

**ELLEVEST WRAP PROGRAM**

Sponsored by

**ELLEVEST**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Ellevest (hereinafter “Ellevest” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

In this Item, Ellevest is required to discuss any material changes that have been made to the brochure since the last annual amendment. As this brochure has been prepared in connection with the Firm's initial application for investment adviser registration, there are no such material changes to disclose.

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## Item 4. Advisory Business

The Ellevest Wrap Program (the “Program”) is an investment advisory program sponsored by Ellevest. Ellevest provides personalized investment plans and portfolios tailored to the unique needs of women. Ellevest offers a variety of advisory services, which include financial planning and investment management services. The services are provided exclusively through the firm’s website, [www.ellevest.com](http://www.ellevest.com).

Ellevest filed for registration as an investment adviser in September 2015 and is owned by Sallie L. Krawcheck, Charles H. Kroll, and Morningstar, Inc. As of the date of this filing, Ellevest does not have any assets under management. The firm expects to provide its services exclusively through the internet.

While this brochure generally describes the business of Ellevest, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Ellevest’s behalf and is subject to the Firm’s supervision or control.

### Description of the Program

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The Program is offered as a wrap fee program, which provides clients with the ability to trade in certain investment products without incurring separate brokerage commissions or transaction charges. A wrap fee program is considered any arrangement under which clients receive investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions for a specified fee or fees not based upon transactions in their accounts.

Individuals can use certain tools and get limited recommendations through the website without becoming a client of the Firm. In order to become a client of the Firm and have a portfolio managed on an ongoing basis, clients must open a securities brokerage account and complete an account agreement with Foliofn, Inc. (“Foliofn”) or another broker-dealer that Ellevest approves under the Program (collectively “Financial Institutions”).

Ellevest combines the high-tech investment expertise of a digital advisor with the personalized touch of a seasoned team of financial experts to construct an investment portfolio tailored to the client’s life. Clients will provide information about goals and assets on the Firm’s website, which will allow Ellevest to provide a customized financial plan and portfolio recommendations. Ellevest will analyze the assets, the trade-offs among financial goals, ability to take on risk, time horizon and earnings power. Ellevest’s algorithm will then consider the combinations of investments needed to reach each of the client’s goals in a range of economic scenarios. Ellevest will then recommend, implement and monitor client portfolios, adjusting investments with a goal of maximizing chances for reaching the stated goals.

Clients' investment portfolios are managed on a discretionary basis. Ellevest primarily allocates clients' assets through the use of ETFs, but other investment securities may be considered, including but not limited to exchange listed securities, corporate debt securities, CDs, municipal securities, mutual funds, FDIC insured funds, and United States government securities, as described further in Item 6 (below).

## **Fees for Participation in the Program**

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The Program is offered on a fee basis, meaning participants pay a single annualized fee based upon assets under management ("Program Fee"). The Program Fee is 85 basis points (0.85%). The annual fee is prorated and charged monthly, in arrears, based upon the market value of the average daily account balance.

There is no fee charged for assets invested towards an Emergency Fund goal which are invested in FDIC insured cash. These assets will not be considered assets under management for the purpose of this fee assessment and will not be included in the 85 basis point fee calculation, but will be subject to the minimum monthly fee of \$8.25 as disclosed below in Item 5.

Since the asset-based fee is determined by average daily account balance, if assets are deposited into or withdrawn from an account after the inception of a month, the base fee payable with respect to such assets is adjusted accordingly. For the initial period of an engagement, the fee is calculated on a *pro rata* basis. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate.

## **Fee Comparison**

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As referenced above, a portion of the fees paid to Ellevest are used to cover the securities brokerage commissions and transactional costs attributed to the management of its clients' portfolios. Services provided through the Program may cost clients more or less than purchasing these services separately. The number of transactions made in clients' accounts, as well as the commissions charged for each transaction, determines the relative cost of the Program versus paying for execution on a per transaction basis and paying a separate fee for advisory services. Fees paid for the Program may also be higher or lower than fees charged by other sponsors of comparable investment advisory programs.

## **Fee Discretion**

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Ellevest, in its sole discretion, may negotiate to charge a lesser fee based upon certain criteria, such as promotions, introductory fees, and random discounts.

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## **Other Charges**

In addition to the advisory fees paid to Ellevest, clients may also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions. These additional charges may include reporting charges (typically where the Financial Institution is required to send paper statements), margin costs, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund Program Fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees.

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## **Direct Fee Debit**

Clients generally provide Ellevest with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to Ellevest.

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## **Account Additions and Withdrawals**

Clients may make additions to and withdrawals from their account at any time, subject to Ellevest's right to terminate an account. Additions must be in cash. Clients may withdraw account assets on notice to Ellevest, subject to the usual and customary securities settlement procedures. However, Ellevest designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, fees assessed at the mutual fund level (e.g., contingent deferred sales charge) and/or tax ramifications.

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## **Compensation for Recommending the Program**

Ellevest has no internal arrangements in place whereby persons recommending the Program are entitled to receive additional compensation as a result of clients' participation. A person recommending the Program will not earn more compensation than he or she would otherwise receive if a client elected another investment management program.

## **Item 5. Account Requirements and Types of Clients**

Ellevest offers services primarily to women. As a condition for starting and maintaining an investment management relationship, Ellevest generally imposes a minimum monthly fee of \$8.25. This minimum fee may cause clients with smaller portfolios to incur an effective fee rate that is higher than the Firm's stated fee schedule.

## Item 6. Portfolio Manager Selection and Evaluation

Ellevest acts as the sponsor and sole portfolio manager under the Program.

### Side-By-Side Management

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

### Investment Strategies and Methods of Analysis

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Ellevest provides globally diversified investment portfolios that are personalized to a client's goal, time horizon, risk capacity, current financial assets, and human capital. Ellevest does not engage in general market-timing, or specific timing of economic cycles, asset or sector classes, or individual securities. Ellevest's primary approach is a strategic asset allocation aimed at reducing over-all portfolio risk through diversification. This will be achieved primarily through the use of ETFs, but other investment securities may be considered, including but not limited to exchange listed securities, corporate debt securities, CDs, municipal securities, mutual funds, and United States government securities. Such assets are all subject to varying degrees of investment, market, credit, interest rate, and regulatory risks.

### Risk of Loss

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#### *Market Risks*

Investing in financial markets involves risk, including the potential loss of principal, and all investors should be guided accordingly. The performance of Ellevest's recommendations and/or investment decisions depend upon market movements and the combination of asset classes and investments selected by Ellevest. There can be no assurance that Ellevest will achieve superior investment performance.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily

per share net asset value (“NAV”), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund’s holdings. The trading prices of a mutual fund’s shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund’s shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

## *Management through Similarly Managed “Model” Accounts*

Ellevest manages accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various securities on a discretionary basis using one or more of its proprietary investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications.

## **Voting of Client Securities**

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Ellevest generally does not accept the authority to vote a client’s securities (*i.e.*, proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied.

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

Ellevest acts as the sole portfolio manager under the Program and, as such, the Firm does not share client information with any other portfolio managers.



## Item 8. Client Contact with Portfolio Managers

In this Item, Ellevest is required to describe any restrictions on clients' ability to contact and consult with the portfolio managers managing their investment portfolios. Ellevest is currently registered with the SEC under an exemption that allows advisers that provide services exclusively through an interactive website to register with the SEC. Therefore, while the Firm places no restrictions on clients' ability to contact the Firm with questions about the website, Ellevest will not elaborate or expand upon the investment advice provided by its interactive website.

Clients have the ability to add limited restrictions to Ellevest's management. Through the website clients can request that Ellevest move the client's portfolio risk slightly in a more conservative or aggressive style than what Ellevest initially recommends. Ellevest only allows this limited adjustment because it believes its program sets risk in the best interest of the client.

## Item 9. Additional Information

### Disciplinary Information

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

### Other Financial Industry Activities and Affiliations

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#### *Ellevest Network and the Pax Ellevest Global Women's Index Fund*

The Firm's founder and Chief Executive Officer, Sallie Krawcheck, is the Chair of Ellevest Network. Ellevest Network is a global professional women's network dedicated to the belief that networking and lifelong learning are keys to business success, and to the economic engagement of women worldwide. A portion of the network's revenues is invested in the Pax Ellevest Global Women's Index Fund (the "Pax Fund"), which is a mutual fund that invests in the top-rated companies in the world for advancing women. The Firm will not invest client assets in the Pax Fund.

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

The Firm's Chief Investment Officer, Sylvia Shiu Han Kwan, is the Chief Investment Officer and majority owner of SimplySmart Asset Management, Inc. ("SimplySmart"), a California registered investment adviser. The Firm and SimplySmart have different investment objectives and strategies.

## *Morningstar, Inc.*

Morningstar, Inc. (“Morningstar”) has a minority equity interest in the Firm. Ellevest has separately engaged Morningstar for certain services, including its wealth forecast estimators and to consult with the Firm regarding the make-up of the portfolios (including the specific ETFs included in the portfolios). The Firm understands that Morningstar’s ownership in Ellevest may create the appearance of a conflict of interest. Ellevest will, however, only use Morningstar’s services if they are in the best interest of clients and Morningstar has no influence over that decision making process.

## **Code of Ethics**

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Ellevest has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. Ellevest’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of Ellevest’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact Ellevest to request a copy of its Code of Ethics.

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## **Account Reviews**

Ellevest monitors portfolios on a continuous and ongoing basis. Such reviews are generally conducted through the Firm's technology solution. While individual accounts are not generally reviewed, all investment advisory clients are encouraged to update their needs, goals and objectives and to keep the Firm informed of any changes thereto through the Firm's website.

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## **Account Statements and General Reports**

Clients are provided with transaction confirmation notices and regular summary account statements directly from the Financial Institutions where their assets are custodied. The Firm also provides access to reports and other account data through the Ellevest website. Clients should compare the account statements they receive from their custodian with any documents or reports they receive from Ellevest or an outside service provider.

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## **Client Referrals**

Ellevest may offer compensation to current clients, affiliate marketers, solicitors, and other strategic partners who recommend Ellevest and refer new clients. New clients are advised of such compensation prior to opening an account. Ellevest supervises the referral activities of current customers, affiliate marketers, solicitors, and other strategic partners. Clients are not charged any fee nor do they incur any additional costs for being referred to Ellevest by a current client, affiliate marketer, solicitor, or other strategic partner. Ellevest may also pay fees to other third-parties for delivering prospective users to Ellevest. These fees are not based upon clients or assets being added to the Ellevest platform.

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## **Receipt of Economic Benefit and Brokerage Practices**

Ellevest generally recommends that clients utilize the custody, brokerage and clearing services of *Foliofn* for investment management accounts. Factors which Ellevest considers in recommending *Foliofn* or any other broker-dealer to clients 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.

The use of *Foliofn* will comply with the Firm's duty to obtain "best execution." In seeking best execution, the determinative factor is not just cost, but whether the transaction represents the best qualitative execution,

taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness.

## **Technology and Support Provided by Financial Institutions**

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Ellevest may receive without cost from Foliofn technology and related systems support, which allow Ellevest to better monitor and trade client accounts maintained at Foliofn. Ellevest may receive the technology and support without cost because the Firm renders investment management services to clients that maintain assets at Foliofn. The technology and support are not provided in connection with securities transactions of clients (i.e., not "soft dollars").

## **Financial Information**

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Ellevest is not required to disclose any financial information due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.