

## Item 1 – Cover Page

# Open Invest Co. Form ADV Part 2A

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This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Open Invest Co. (“OpenInvest”). If you have any questions about the contents of this Brochure, please contact OpenInvest at **855-466-6545, or [compliance@openinvest.com](mailto:compliance@openinvest.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 OpenInvest is also available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

## **Item 2 – Material Changes**

OpenInvest will ensure that all current Clients receive a summary of material changes to this and subsequent Brochures within 120 days of the close of our business' Fiscal Year. Our Brochure can be found on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number OpenInvest is 269997. The summary of material changes is listed in the section below. We may provide future information about material changes as necessary and will further provide you with a new Brochure as needed.

Currently, our Brochure may be requested by contacting us at 855-466-6545 or via email to [compliance@openinvest.com](mailto:compliance@openinvest.com). Our Brochure is provided free of charge.

### **Summary of Changes**

- Item 4: Regulatory Assets Under Management

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## Item 4 – Advisory Business

### General Description of Advisory Firm

Open Invest Co. (“OpenInvest”), is a corporation that was founded in 2015. The principal owners of OpenInvest Co. are Conor Murray and Phillip Wei. OpenInvest is registered with the SEC; such registration does not imply any particular level of skill or training.

### General Description of Advisory Services

#### Institutional and Sub-Advised Clients

OpenInvest provides investment advisory services directly to high-net worth individuals and institutional investors including foundations, pension plans, and corporations (“Institutional Clients”). OpenInvest also enters into agreements with other institutions such as registered investment advisers, banks, or broker-dealers, pursuant to which OpenInvest will license to an institution its proprietary technology and agree to manage, on a sub-advisory basis, the accounts of that institution’s clients who use the OpenInvest technology (the “Sub-Advised Clients”).

Regardless of whether OpenInvest provides its services directly to an Institutional Client or as a sub-adviser to the Sub-Advised Clients, the OpenInvest system collects a client’s investment objectives, risk tolerance, and other information, including information about personal or institutional values, and uses that data to construct a portfolio that includes or excludes specific companies or themes based on social awareness factors. Portfolio recommendations are implemented in an automated fashion.

#### Retail Clients

OpenInvest also offers advisory services directly to retail investors (each a “Retail Client” and, together with “Institutional Clients” and “Sub-Advised Clients,” the “Clients”) through a web-based wrap fee program (the “Program”), details of which are available in [Appendix 1: Wrap Fee Brochure](#).

As of December 31, 2019, OpenInvest manages approximately \$55.38 million of Client assets on a discretionary basis.

## Item 5 – Fees and Compensation

#### Institutional and Sub-Advised Clients

OpenInvest receives a management fee based on an annual percentage rate of assets under management in Institutional Client accounts and Sub-Advised Client accounts. OpenInvest also receives digital platform licensing, hosting and maintenance fees related to the use of its system by Sub-Advised Clients. Fees may be calculated and billed monthly or quarterly in arrears on the last business day of the month or quarter.

Fees charged to Institutional and Sub-Advised Clients are negotiable and may vary. Such Clients may also incur certain third-party fees and expenses including brokerage commissions, account opening fees, transaction fees, custodian fees, investment adviser fees, and other related costs and expenses.

#### Retail Clients

Retail Clients participating in the Program pay a single asset-based fee for advisory services, which

includes the cost of portfolio management services and the execution of securities transactions, including brokerage commissions, account opening fees, transactions fees, custodian fees, investment adviser fees and other related costs and expenses. Costs that are unrelated to the ongoing management of the Client account will be borne by the Client. OpenInvest receives a portion of the wrap fee for its services. Fees for Retail Clients are described in [Appendix 1: Wrap Fee Brochure](#).

## **Item 6 – Performance-Based Fees and Side-by-Side Management**

OpenInvest does not accept performance-based fees. OpenInvest may, however, receive differing amounts of compensation from one Client versus another dependent upon the relative asset size of the Client accounts. OpenInvest may therefore have an incentive to favor a Client from which it receives a higher level of compensation.

OpenInvest has adopted allocation policies and procedures that require allocation of trades among Client accounts with similar investment objectives and holdings to be effected in a fair and equitable manner. See Item 12 for additional information on OpenInvest's allocation policies.

## **Item 7 – Types of Clients**

OpenInvest provides investment advisory services directly to high-net worth individuals and institutional investors, including foundations, pension plans, and corporations, and enters into agreements with other institutions, such as registered investment advisers, banks, or broker-dealers, pursuant to which OpenInvest licenses to an institution its proprietary technology and agrees to manage, on a sub-advisory basis, the accounts of that institution's clients who use OpenInvest. OpenInvest also provides services to individual Retail Clients through participation in the Program.

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

OpenInvest believes that passive investing to generally track market returns is the most efficient and cost-effective way by which many can invest. When opening an account, and through subsequent updates, Clients have the opportunity to select which social and environmental issues are important to them. The OpenInvest system then weights a custom portfolio to Client specifications. In this manner, Clients are able to allocate money to or away from companies for which they have a moral opinion. Using data from various sources, OpenInvest is able to categorize companies across a broad spectrum of social issues to provide Clients with a diversified and unique portfolio that speaks to their individual values while still remaining soundly invested. This data sources certain publicly available social investing indexes, but also often include nonprofit or research organizations like the Forest500 and University of Massachusetts Political Economy Research Institute.

Since OpenInvest does not conduct active trading strategies, Client accounts are infrequently rebalanced due to market conditions. Clients may, however, use the OpenInvest system to refine their value screening options from time to time, which can result in more frequent account rebalancing. Although Client accounts may hold non-U.S. securities, allocations are typically limited to publicly traded U.S. equities, registered mutual funds, ETFs, and money market funds.

Following are some of the primary, but not all, risks that Clients may face when investing with OpenInvest.

### **Principal Investment Risks:**

Investing in securities involves risk of loss that clients should be prepared to bear. OpenInvest cannot guarantee that it will achieve a Client's investment objective. Clients' returns will fluctuate, and you may lose money by investing with OpenInvest. Below are some more specific risks of investing with OpenInvest:

- **Market Risk.** Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value. The prices of securities held directly in a Client account or by mutual funds in which Client accounts invest may decline in response to certain events taking place around the world, including those directly involving the; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations.
- **Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of an individual security or equity mutual fund can be more volatile than the market as a whole. This volatility affects the value of a Client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies. Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, the company's ability to create shareholder value (i.e., increase the value of the company's stock price), exposure to government taxation, and domestic political risk.
- **Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security may decline because investors demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Mutual Fund Risk.** OpenInvest may recommend open-end mutual funds and Exchange Traded Funds ("ETFs") to implement a Client's portfolio. The funds may, in turn, invest in a broad range of equity and fixed income securities, including foreign securities and securities of issuers located in emerging markets. The funds may also invest in equity securities of any market capitalization including micro-, small- and mid-cap companies, real estate, commodities-related assets, fixed income securities of any maturity or credit quality, including high-yield, high-risk debt securities, ETFs, other mutual funds, and money market funds and they may engage in leveraged or derivative transactions. OpenInvest does not control the investment strategies, policies or decisions of the mutual funds and, in the event of dissatisfaction with such a fund; our only option would be to liquidate Clients' investments in that fund. Additionally, to the extent a Client's account holds mutual funds or ETFs, the Client will bear their portion of the fund's fees and expenses.
- **Foreign Securities Risk.** OpenInvest typically invests in publicly traded U.S. equities, registered funds and ETFs. However, funds held in a Client account may invest in foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies that have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent that underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls that could adversely affect the values of these investments.

Emerging markets have been more volatile than the markets of developed countries with more mature economies.

- **ETF Risk.** A Client portfolio may include investment in ETFs which may, in turn, invest in equities, bonds, and other financial vehicles. ETFs are investment companies whose shares are bought and sold on a securities exchange. Most ETF portfolios hold securities designed to track a particular market segment or index, and investments in ETFs may allow a portfolio to gain exposure to a portion of the U.S. or foreign market. Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral. Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of an ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.
- **U.S. Government Securities.** Funds in which Clients invest may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.
- **Concentration Risks.** Clients invest in diversified portfolios of publicly traded U.S. equities, open-end mutual funds and ETFs, but some clients may choose to have their investment portfolios heavily weighted in a particular type of security, industry, industry sector, geographic location or investment manager. Such Clients will experience greater risk and volatility in their portfolios. Generally, Clients who have diversified portfolios incur less volatility and fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

#### **OpenInvest-Specific Risks:**

- **Management Risk.** OpenInvest's investment approach may fail to produce the intended results. If our perception of the performance of a specific asset class or fund is not realized in the expected time frame, the overall performance of Clients' portfolios may suffer.
- **Market Data.** OpenInvest relies on third parties for the provision of market statistics, fund details, performance, and related information and, although these parties are generally reliable and reputable, there may be inaccuracies or discrepancies in the information that is beyond OpenInvest's control.
- **Client Information.** OpenInvest bases its recommendations on information provided by Clients and relies on the Client to provide accurate information. If the Client provides inaccurate information, this will impact the quality and relevance of OpenInvest's recommendations. Further, Clients are required to keep such information as up to date as possible so that OpenInvest can continue to provide relevant recommendations.
- **Proprietary Software.** OpenInvest provides recommendations to Clients based on proprietary software that utilizes various quantitative and qualitative models. Such computer-generated recommendations, like all investment recommendations, may be subject to system error. No guarantee or representation is made that the investment recommendations will be successful. OpenInvest may simply fail to identify favorable investment opportunities or to evaluate those investments recommendations accurately that it does make to Clients. Further, as market dynamics (for example, due to changed market conditions and participants) shift over time, a previously highly successful model may become outdated or inaccurate, perhaps without the computer software system recognizing the change before further recommendations are made. As such, Clients are urged to verify any recommendations generated by the OpenInvest software

platform with their own legal, financial, tax and economic advisors and to conduct their own due diligence on recommended securities before following any recommendation.

- **Account Rebalancing.** Client accounts may be rebalanced from time to time for reasons including, but not limited to, updates to the parent model portfolios, market performance, cash inflows/outflows, Client adjustment of investment profile or risk tolerance, tax-loss harvesting, a change in underlying securities selected by OpenInvest, or adjustments to issue/theme preferences identified by a Client. Account rebalancing may occur at any time and without notice to Clients. Typically, accounts will be rebalanced a maximum of once per month, or more often as conditions dictate. Rebalancing for any reason may trigger taxable events and may cause accounts to hold versions of similar securities to ensure avoidance of wash sales. All rebalancing is automated by OpenInvest's proprietary software for simplicity of execution and is therefore subject to potential automation errors. In the event of a market downturn, it is possible that the rebalancing will sell securities in now overweight sectors to purchase additional shares of securities that are now underweight, which could exacerbate losses in such an environment. OpenInvest reserves the right, in its full discretion, to halt account rebalancing in the best interests of Clients.
- **Tax-Loss Harvesting.** At the request of a Client, OpenInvest will automatically engage in tax-loss harvesting. Notwithstanding this, OpenInvest does not provide any comprehensive tax advice and makes no guarantee that such tax-loss harvesting will be successful. Tax-loss harvesting efforts may potentially lead to Clients holding multiple similar securities to ensure avoidance of wash sales. In some instances, this may affect account performance and may temporarily reduce portfolio diversification.

## Item 9 – Disciplinary Information

Neither OpenInvest nor any of its employees have had any administrative proceedings before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority. Neither OpenInvest, nor any of its employees, has had any proceedings before a self-regulatory organization.

## Item 10 – Other Financial Industry Activities and Affiliations

Neither OpenInvest, nor any of its supervised persons, are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither OpenInvest, nor any of its supervised persons, are registered, or have an application pending to register as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor, or an associated person of the foregoing entities.

Neither OpenInvest, nor any of its supervised persons, have a relationship or arrangement with a related person.

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

OpenInvest has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment



items, and personal securities trading procedures, among other things.

OpenInvest requires all supervised persons to acknowledge the terms of the Code of Ethics annually, or as amended.

### **Personal Investing by OpenInvest Personnel**

OpenInvest anticipates that in certain circumstances, it may recommend the purchase or sale of securities, consistent with the client's investment objectives, in a security in which OpenInvest, its affiliates and/or clients, directly or indirectly, have a position of interest.

OpenInvest's employees and associated persons are required to follow its Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of OpenInvest and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of OpenInvest will not interfere with:

- Making decisions in the best interest of advisory clients
- Implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Clients. All trades in Initial Public Offerings (IPOs) or private securities require pre-clearance. In addition, the Code of Ethics imposes a preapproval requirement on employee trading, restricting employees from buying or selling a security on the same day before OpenInvest trades that security for a Client. However, because the Code of Ethics does permit employees to invest in the same securities as Clients, there is a possibility that employees might benefit from market activity by a Client in a security held by an employee.

Employee trading is continually monitored under the Code of Ethics to reasonably prevent or mitigate conflicts of interest between OpenInvest and its Clients.

OpenInvest's Clients or prospective clients may request a copy of the firm's Code of Ethics by contacting [compliance@openinvest.com](mailto:compliance@openinvest.com)

## **Item 12 – Brokerage Practices**

### **Institutional Clients and Sub-Advised Clients**

OpenInvest may advise Institutional Clients on broker-dealer selection, but will not select broker-dealers or custodians for Sub-Advised Clients.

### **Retail Clients**

As disclosed in the Program, OpenInvest will require that clients establish brokerage accounts with Apex Clearing ("Apex"), a registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. OpenInvest is independently owned and operated and not affiliated with Apex. Apex provides OpenInvest with access to brokerage services that are related to the execution of securities transactions, custody, analyses and reports, and access to mutual funds and other investments.

## **Research and Other Services**

OpenInvest does not currently receive research and services from broker-dealers as a part of commission rates paid to broker-dealers. OpenInvest will update this ADV Part 2 if it does receive research and services from broker-dealers and any such research or services would be in compliance with Section 28(e) of the Securities Act of 1934.

## **Item 13 – Review of Accounts**

OpenInvest periodically reviews Client accounts to ensure that they are in-line with the expected portfolio output based on Client inputs. Additionally, OpenInvest reviews trades proposed by its software prior to trade execution for Clients. More frequent account reviews may be triggered in the event of a change in the Client's financial situation, goals or risk tolerance.

OpenInvest sends periodic account summary reports to Clients, which include information regarding the Client's portfolio, including performance.

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

OpenInvest may enter into third-party solicitor arrangements whereby it pays a referral fee for client referrals. Any such arrangements are consistent with Rule 206(4)-3 of the Advisers Act. Under no circumstances is any Client disadvantaged by the payment of such fees. Clients of OpenInvest whose accounts involve third-party solicitor arrangements are advised of the arrangement in writing and do not pay higher fees as a result of the arrangement.

## **Item 15 – Custody**

OpenInvest is deemed to have custody of Client assets because OpenInvest deducts its management fees from Client accounts. OpenInvest requires that Client funds and securities for which it has constructive custody are physically maintained with a "qualified custodian" in a separate account for each Client under the Client's name. Clients will receive quarterly, or more frequent, account statements directly from the qualified custodian.

Clients should carefully review the statements sent by the qualified custodians and are urged to compare those statements with any account information provided by OpenInvest.

## **Item 16 – Investment Discretion**

OpenInvest has broad discretion, subject to restrictions based on personal values or preferences imposed by Clients, to determine the securities to be bought or sold, amount of securities to be bought or sold, broker-dealer to be used for a purchase or sale of securities. OpenInvest does not have discretion to determine commission rates to be paid to a broker-dealer in a Client's account.

## **Item 17 – Voting Client Securities**

OpenInvest has adopted policies and procedures that address generally the guidelines it expects to follow in the exercise of its voting authority over proxies it receives on behalf of Clients. OpenInvest will vote Client proxies in the best interest of its Clients. OpenInvest will consider a number of factors to determine whether exercising the Clients' voting rights as to its securities is in the relevant Client's best interest.

When voting a proxy on behalf of a Client, OpenInvest will generally follow its voting guidelines. OpenInvest attempts to identify conflicts of interest that may arise in the proxy decision making process. If a material conflict of interest over proxy voting arises between OpenInvest and a Client, OpenInvest will seek to resolve the conflict and vote the proxies in a manner that is in the relevant Client's best interest. OpenInvest will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made by submitting a written request to OpenInvest at the address on the cover page of this brochure.

OpenInvest has determined the following guidelines will govern its proxy voting practices:

- OpenInvest may choose to engage clients regarding a subset of votes and to seek Clients' direction regarding such votes on the OpenInvest platform or via email communication.
- For any other votes, or for votes in which the client is engaged but does not respond, OpenInvest will default to the Glass Lewis recommended position, as applicable to the custodian.

## **Item 18 – Financial Information**

OpenInvest does not require or solicit prepayment of its management fees from clients six months or more in advance. OpenInvest does not have a financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients. OpenInvest has not been the subject of a bankruptcy petition.