance with presentation standards. The performance information is quarterly and is reviewed by PII.

## **B. Related Persons**

PII and its personnel serve as the portfolio managers for all wrap fee program accounts. This is a conflict of interest in that no outside adviser assesses PII's management of the wrap fee program. However, PII addresses this conflict by acting in its clients' best interest consistent with its fiduciary duty as sponsor and portfolio manager of the wrap fee program.

## **C. Advisory Business**

Physis Investment Inc. (hereinafter "PII") provides portfolio management to clients under this wrap fee program as sponsor and portfolio manager via an online interface. This entails the use of algorithm-based portfolio management advice, rather than in-person investment advice. These automated investment solutions are customized to each client and based on individual characteristics, such as the client's age, risk tolerance, income, and current assets, among others.

PII will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction.

Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

Robo-advisory Portfolio management accounts participating in the wrap fee program will not have to pay for transaction or trading fees. PII will charge clients one fee, and pay transaction fees using the advisory fee collected from the client. Certain other fees are not included in the wrap fee and are paid for separately by the client. These include, but are not limited to, margin costs, charges imposed directly by a mutual fund or exchange traded fund, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

### ***Services Limited to Specific Types of Investments***

PII generally limits its investment advice to mutual funds, fixed income securities, real estate funds, equities, private equity funds, ETFs, commodities and non-U.S. securities, although PII primarily recommends sustainable funds (active and passive). PII may use other securities as well to help diversify a portfolio when applicable.

### ***Client Tailored Services and Client Imposed Restrictions***

PII will tailor a program for each individual client. This will include an interview session to get to know the client's specific needs and requirements as well as a plan that will be executed by PII on behalf of the client. PII may use model allocations together with a specific set of recommendations for each client based on their personal restrictions, needs, and targets. Clients may impose restrictions in investing in certain securities or types of

securities in accordance with their values or beliefs. However, if the restrictions prevent PII from properly servicing the client account, or if the restrictions would require PII to deviate from its standard suite of services, PII reserves the right to end the relationship.

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

As discussed herein, PII sponsors and acts as portfolio manager for this wrap fee program. PII manages the investments in the wrap fee program, but does not manage those wrap fee accounts any differently than it would manage non-wrap fee accounts. The fees paid to the wrap account program will be given to PII as a management fee.

### ***Amounts Under Management***

PII has the following assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$0	\$0	July 2019

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

PII does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Clients paying a performance-based fee should be aware that investment advisers have an incentive to invest in riskier investments when paid a performance-based fee due to the higher risk/higher reward attributes.

### ***Methods of Analysis and Investment Strategies***

#### **Methods of Analysis**

PII's methods of analysis include Charting analysis, Cyclical analysis, Fundamental analysis, Modern portfolio theory, Quantitative analysis and Technical analysis.

**Charting analysis** involves the use of patterns in performance charts. PII uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Cyclical analysis** involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Modern portfolio theory** is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various asset.

**Quantitative analysis** deals with measurable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale, such as the value of assets, the cost of capital, historical projections of sales, and so on.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

### **Investment Strategies**

PII uses long term trading, short term trading and options trading (including covered options, uncovered options, or spreading strategies).

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Material Risks Involved***

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#### **Methods of Analysis**

**Charting analysis** strategy involves using and comparing various charts to predict long and short term performance or market trends. The risk involved in using this method is that only past performance data is considered without using other methods to crosscheck data. Using charting analysis without other methods of analysis would be making the assumption that past performance will be indicative of future performance. This may not be the case.

**Cyclical analysis** assumes that the markets react in cyclical patterns which, once identified, can be leveraged to provide performance. The risks with this strategy are two-fold: 1) the markets do not always repeat cyclical patterns; and 2) if too many investors begin to implement this strategy, then it changes the very cycles these investors are trying to exploit.

**Fundamental analysis** concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

**Modern portfolio theory** assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio



exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists which has better expected returns.

**Quantitative analysis** Investment strategies using quantitative models may perform differently than expected as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends, and technical issues in the construction and implementation of the models.

**Technical analysis** attempts to predict a future stock price or direction based on market trends. The assumption is that the market follows discernible patterns and if these patterns can be identified then a prediction can be made. The risk is that markets do not always follow patterns and relying solely on this method may not take into account new patterns that emerge over time.

### **Investment Strategies**

PII's use of options trading generally holds greater risk, and clients should be aware that there is a material risk of loss using any of those strategies.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

**Options transactions** involve a contract to purchase a security at a given price, not necessarily at market value, depending on the market. This strategy includes the risk that an option may expire out of the money resulting in minimal or no value, as well as the possibility of leveraged loss of trading capital due to the leveraged nature of stock options.

**Short term trading** risks include liquidity, economic stability, and inflation, in addition to the long term trading risks listed above. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

*Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Risks of Specific Securities Utilized***

PII's use of options trading generally holds greater risk of capital loss. Clients should be aware that there is a material risk of loss using any investment strategy. The investment types listed below are not guaranteed or insured by the FDIC or any other government agency.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment

returns. The funds can be of bond “fixed income” nature (lower risk) or stock “equity” nature.

**Equity** investment generally refers to buying shares of stocks in return for receiving a future payment of dividends and/or capital gains if the value of the stock increases. The value of equity securities may fluctuate in response to specific situations for each company, industry conditions and the general economic environments.

**Fixed income** investments generally pay a return on a fixed schedule, though the amount of the payments can vary. This type of investment can include corporate and government debt securities, leveraged loans, high yield, and investment grade debt and structured products, such as mortgage and other asset-backed securities, although individual bonds may be the best known type of fixed income security. In general, the fixed income market is volatile and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities.) Fixed income securities also carry inflation risk, liquidity risk, call risk, and credit and default risks for both issuers and counterparties. The risk of default on treasury inflation protected/inflation linked bonds is dependent upon the U.S. Treasury defaulting (extremely unlikely); however, they carry a potential risk of losing share price value, albeit rather minimal. Risks of investing in foreign fixed income securities also include the general risk of non-U.S. investing described below.

**Exchange Traded Funds (ETFs):** An ETF is an investment fund traded on stock exchanges, similar to stocks. Investing in ETFs carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy). Areas of concern include the lack of transparency in products and increasing complexity, conflicts of interest and the possibility of inadequate regulatory compliance.

**Real estate** funds (including REITs) face several kinds of risk that are inherent in the real estate sector, which historically has experienced significant fluctuations and cycles in performance. Revenues and cash flows may be adversely affected by: changes in local real estate market conditions due to changes in national or local economic conditions or changes in local property market characteristics; competition from other properties offering the same or similar services; changes in interest rates and in the state of the debt and equity credit markets; the ongoing need for capital improvements; changes in real estate tax rates and other operating expenses; adverse changes in governmental rules and fiscal policies; adverse changes in zoning laws; the impact of present or future environmental legislation and compliance with environmental laws.

**Private equity** funds carry certain risks. Capital calls will be made on short notice, and the failure to meet capital calls can result in significant adverse consequences, including but not limited to a total loss of investment.

**Commodities** are tangible assets used to manufacture and produce goods or services. Commodity prices are affected by different risk factors, such as disease, storage capacity, supply, demand, delivery constraints and weather. Because of those risk factors, even a well-diversified investment in commodities can be uncertain.

**Options** are contracts to purchase a security at a given price, risking that an option may expire out of the money resulting in minimal or no value. An uncovered option is a type of options contract that is not backed by an offsetting position that would help mitigate risk. The risk for a “naked” or uncovered put is not unlimited, whereas the potential loss for an uncovered call option is limitless. Spread option positions entail buying and selling multiple options on the same underlying security, but with different strike prices or expiration dates, which helps limit the risk of other option trading strategies. Option transactions also involve risks including but not limited to economic risk, market risk, sector risk, idiosyncratic risk, political/regulatory risk, inflation (purchasing power) risk and interest rate risk.

**Non-U.S.** securities present certain risks such as currency fluctuation, political and economic change, social unrest, changes in government regulation, differences in accounting and the lesser degree of accurate public information available.

*Past performance is not indicative of future results. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.*

### ***Voting Client Securities (Proxy Voting)***

PII acknowledges its fiduciary obligation to vote proxies on behalf of those clients that have delegated to it, or for which it is deemed to have, proxy voting authority. PII will vote proxies on behalf of a client solely in the best interest of the relevant client and has established general guidelines for voting proxies. PII may also abstain from voting if, based on factors such as expense or difficulty of exercise, it determines that a client’s interests are better served by abstaining. Further, because proxy proposals and individual company facts and circumstances may vary, PII may vote in a manner that is contrary to the general guidelines if it believes that doing so would be in a client’s best interest to do so. If a proxy proposal presents a conflict of interest between PII and a client, then PII will disclose the conflict of interest to the client prior to the proxy vote and, if participating in the vote, will vote in accordance with the client's wishes.

Clients may obtain a complete copy of the proxy voting policies and procedures by contacting PII in writing and requesting such information. Each client may also request, by contacting PII in writing, information concerning the manner in which proxy votes have been cast with respect to portfolio securities held by the relevant client during the prior annual period.

## **Item 7: Client Information Provided to Portfolio Managers**

All client information material to managing the portfolio (including basic information, risk tolerance, sophistication level, and income level) is provided to the portfolio manager. The portfolio manager will also have access to that information as it changes and is updated.

## **Item 8: Client Contact with Portfolio Managers**

PII does not restrict clients from contacting portfolio managers. PII's representatives can be contacted during regular business hours using the information on the Form ADV Part 2B cover page.

## **Item 9: Additional Information**

### **A. Disciplinary Action and Other Financial Industry Activities**

#### ***Criminal or Civil Actions***

There are no criminal or civil actions to report.

#### ***Administrative Proceedings***

There are no administrative proceedings to report.

#### ***Self-Regulatory Organization (SRO) Proceedings***

There are no self-regulatory organization proceedings to report.

#### ***Registration as a Broker/Dealer or Broker/Dealer Representative***

Neither PII nor its representatives are registered as, or have pending applications to become, a broker/dealer or a representative of a broker/dealer.

#### ***Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor***

Neither PII nor its representatives are registered as or have pending applications to become either a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or an associated person of the foregoing entities.

#### ***Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests***

Neither PII nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

#### ***Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections***

PII does not select third-party investment advisers.

## **B. Code of Ethics, Client Referrals, and Financial Information**

### ***Code of Ethics***

PII has a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. PII's Code of Ethics is available free upon request to any client or prospective client.

### ***Recommendations Involving Material Financial Interests***

PII does not recommend that clients buy or sell any security in which PII or a related person has a material financial interest.

### ***Investing Personal Money in the Same Securities as Clients***

From time to time, representatives of PII may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of PII to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. PII will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

### ***Trading Securities At/Around the Same Time as Clients' Securities***

From time to time, representatives of PII may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of PII to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest; however, PII will never engage in trading that operates to the client's disadvantage if representatives of PII buy or sell securities at or around the same time as clients.

### ***Frequency and Nature of Periodic Reviews***

Robo-advisory portfolio management accounts are not reviewed by PII, save for automated allocation revisions. Clients are encouraged to update PII of any change in their objectives, risk tolerance, or other pertinent information.

### ***Factors That Will Trigger a Non-Periodic Review of Client Accounts***

Robo-advisory portfolio management accounts do not undergo non-periodic review by PII, allocations will change in accordance with the portfolio management software utilized by PII and changes to the client's profile.

### ***Content and Frequency of Regular Reports Provided to Clients***

Robo-advisory portfolio management clients will receive at least quarterly a written report that details the client's account including assets held and asset value, which report will come from the custodian and at least quarterly a written report from PII.

### ***Economic Benefits Provided by Third Parties for Advice Rendered to Clients***

PII does not receive any economic benefit, directly or indirectly from any third party for advice rendered to PII clients.

### ***Compensation to Non - Advisory Personnel for Client Referrals***

PII does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

### ***Balance Sheet***

PII neither requires nor solicits prepayment of more than \$1,200.

### ***Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients***

PII does not have any financial condition that would impair its ability to meet contractual commitments to clients.

### ***Bankruptcy Petitions in Previous Ten Years***

PII has not been the subject of a bankruptcy petition.

## **Item 10: Requirements For State Registered Advisers**

Please see the *“Recommendations Involving Material Financial Interests”* and *“Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests”* sections above.