

# ELLEVEST INVESTMENT ADVISORY BROCHURE

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

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

## Material Changes

Ellevest's last amendment to its Investment Advisory Brochure was on June 11, 2020. The following material changes have been made to the Brochure since the last update:

- As of July 27, 2020, Charles H. Kroll, Ellevest's President and Chief Financial Officer, is no longer with the Firm. Sallie L. Krawcheck will now serve as CEO and Chief Financial Officer.
- Consistent with its fiduciary duties, Ellevest's policy is to exercise care in implementing investment transactions for client accounts. Ellevest employs operational oversight practices to monitor trade errors of trades that it or the Sub-Adviser implements on behalf of client accounts. Under Ellevest's policy, a trade error will be researched to determine whether clients were economically harmed as a result of the error and rectified as soon as is practical. Where it is determined that Ellevest caused the error, the client will be reimbursed by Ellevest for losses directly attributable to Ellevest's error, if not de minimis (less than 0.25% of the market value of the household relationship, or \$25, whichever is greater). If an investment gain is realized in the client's account, the client will retain such gain. Ellevest will maintain a trade error ledger that we will fund with de minimis amounts arising from trade errors. When the ledger reaches \$1,000, amounts greater than \$1,000 will be donated to charity.

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## Advisory Business

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

### Investment Services

Ellevest offers fee-based discretionary investment advisory management services tailored to the unique needs of women. Ellevest’s advisory services are provided to higher net worth individual investors, trusts, foundations and other institutional investors. Ellevest specializes in managing client assets while seeking to reduce fees, current taxes, and investment risk through diversification. Ellevest does not engage in market timing, make active bets on certain asset or sector classes, or time the selection of individual securities for the purpose of pursuing excess returns.

To participate in Ellevest’s investment advisory services, clients will provide information on their financial goals, ability to take on risk, investment time horizon, liquidity needs and other relevant information. Based on the information provided by the client, Ellevest’s Chief Investment Officer and Financial Advisors or their designees will work together to create an investment plan considering the client’s needs and objectives. A client that elects to implement Ellevest’s recommended investment plan will have her assets managed on a discretionary basis, subject to any limitations imposed by the client.

Ellevest will make investment selections from a wide range of investments, including, but not limited to, common and preferred stocks, bonds, municipal securities, government securities, cash and cash equivalents, mutual funds, exchange-traded funds (“ETFs”), unit investment trusts, hedge funds, private non-traded funds and investment vehicles and alternative investment products or investment options which may have liquidity restrictions and limitations. The alternative products offered will vary as to type, objective and risk. Thus, the investor should review the offering documents or other disclosure information carefully before an investment is made. These alternative products are typically available to investors who meet minimum net worth

requirements and who can afford to make a substantial minimum investment. The investments vary as to when interests can be liquidated thus are intended as long-term purchases.

### **Sub-Advisory Services**

Ellevest also provides recommendations of and will exercise discretion to utilize specific unaffiliated sub-adviser(s) ("Sub-Adviser") to manage a client's account or portion of the assets of a client's account where suitable and acceptable to the client. Ellevest's Chief Investment Officer and Financial Advisors or their designees will work with the client to determine the investment strategy and will provide the Sub-Adviser instructions regarding the implementation and management of the strategy via an Investment Strategy Statement. Ellevest and the client will grant the Sub-Adviser access to the client's custodial accounts where the investment assets are custodied in order to execute the strategy. Ellevest will periodically monitor the Sub-Advisor's management of the designated account assets for adherence to the client's investment strategy and designated benchmark.

While Ellevest will conduct operational and investment due diligence of any recommended Sub-Adviser, there is no guarantee that the Sub-Adviser utilized will achieve the recommended investment strategy or a client's objectives. Ellevest will provide clients a copy of the Sub-Adviser's Form ADV Part 2A that describes the Sub-Adviser's specific services. Clients should review this document to understand such services.

Clients will enter into a written advisory agreement with Ellevest to participate in Ellevest's investment advisory services. Clients do not enter into a separate agreement with the Sub-Adviser to participate in sub-advisory services. Should a client elect to utilize a Sub-Adviser recommended by Ellevest, Ellevest will work directly with the Sub-Adviser on the client's behalf. Ellevest retains the discretion to select and the obligation to direct the Sub-Adviser.

Ellevest also requires that clients open a brokerage and custody account with Charles Schwab & Co., Inc. ("Schwab" or "custodian"), an SEC registered broker-dealer. In such case, Schwab will provide trade execution, clearance, settlement, custodial, recordkeeping and reporting services with respect to assets held in such account.

## **Schwab Donor Advised Fund Advisory Services**

Ellevest participates as an investment adviser in the Schwab Charitable program for donor advised fund accounts that assists clients with their philanthropic goals. Schwab Charitable is an independent nonprofit organization. The donor-advised fund account program allows clients to contribute cash or other assets to a charitable account to realize potential tax benefits and support their selected charities over time. Following regulations regarding charitable contributions set forth in the Internal Revenue Code of 1986, as amended, Schwab Charitable requires that contributions become the sole property of Schwab Charitable. Thus, all contributions accepted by Schwab Charitable are both irrevocable and unconditional. Once contributions are accepted, they are not refundable and become assets owned and held by Schwab Charitable. Moreover, they are subject to the exclusive legal authority and control of Schwab Charitable as to their use and distribution.

Clients with an account size of \$250,000 or more may designate Ellevest to manage their donor-advised fund account contributions. Ellevest charges a separate advisory fee for providing investment advisory services with respect to the contributions. Ellevest will facilitate the opening and investment management of the donor-advised fund account in accordance with Schwab Charitable Investment Policy Guidelines. Ellevest receives no other compensation or benefits from Schwab Charitable related to this arrangement.

Ellevest does not provide tax, legal or accounting advice. Before engaging in any charitable giving program, clients should review carefully the terms and conditions of the Schwab Charitable program that is accessible from Schwab and consult with their tax, legal, and accounting advisors regarding their individual situation.

## **Consulting Services**

### **Financial Planning**

Ellevest offers financial planning consulting services to Ellevest PWM clients at no additional charge. This service is designed for clients who have general financial planning questions and are seeking guidance in areas such as: Cash flow management, retirement, education funding, and employee benefits planning. Clients may elect to consult with a financial planner to address

their financial planning questions. Sessions are customized based on client questions and consultation need.

*Implementing Ellevest's Financial Planning Guidance:* It is the client's responsibility to determine if and how the guidance delivered in connection with Ellevest's financial planning consulting service should be implemented or otherwise followed. Clients should carefully consider all relevant factors in making these decisions, and we encourage clients to consult with their outside professional advisers such as legal counsel, accountant or tax professional regarding the legal or tax implications of a particular recommendation, strategy or investment before implementation of such strategy. Neither Ellevest, its employees or representatives provide tax or legal advice and our financial planning consulting services are not intended to provide nor should be construed as providing such advice.

### **Executive Career Coaching**

Ellevest offers introductory executive career coaching services to Ellevest PWM clients at no additional charge. Access to an Ellevest career coach is available for one-on-one guidance on topics such as: Career transitions and salary negotiation. Clients may elect to extend their consultations with an executive career coach for an additional fee.

### **Investment Discretion**

Pursuant to any limitations that may be imposed by clients, Ellevest has discretionary authority to manage assets on behalf of clients who enter into the written advisory agreement with Ellevest. Discretionary trading authority permits Ellevest or if appointed, the Sub-Adviser for any sub-advised assets, to make investments in client accounts on their behalf and where deemed necessary and appropriate, make ongoing changes. Those changes may include periodic rebalancing of asset classes when one or more asset classes have significantly increased or decreased in value. However, due to differences in how individual stocks, ETFs and mutual funds are traded and settle, there may be additional transition time or transactions needed to effect the portfolio best suited for the client's goal. There may also be additional initial implementation time if an account is managed by a Sub-Adviser due to the time it may take to set-up the strategy and for the Sub-Adviser to execute the strategy. Transition time to a client's recommended portfolio

may span multiple years or longer, for clients in certain situations, such as those with large existing positions in low-basis stock looking to minimize the realization of capital gains.

### **Investment Discretion for Schwab Charitable Donor Advised Funds Program**

Ellevest will have discretion with respect to investment and reinvestment of the assets in the donor advised account with full power and authority to direct such purchases and sales as it may deem appropriate, subject to the Investment Guidelines established by Schwab Charitable.

### **Assets Under Management**

Ellevest has the following assets under management:

<b>Discretionary Amounts</b>	<b>Non-discretionary Amounts</b>	<b>Date Calculated</b>
\$634,326,573	0	6/9/2020

### **Fees and Compensation**

#### **Fees for Non-Sub-Advised Account Arrangements**

Ellevest requires a minimum aggregate account balance of \$1,000,000, subject to reduction at Ellevest's discretion. There is no fee for the initial investment plan or Ellevest's financial planning consulting service so long as the minimum account balance is maintained. However, more complex investment plans or financial planning service requests may incur a planning fee. Such fee will be negotiated in advance with the client.

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

- 90 basis points (0.90%) per year for clients with aggregate account balances up to \$2 million;



- 80 basis points (0.80%) per year for clients with aggregate account balances between \$2 million and \$5 million;
- 60 basis points (0.60%) per year for clients with aggregate account balances between \$5 million and \$10 million;
- 50 basis points (0.50%) per year for clients with aggregate account balances between \$10 million and \$25 million;
- 40 basis points (0.40%) per year for clients with aggregate account balances between \$25 million and \$50 million;
- 35 basis points (0.35%) per year for clients with aggregate account balances between \$50 million and \$75 million;
- 30 basis points (0.30%) per year for clients with aggregate account balances between \$75 million and \$100 million; and
- 25 basis points (0.25%) per year for clients with aggregate account balances above \$100 million.

The Fee will be prorated and billed quarterly in arrears, based upon the average daily balance of the account at quarter end. In the event the written advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding portion of the fee is charged to client.

Clients generally authorize Ellevest to have Schwab deduct the fee, as specified by Ellevest, directly from a client account, in accordance with applicable custody rules. It is the client's responsibility to review all statements received concerning her account and verify the accuracy of the calculation of the fee. In the event an account does not include a cash balance adequate to pay the fee, clients authorize Ellevest to determine which assets in the account will be sold, and to liquidate these assets, without notice to the client, to pay the fee and any other fees due under the written advisory agreement. Payment of fees generally will be made first from client assets in cash, next from the liquidation of cash equivalents, including shares of money market funds, and finally from the liquidation of other investments in the account.

### **Sub-Adviser Fees**

Ethic, Inc., a Sub-Adviser recommended by Ellevest, requires a minimum account size of \$250,000 for the use of its sub-advised services. Ethic charges their own advisory fees for managing client assets allocated. Such fees are based on a percentage of assets under management and would be charged in addition to Ellevest's fees. Ethic's fees are:

- 30 basis points (0.30%) per year for clients with account value up to \$20 million;
- 25 basis points (0.25%) per year for clients with account balances between \$20 million and \$50 million; and
- 20 basis points (0.20%) per year for clients with account balances in excess of \$50 million.

So, for example, a client with an account size of \$1,000,000 where \$250,000 of which is managed by Ellevest and Ethic, would pay 0.90 basis points per year on \$1,000,000 to Ellevest and 0.30 basis points per year on \$250,000 to Ethic.

Ethic's fees will be calculated at the end of the calendar quarter and based on the average daily value of the client's account value for that quarter as set forth in account records maintained by Schwab. Account value is based on the value of a single account for each client and is not an aggregate value of all accounts held by a client (e.g. not calculated at the household level). Schwab will automatically deduct Ethic's fees from client accounts and remit payment directly to the Ethic.

### **Schwab Charitable Donor Advised Funds Program Fees**

Contributions made through the Schwab Charitable program for donor-advised fund accounts with Ellevest recommended as investment adviser, will be assessed fees for Ellevest's investment advisory services as follows:

- 90 basis points (0.90%) per year for clients with aggregate Ellevest account balances up to \$2 million;
- 80 basis points (0.80%) per year for clients with aggregate Ellevest account balances between \$2 million and \$5 million;

- 60 basis points (0.60%) per year for clients with aggregate Ellevest account balances between \$5 million and \$10 million; and
- 50 basis points (0.50%) per year for clients with aggregate Ellevest account balances in excess of \$10 million.

Should the asset level of the donor-advised fund fall below \$200,000 and remain below \$200,000, for one year, Ellevest will continue to assess its advisory fees as described above. However, if the donor advised account remains below \$200,000 for more than one year, it will no longer be eligible for management by Ellevest and must be reinvested according to Schwab Charitable program requirements.

Ellevest faces a conflict of interest in connection with the Schwab Charitable program to the extent it has an incentive to recommend the program in return for the fees it receives. Ellevest's investment advisory fees will be paid from the client's donor advised Schwab accounts quarterly in arrears. In any partial calendar quarter, the fee will be prorated, based on the number of days the account was open during the quarter.

Additionally, Schwab Charitable charges an administrative fee for its services, up to 60 basis points per annum, that is deducted from the client account quarterly based on the average account balance for the preceding quarter. Schwab Charitable may also debit an account for any Unrelated Business Income Tax liability generated by the account's assets or investment activities. If applicable, Schwab Charitable reserves a portion of assets in the account in an amount it believes sufficient to pay the tax liability. Ellevest complies with Schwab Charitable's Investment Policy Statement which prohibits investment in assets that may generate Unrelated Business Income without prior approval by Schwab Charitable.

Clients should consult Schwab for additional information regarding the administrative fees assessed by Schwab Charitable and with a qualified tax advisor to review the specific tax implications of donating assets that may generate Unrelated Business Income.

Brokerage, Clearing and Service Provider Charges: Ellevest's fees do not cover charges imposed by Schwab as broker-dealer or custodian. Additional charges for brokerage fees and custodial

services are detailed in the brokerage agreement that clients enter into separately with Schwab. Ellevest may at its sole discretion, however, offer to compensate a client for certain brokerage or third party fees. These fees include, but are not limited to, transaction charges, reporting charges (typically where the financial institution is required to send paper statements), custodian fees, margin costs, margin extension fees, safekeeping fees, termination fees, early redemption fees, transfer taxes, other taxes, wire transfers, electronic fund fees, bounced check fees, service fees, IRA fees, and underlying investment fees (including sales load and other operating expenses on a fund or other investment). For further information about brokerage costs, see the section entitled “Brokerage Practices.” The prospectus or offering documents for mutual funds, ETFs, hedge funds, limited partnerships, REITs or other investments will detail other additional fees and charges assessed by the managers of those products. Thus, when assets are invested in shares of mutual fund products, ETFs, hedge funds, annuities, UITs or REITs, clients will pay both the management fees to Ellevest for its services in connection with these investments and management and other fees paid to the mutual fund or other product. In addition, there may be tax effects relating to fund share redemptions or the cancellations of policies made by or on behalf of clients, as well as deferred sales charges or redemption fees where the investment positions are sold prior to the expiration of a specified holding period. No supervised person accepts compensation for the sale of securities or other investment products.

#### Direct Fee Debit of Ellevest’s Fee

Clients authorize Ellevest and Schwab to deduct Ellevest’s fees, and as relevant any Sub-Advisory fees directly from their brokerage accounts. The custodian will determine fair market value for fee calculation purposes. However, certain alternative investments are valued by Ellevest using reasonable asset pricing methods. The custodian will deduct the fees and send statements to clients not less frequently than quarterly, detailing all account transactions, and fees, including all fees paid to Ellevest. It is the client’s responsibility to verify the accuracy of such fee calculation.

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

Ellevest does not charge any performance-based fees (that is, fees based upon a share of capital gains on or capital appreciation of the assets of the Client).

## **Types of Clients and Account Requirements**

Ellevest's investment advisory services are generally offered to individuals, pension and profit sharing plans and charitable organizations. For clients under this Brochure, Ellevest has a minimum account size of \$1,000,000, subject to reduction at Ellevest's sole discretion.

Ellevest requires a minimum account size of \$250,000 for a sub-advised account.

Ellevest participates as an investment adviser in the Schwab Charitable program for donor-advised fund accounts. Individuals with an account size of \$250,000 or more may designate Ellevest to manage their donor-advised fund account. However, should the asset level of the donor-advised fund fall below \$200,000 and remain below \$200,000 for more than one year, the donor advised account will no longer be eligible for management by Ellevest and must be reinvested according to Schwab Charitable program requirements.

## **Investment Strategies, Methods of Analysis and Risk of Loss**

### **Investment Strategy**

Ellevest's investment strategy is personalized to a client's goal(s), time horizon, risk capacity and preferences, liquidity needs, if any, tax posture and current financial assets.

### **Methods of Analysis**

Ellevest does not engage in general market-timing, or specific timing of economic cycles, asset or sector classes, or individual securities. Ellevest's primary approach is a strategic asset allocation aimed at reducing over-all portfolio risk through diversification. The asset allocations are based upon tenets of modern portfolio theory. Such an approach considers the client's stated financial goal and is based upon assumptions about future economic factors such as inflation, interest rates, and the risk and return characteristics of asset classes and their correlations. This is effected, depending on the investment preference or limitations elected by the client. Different

investment vehicles are subject to varying degrees of investment, market, credit, interest rate, and regulatory risks. Moreover, clients should be aware that diversification does not ensure a profit or protect against a loss in a declining market. There is no guarantee that any particular asset allocation or mix of funds will meet a client's investment objectives or provide a given level of income or return. Investing in securities involves risk of loss that clients must be prepared to bear.

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

We generally use a top down approach, beginning with an asset allocation matching a client's risk preferences and investment objectives. We then research and select those securities and investments we believe have the potential to achieve those objectives. Lastly, our personnel will oversee and monitor all positions in client accounts, making adjustments as necessary.

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

*Strategy Construction.* Ellevest implements investment strategies that may include individual debt instruments, mutual funds, ETFs, individual equities, cash and cash equivalents, closed-end funds, partnerships, private and illiquid investments, and investment strategies designed to capture investment returns associated with gender diversity, women's leadership and advancement, high environmental and governance standards, social impact, and other causes or restrictions expressed by the client. For Clients with specific impact preferences, Ellevest may recommend the advisory services of the Sub-Advisor. Such Sub-Advisor will implement investment strategies designed to match both the Client's impact preferences and the risk and

return characteristics of a pre-specified investment benchmark. Investment returns from strategies with a designated focus, or strategies that exclude certain sectors of the market may differ from general market returns. For example, an investment strategy that excludes fossil fuels will not participate in the returns from fossil fuel investments, which are usually included as part of a general investment strategy intended to generate market returns.

*Tax Management.* For taxable accounts, Ellevest seeks to implement tax-minimization techniques such as deferring capital gains when prudent and realizing losses when the tax benefits outweigh the costs of transacting. When transacting across multiple accounts managed by Ellevest, we will make best efforts to avoid wash sales; we may not, however, have knowledge of transactions in accounts not managed by Ellevest or accounts managed by the Sub-Adviser. Ellevest does not render tax advice to clients, and therefore clients should consult their own tax advisors for specific guidance in this area.

The Sub-Adviser may also offer tax optimization services as part of a portfolio transition strategy for those clients with accounts managed by the Sub-Adviser.

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

The Sub-Adviser will rebalance as set forth in the Investment Strategy Statement in order to manage and maintain the respective strategy. Ellevest will monitor the Sub-Adviser's compliance with the applicable investment policies and guidelines.

#### Donor Advised Funds

Ellevest participates as an investment adviser in the Schwab Charitable program for donor-advised fund accounts. Ellevest will manage the donor advised accounts in compliance with Schwab Charitable's Investment Policy Statement and guidelines established for the

management and oversight of Schwab Charitable's investment assets. Ellevest will work with the donor advised fund account holder to establish the recommended investment objectives and strategy for the portfolio, considering the account holder's granting plans, target returns, risk tolerance and other unique considerations, consistent with the Investment Policy guidelines.

### **Risk of Loss**

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

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

- **Market Risk:** The price of a security, bond, or mutual fund and/or exchange-traded fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Price Volatility:** The price of an investment product's shares may fluctuate, even significantly, in a short period of time.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.



- Category or Style Risk: During various periods of time, one category or style may underperform or outperform other categories and styles.
- Tracking Risk: Ellevest's traditional investments may be designed to capture general market returns using low-cost ETFs, however there is the risk that the ETFs will not properly track the benchmark index.
- Impact Risk: Impact investments may focus on certain environmental, social, governance or women's focused investment characteristics. Impact investments may exclude, overweight, or underweight some sectors of the market, which may result in investment returns different from general market returns.
- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline, and the market value of any mutual fund and/or exchange-traded fund holding those bonds.
- Inflation Risk: When any type of inflation is present, purchasing power may be eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Sub-Adviser Risk: The success of an account's investment through sub-advisers is subject to a variety of risks, including those related to the quality of the management of the sub-adviser and the ability of such management to develop and maintain a successful business enterprise, and the ability of the sub-adviser to successfully execute, operate, and manage the intended strategy at or below the target tracking error.

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

- Equity strategies, including investing in individual companies, involve investments in common stocks and are subject to the volatility and individual risks associated with those stocks.
- Exchange Traded Funds (ETFs) are designed to track the performance of a benchmark index. Shareholders are subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Shares of ETFs are listed on securities exchanges and

transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent net asset value (“NAV”), which is generally calculated at least once daily for indexed based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares. Also, shareholders are liable for taxes on any fund-level capital gains, as ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

- Real estate investment trusts or funds are subject to risks of the specific commercial or housing market in which the assets are invested, as well as interest rate risk.
- Small Cap and Emerging Market securities tend to be more volatile relative to the overall market.
- Bonds may “guarantee” return of principal if held to maturity, but any guarantee remains subject to the creditworthiness of the guarantor and, prior to maturity, the bond remains subject to interest rate, inflation and credit risks.
- Bond funds of all types are subject to the various risks of the underlying fixed income instruments in the fund, and there is no fixed maturity date.
- High Yield bonds expose the investor to investments in lower credit quality securities and hence risk of default and higher volatility.
- Tax-Exempt bonds may or may not provide returns higher than the after-tax returns of taxable bonds, so clients should consider their tax bracket and state of residence.
- International/Global/Foreign securities expose the investor to currency risk and political, social and economic risks of the countries in which the securities are domiciled, in addition to the equity or debt nature of the securities involved.
- Options strategies introduce additional elements of complexity regarding timing of market decisions and liquidity of positions.
- Alternatives including, but not limited to, hedge funds, real estate investment trusts (REITs), private real estate funds, managed futures funds and private equity may be purchased within client accounts for clients who meet certain criteria and for whom such securities are suitable.

Investing in these funds involves additional risk including, but not limited to, the risk of investment loss due to the use of leveraging and other speculative investment practices, the lack of liquidity and performance volatility. In addition, these funds are not required to provide periodic pricing or valuation information to investors and may involve complex tax structures and delays in distributing tax information. You should be aware that these funds have no secondary trading market and should be considered illiquid for the full term of the fund.

## Disciplinary Information

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

## Other Financial Industry Activities and Affiliations

### *Impax Asset Management*

Sallie Krawcheck serves as a consultant to Impax Asset Management ("Impax"). Impax owns and controls the Pax Ellevest Global Women's Leadership Fund (the "Pax Fund"). The Pax Fund is a mutual fund that invests in global companies highly ranked for advancing women. Where suitable and appropriate Ellevest may invest the assets of clients who have expressed an affirmative interest in investments designed to advance women's leadership, into the Pax Fund.

As part of her consulting services, Ms. Krawcheck will provide Impax with strategic advice and direction, marketing strategy and thought leadership and will devote only such time to such services as is reasonably necessary to perform them. Her services **will not** include; (a) advice and assistance with respect to the sale or distribution of the Pax Fund shares; (b) advice with respect to purchase, sale or retention of securities on behalf of the Pax Fund or for any investment advisory client of the Pax Fund; and (c) she will not directly promote the sale of the Pax Fund to any advisory client of the Fund. Due to the foregoing limitations in her consulting arrangement with Impax, her service to Impax is not expected to conflict with her obligations to Ellevest.

### *Ellevest Network*

Sallie Krawcheck is Chair and majority owner of Ellevest Network (the "Network"), a global professional women's network dedicated to helping women connect, learn and invest to promote

economic engagement of women worldwide. The Network may from time to time, solicit and make promotional offers to its membership to utilize Ellevest services in exchange for cash payment from Ellevest for referrals of Ellevest members who subsequently become Ellevest clients.

#### *SimplySmart Asset Management and Grinnell College*

The Firm's Chief Investment Officer, Sylvia Shiu Han Kwan, is the Chief Investment Officer and majority owner of SimplySmart Asset Management ("SimplySmart"), a California registered investment adviser. Ms. Kwan works full-time at Ellevest. Although her duties at SimplySmart include business and portfolio management, her service to SimplySmart is not expected to conflict with her obligations to Ellevest. Additionally, Ms. Kwan is a member of Exit 182 Group LLC (formerly the Investment Committee) and the Finance Committee for the Board of Trustees of Grinnell College where she shares responsibility for fiduciary oversight of the College's endowment, annual operating and capital budgets, financial reserves, debt, and long term strategies for financial sustainability. These activities do not conflict with her obligations to Ellevest.

#### *Morningstar, Inc.*

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

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

#### **Code of Ethics**

Ellevest has adopted a Code of Ethics ("Code") as required by the applicable securities laws. The Code establishes and reinforces a standard of business conduct expected of its supervised persons and provides specific guidance related to managing conflicts of interests. This includes procedures to: (1) prevent access to material nonpublic information about Ellevest's securities recommendations and client securities holdings and transactions by individuals who do not need

the information to perform their duties; (2) review and approval of certain securities transactions and holdings by supervised persons with access to client information; and (3) report of any internal violations of the Code. Ellevest will provide a copy of its Code to clients and prospective clients upon request. To request a copy of the Code, please contact Ellevest at [support@ellevest.com](mailto:support@ellevest.com) or write to Ellevest at 48 West 25<sup>th</sup> Street, 6<sup>th</sup> Floor, New York, NY 10010, Attention: Compliance.

### **Participation or Interest in Client Trading and Personal Trading**

Ellevest and related persons may invest in the same securities (or related securities, e.g., warrants, options or futures) that Ellevest or a related person recommends to clients.

Ellevest and related persons may recommend securities to clients, or buy or sell securities for client accounts, at or about the same time that Ellevest or a related person buys or sells the same securities for Ellevest's own (or the related person's own) account. For instance, Ellevest access persons may purchase securities for their personal account that are contemporaneously recommended for clients. In pre-clearing the purchase, Ellevest Compliance will review whether there is a pending order and request that the access person's trades follow the client order so as to not disadvantage the client.

## **Brokerage Practices**

### **Broker Selection**

We seek to use a broker who will execute transactions on terms that are overall most advantageous under the circumstances. We consider a wide range of factors, including these:

- ☐ Capability to execute, clear, and settle trades (buy and sell securities for a client's account)
- ☐ Capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- ☐ Breadth of investment products made available (stocks, bonds, mutual funds, ETFs, etc.)
- ☐ Availability of investment research and tools that assist us in making investment decisions
- ☐ Quality of services
- ☐ Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- ☐ Reputation, financial strength, and stability of the provider

- Their prior service to us and our other clients
- Availability of other products and services that benefit Ellevest, as discussed below

### **Best Execution**

Ellevest's use of brokers will comply with the Firm's duty to obtain "best execution." In seeking best execution, the determinative factor is not just cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of the broker's services described above. Ellevest recommends that clients open accounts at Schwab under this program, but clients can designate or select a different broker for trade execution.

Sub-Adviser will execute and allocate transactions for client accounts consistent with Sub-Adviser's obligation under applicable law and as described in Sub-Adviser's Form ADV Part 2A.

### **Trade Away**

Trades made for Ellevest clients will incur the costs of brokerage commissions/ticket charges for transactions executed, as well as charges relating to the settlement, clearance, or custody of securities in an account. Clients will also incur all fees and costs imposed directly by a mutual fund, index fund, private fund, ETF or other investment, which are disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, commissions for trades executed away from the primary broker, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

We may choose to execute trades with another broker-dealer from Schwab ("trade away") if we reasonably believe that such other broker-dealer can obtain a more favorable execution under the circumstances and it is in our clients' best interest to do so. This practice may result in additional commissions and other fees for clients. Broker-dealers executing trades may charge fees that include commissions, markups, markdowns or "spreads" paid to market makers. These fees are typically embedded into the price of the security and will be paid by the client.

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

Schwab provides our clients and us with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help

us manage or administer our clients' accounts, while others help us manage and grow our business. The availability of Schwab's products and services to us is not based on our giving particular investment advice, such as buying particular securities for our clients.

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

*Schwab Services That May Not Directly Benefit Clients:* Schwab makes available to us other products and services that benefit Ellevest but may not directly benefit clients or client accounts. These products and services assist Ellevest in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. We do not necessarily seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits generated. In addition to investment research, Schwab also makes available software and other technology that: provide access to client account data (such as duplicate trade confirmations and account statements); facilitate trade execution and allocate aggregated trade orders for multiple client accounts; provide pricing and other market data; facilitate payment of our fees from our clients' accounts; and assist with back-office functions, recordkeeping, and client reporting. It is our practice to seek to direct clients to use Schwab for their brokerage needs, in part, as a result of the soft dollar benefits received. We may thus have an incentive to select or recommend Schwab based on our interest in receiving its research or other products and services, rather than on our client's interest in receiving most favorable execution.

*Services That Generally Benefit Only Ellevest:* Schwab offers other services intended to help Ellevest manage and further develop its business enterprise. These services include: educational conferences and events; technology, compliance, legal, and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants, and insurance providers. Schwab may provide

some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Ellevest. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide Ellevest with other benefits such as occasional business entertainment of our personnel.

**Ellevest's Interest in Schwab's Services:** Ellevest has entered into an agreement with Schwab Advisor Services. Ellevest believes that its selection of Schwab as custodian and broker is in the best interests of our clients. We perform periodic reviews of Schwab's custodial and trade execution services, as well as that of any other custodians utilized (if applicable), to verify the quality of those services and that the fees paid by clients are comparable to similar custodians and brokerages.

#### **Sub-Adviser's Use of Soft-Dollar Benefits**

Sub-Adviser will enter into soft-dollar arrangements consistent with the safe harbor contained in Section 28(e) of the Securities Exchange Act of 1934, as amended and as described in Sub-Adviser's Form ADV Part 2A.

### **Brokerage for Client Referrals**

#### **Directed Brokerage**

In an unusual case, a client may instruct Ellevest to use one or more particular brokers for the transactions in their account. If a client chooses to direct Ellevest to use a particular broker, this will prevent us from aggregating trades with other client accounts and from effectively negotiating brokerage commissions on their behalf. This practice may also prevent our Firm from obtaining a more favorable net price and execution. Thus, when seeking to direct brokerage business, a client should consider the commission expenses, execution, clearance and settlement capabilities that they will obtain through their broker in comparison to those that we would otherwise obtain for them. We encourage clients to contact us to discuss their available alternatives.

#### **Trade Aggregation**

When Ellevest or the Sub-Adviser considers it to be in your best interest, we may, but are not required to, aggregate your order for the sale or purchase of securities for your account with orders for other clients. Under this approach, the transactions may be averaged as to the price



and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account.

### **Trade Errors**

Consistent with its fiduciary duties, Ellevest's policy is to exercise care in implementing investment transactions for client accounts. Ellevest employs operational oversight practices to monitor trade errors of trades that it or the Sub-Adviser implements on behalf of client accounts.

Under Ellevest's policy, a trade error will be researched to determine whether clients were economically harmed as a result of the error and rectified as soon as is practical. Where it is determined that Ellevest caused the error, the client will be reimbursed by Ellevest for losses directly attributable to Ellevest's error, if not de minimis (less than 0.25% of the market value of the household relationship, or \$25, whichever is greater). If an investment gain is realized in the client's account, the client will retain such gain. Ellevest will maintain a trade error ledger that we will fund with de minimis amounts arising from trade errors. When the ledger reaches \$1,000, amounts greater than \$1,000 will be donated to charity.

### **Account Reviews**

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

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

## **Client Referrals and Other Compensation**

Ellevest will pay referral fees to third parties or clients (“solicitors”) who refer clients to us. Payment may be made to the solicitor if a referred person subsequently becomes an Ellevest client. Ellevest will also pay fees to third-parties solely for driving prospective clients to us from other websites. Should Ellevest engage in a solicitation arrangement, it will disclose this practice in writing and comply with Rule 206(4)-3 of the Investment Advisers Act of 1940. Clients are not charged a fee, nor do they incur any additional costs for being referred to Ellevest by a solicitor.

## **Custody**

Ellevest does not maintain physical custody of client assets that we manage. Rather, client assets are held in an account at a “qualified custodian.” However, we are technically deemed to have custody of client assets since under our written investment advisory agreements with clients, clients authorize us to instruct the custodian to deduct Ellevest’s advisory fees directly from their accounts. While Ellevest instructs the custodian to withdraw its fees, the custodian maintains actual custody of client assets.

Clients will receive account statements from the custodian at least quarterly, which will reflect the withdrawal of any fees. All clients are advised to review their account statements promptly to confirm the accuracy of the information contained. Should discrepancies or errors be found, clients should contact Ellevest or the custodian directly.

### **Donor Advised Fund Asset Custody**

Ellevest has entered into an Investment Advisory Agreement with Schwab Charitable to provide advice as to the investment of certain Schwab Charitable assets. This Investment Advisory Agreement requires that all assets within donor-advised fund accounts excluding private investment funds, must be held in custody at Schwab.

## **Investment Discretion**

Pursuant to a written investment advisory agreement, Ellevest has discretionary authority to manage securities on behalf of clients, and clients have the ability to place restrictions on such authority. If a requested restriction is so burdensome as to be unreasonable, Ellevest would likely

refuse to accept the restriction and the client.

### **Voting Client Securities**

Ellevest does not vote proxies on behalf of clients or advise clients regarding the voting of proxies. Clients are expected to vote their own proxies and will receive proxies directly from the custodian. Ellevest does not vote proxies for assets held with Schwab Charitable for donor advised accounts. Clients retain the responsibility to vote client proxies or respond to legal and corporate actions for such accounts.

### **Financial Information**

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