

PART 2A OF FORM ADV: FIRM BROCHURE

Koin Capital Inc

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This brochure provides information about the qualifications and business practices of Koin Capital Inc. If you have any questions about the contents of this brochure, please contact us at (517) 775-9786 and/or ryan@koin.ai. 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 Koin Capital Inc also is available on the SEC’s website at www.adviserinfo.sec.gov.

Koin Capital Inc is registered as an investment adviser with the SEC. Such registration does not imply a certain level of skill or training.

Item 2. Material Changes

Not applicable.

Item 3. Table of Contents

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Item 4. Advisory Business

Koin Capital Inc (“**Koin**”, the “**Firm**”, “**we**”, “**us**”, “**our**”), a Delaware corporation, is a provider of algorithms-based investment advisory services. Koin was formed in October 2020. Jiyu Ding, Hang Xu, and Yang Zhang own 69.98%, 25.00%, and 5.02%, respectively, of all of the outstanding shares of the Firm.

Koin provides algorithms-based, non-discretionary advisory services to retail investors exclusively through a mobile application developed, owned, and maintained by Koin (the “**App Platform**”). The App Platform provides clients with investment recommendations generated by Koin’s proprietary artificial intelligence algorithms. Our algorithms employ machine learning methods to analyze various financial factors and market movements and generate investment recommendations. Currently, all our investment recommendations are limited to the selection of stocks traded on a U.S. national stock exchange. There are a finite number of individual stocks that our algorithms may suggest to our clients for their potential investments (See “Provision of Stock List” below.)

Koin currently provides the following categories of algorithms-based investment advisory services through its App Platform:

- **Provision of Stock List.** Our algorithms categorize the stocks listed on the U.S. national stock exchanges according to one of the eleven official sectors identified by the Global Industry Classification Standard (GICS), an industry taxonomy developed by MSCI and Standard & Poor’s for use by the global financial community. Our algorithms will generate a list of stocks that have finished in the top 20% based on risk adjusted returns, or the “**Sharpe Ratio**”, over the past trailing one-year period in each of the eleven GICS sectors (the “**Stock List**”). The Sharpe Ratio is a calculation that balances a stock’s return with such stock’s risk. Each stock in the stock market carries different degrees of risk. The goal of the Sharpe Ratio is to take into account the different degrees of risk each stock has when comparing their returns. The purpose of this ratio is to help investors determine whether the risk taken was worth the reward received. If two or more stocks delivered the same returns over a given time period, the one that has the lowest risk will have a better risk adjusted return. The formula for calculating Sharpe Ratio formula is set forth below:

Formula

$$S_a = \frac{E[R_a - R_b]}{\sigma_a}$$

S_a = Sharpe ratio

E = expected value

R_a = asset return

R_b = risk free return

σ_a = standard deviation of the asset excess return

Our Stock List which will be refreshed on a calendar semi-annual basis (i.e. on June 30th and December 31st). The Stock List is made available to all of our clients through the App Platform. If a client so wishes, such client can invest in any stock on the Stock List.

- **Base Portfolio Recommendation.** When a client signs up for Koin's services, the client is required to complete a questionnaire in the App Platform that aids our algorithms in developing a good understanding of such client's investment objectives. We initially ask each client to provide his or her annual income, savings, net worth, employments status, investment experience, and risk tolerance. Collecting such information allows our algorithms to determine a suitable investment portfolio for such client. In our "Base Portfolio Recommendation", we have a second questionnaire in the App Platform that requires each client to pick their risk tolerance and investment preferences from a list of choices. Each client is asked to identify (i) his or her personal risk tolerance by selecting one of the three options: "Aggressive," "Moderate," and "Conservative," and (ii) their preferred portfolio focus area out of several options (such as "Technology Stocks", "Cyclical Stocks", "Defensive Stocks", etc.). Based on the information we collect from each individual through the two questionnaires, our algorithms propose a customized investment portfolio and determine the appropriate weighting of sector or sectors of stocks in such customized portfolio (the "**Proposed Portfolio**").

The Proposed Portfolio is generated by using five machine learning algorithms (linear regression, random forest, ridge, stepwise regression, and generalized boosting regression) to assign weighting to each factor dynamically, where our algorithms select the stocks with the highest predictive ratings based off the factor that has the highest predictive return over the past training period. Then, our algorithms employ a statistical method known as minimum variance optimization to complete the portfolio recommendations based on the information each individual client has provided us through the questionnaire. Minimum variance performs diversification by constraining mean, volatility and correlation inputs to reduce sampling error. By using minimum variance, we ensure each client has proper diversification and portfolio risk. (See "A. Methods of Analysis and Investment Strategies" of Item 8 below.)

Stocks in a Proposed Portfolio will consist solely of those on the Stock List. The Proposed Portfolio is made available to all of our clients through the App Platform. The client has the sole discretion to make the ultimate decision regarding whether to invest in any Proposed Portfolio. Our algorithms generate an updated Proposed Portfolio on the first day of each calendar quarter for each client based on the information such client has provided, new financial data, and other factors. Our App Platform alerts clients of the changes that our algorithms have recommended, both in proposed dollar amount changes and proposed percentage weighting changes. Clients may accept or decline the updated Proposed Portfolio in their sole discretion.

- **Individual Stock Recommendations.** Our App Platform provides to clients who subscribed for our premium service ongoing recommendations on individual stock selections. Our algorithms will analyze the potential investment value of the stocks in the Stock List and generate a list of twenty stocks with the most potential investment value and twenty stocks with the least potential investment value (the “**Focus Stocks**”). Our algorithms determine the list of the Focus Stocks by choosing the 20 stocks with the highest and lowest ranking of predicted returns generated by the best performing algorithm over the past training periods. (See “A Methods of Analysis and Investment Strategies” of Item 8 below.) Koin’s algorithms will generate such Focus Stocks once per trading day and at the beginning of each trading day. The client has complete discretion with respect to whether it would purchase or sell any Focus Stocks.

Our algorithms monitor client accounts. Each client will have the option to enable notifications when the daily price movement in such client’s portfolio exceeds a certain percentage. Each client is given the option to choose a threshold (1%, 2%, 3%, 4%, or 5%+) for daily portfolio percentage movement that triggers notifications or choose to receive no notifications at all. If a client chooses to receive price movement notification, when a threshold for price movement notification is triggered, our App Platform will alert the client. Please refer to Item 13 (Review of Accounts) on page 9 for details on client accounts review. For risks associated with not receiving the daily price movement, please refer to B (Risk of Losses) of Item 8 on page 7 below.

We may provide additional algorithms-driven advisory services in the future.

Item 5. Fees and Compensation

In order for clients to access the App Platform, we charge a flat monthly fee of \$4.99 for basic subscriptions or \$9.99 for premium subscriptions (the “**Subscription Fee**”). A client with a basic subscription will receive recommendations of Proposed Portfolio and our Stock List, but not lists of Focus Stocks. A client with a premium subscription receives Focus Stocks, Proposed Portfolio, and Stock List. The Subscription Fee will be charged monthly in advance, commencing on the date of the account opening and thereafter upon each monthly anniversary of the account opening. We will debit the Subscription Fee directly from a client’s bank account linked to our App Platform.

We currently do not have a “wrap fee” program, and clients will be responsible for fees charged by the broker-dealer(s) selected by us for executing trades based on our recommendations. We do not receive any portion of such fees. Please refer to Item 12 (Brokerage Practices) on pages 8 and 9 for details on our brokerage practice.

Item 6. Performance-Based Fees and Side-By-Side Management

Koin does not charge performance-based fees. Koin's fees are not charged on basis of sharing capital gains on or capital appreciation of investors' accounts.

Item 7. Types of Clients

Koin provides investment advice only to individuals. Koin sets a minimum account size required to open and maintain a Koin account. The minimum account size currently is \$200. Koin may modify the minimum account size from time to time, which will be set forth in the App Platform.

Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**A. Methods of Analysis and Investment Strategies**

We provide algorithms-driven advisory services to retail investors exclusively through the App Platform. All of our investment recommendations are generated by our algorithms. Given the nature of our advisory services, we do not interact directly with clients in person, over the phone, in live chat, or in any other manner with respect to the services we provide.

All of our investment recommendations will be limited to stocks on the Stock List, which consists of only the 20% top performing stocks based on risk adjusted returns or the Sharpe Ratio as analyzed by our algorithms over the past trailing one-year period in each of the eleven GICS sectors. The Sharpe Ratio is a calculation that balances a stock's return with the same stock's risk. Each stock in the Stock Market carries different degrees of risk. The goal of the Sharpe Ratio is to take into account the different degrees of risk each stock has when comparing their returns. The purpose of this ratio is to help investors determine whether the risk taken was worth the reward received. If two or more stocks delivered the same returns over a given time period, the one that has the lowest risk will have a better risk-adjusted return. The formula for calculating Sharpe Ratio formula is set forth below:

Formula

$$S_a = \frac{E[R_a - R_b]}{\sigma_a}$$

S_a = Sharpe ratio

E = expected value

R_a = asset return

R_b = risk free return

σ_a = standard deviation of the asset excess return

We update the Stock List on a calendar semi-annual basis (i.e. on June 30th and December 31st). The Stock List is made available to all of our clients through the App Platform. If a client so wishes, the client can invest in any stock on the Stock List.

Based on the information (including, annual income, savings, net worth, employments status, investment experience, risk tolerance, and preferred portfolio focus), we collect through a client, our algorithms generate a Proposed Portfolio for such client, reflecting weighting of stocks that we believe is most consistent with the client's goals. Our algorithms apply five machine learning methods, including linear regression, ridge regression, stepwise regression, random forest, and generalized boosted regression, to model stock indicators, quarterly log-return in a rolling window, and assign weighting to each factor dynamically, where our algorithms select the stocks with the highest predictive ratings based off the factor that has the highest predictive return over the past training period. The dataset includes twenty popular financial ratios which are updated on a quarterly basis for each stock. The algorithms choose the model with the lowest mean square error to rank stocks and then test the selected stocks by conducting portfolio allocation methods using minimum variance to generate the Proposed Portfolio to the client. Minimum variance performs diversification by constraining mean, volatility and correlation inputs to reduce sampling error. By using minimum variance, we ensure each client has proper diversification and portfolio risk.

In addition, clients may subscribe to our premium service to access the list of Focus Stocks recommended by our algorithms. Our Focus Stocks consist of twenty stocks from the Stock List that our algorithms determine as having the most potential investment value and twenty stocks our algorithms determine as having the least potential investment value. The processes for our algorithms selecting Focus Stocks are as follows: we train a deep reinforcement learning agent and obtain an ensemble trading strategy using three algorithms; we formulate the agent trading objective as a maximization of expected return and carefully build the environment to simulate real-world trading which allows the agent to perform interaction and learning; we use a continuous action space to model the trading of multiple stocks within our stock list; and then the agent selects

the stocks with the most potential investment value and the least potential investment value and presents the information to our clients.

We currently offer only non-discretionary advisory services. Clients are free to accept or reject any of our recommendations, and are not obligated to make any investment according to our recommendations.

B. Risk of Loss

The following is a brief summary of certain material risks associated with the advisory services provided by Koin:

- *Use of Algorithms.* Koin relies on computer-based AI technology to make investment recommendations through the use of its proprietary algorithms. The App Platform relies on a limited universe of inputs to generate recommendations for clients from a limited universe of possible outputs. Koin's algorithms may not perform as intended for a variety of reasons, including but not limited to incorrect assumptions underlying our algorithms, changes in market conditions, and quality of the information provided by a client. Koin may modify periodically these algorithms, or the underlying assumptions, and these changes. While this risk increases if changes to an algorithm are insufficiently tested prior to implementation, even extensively tested changes may not produce the desired effect over time. In particular, the App Platform currently generates suggested stock purchases based on a client's response to questions provided by the client through the App Platform. Additional information regarding relevant considerations for clients considering an automated digital investment advisory program (sometimes referred to as a "robo advisor") is contained in the Investor Bulletin from the Securities and Exchange Commission available at https://www.sec.gov/oiea/investor-alerts-bulletins/ib_robo-advisers.html.

- *Limited Nature and Scope of the Service.* Clients should take into consideration the limited nature of our services. What we provide through the App Platform: (a) is not a complete investment service, (b) does not account for multiple investment goals, (c) does not consider outside assets, concentration, debt, or other accounts a client may have with any third party, (d) offers a limited number of investments, (e) may not be suitable for all investors, and (f) relies on the information provided by clients in providing investment advice and does not verify the completeness or accuracy of such information. There may be additional information or other financial circumstances not considered by Koin based on the questions asked at the time a client establishes their investment profiles that would inform the investment advice and recommendations provided by Koin. Given the inherent limitations of our algorithms-based services, clients should carefully consider whether Koin is the right investment solution for their needs.

- *Diversification Risk.* When investing in securities, there is always a certain level of company or industry specific risk that is inherent in each company or issuer. For example, there is the risk that a company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as unsystematic risk and can be reduced or mitigated through diversification. A Proposed Portfolio may offer limited diversification, and following our Focus Stock recommendations or selecting stocks to invest based on our Stock List may result in over-concentration in one or more stocks.

- *Cybersecurity Risk.* The information and technology systems of Koin, as well as of its key service providers, are vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Koin and client accounts could be adversely impacted if any of the aforementioned parties is the subject of a cyber-attack or other information security event. If these systems are compromised, become inoperable for extended periods of time or cease to function properly, it may be necessary for Koin or a service provider to make a significant investment to fix or replace them and to seek to remedy the effect of such issues. The failure of these systems for any reason could cause significant interruptions in Koin's ability to transact business on behalf of its clients and could result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information. While many investment advisers are subject to the same or similar risks in respect of their operations, these risks are particularly acute with respect to Koin due to algorithms-based nature of Koin's services.

- *Flat Fee.* We charge a flat monthly fee of \$4.99 or \$9.99, depending on the service you choose to receive. Because the flat monthly fee we charge to a client bears no relationship to the client's account performance, we may be less incentivized to achieve a higher level of returns for our clients than we would have been if our fee is tied to the client's account balance. In addition, although a flat monthly fee may be more attractive for a larger account, the fee expense calculated on a per dollar invested basis will be very high, and may lead to diminished return on investment and loss of capital.

- *Dollar-Based Transactions and Fractional Shares.* A fractional program allows clients to purchase securities in dollar amounts rather than share quantities. Trading in fractional shares has unique risks and limitations that clients should understand prior to participation. Fractional shares may not be liquid. Fractional shares are not transferable. In the event of an account closing or transfer to another firm, the fractional shares will likely need to be liquidated, resulting in potential fees. Fractional shares cannot be put into certificate form and mailed. Holders of fractional shares will not have voting rights for the fraction of a share owned, even if more than 0.50 shares are in their account.

- *Risk of Loss.* We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. You need to understand that recommendations made for your account by us are subject to various market, currency, economic, political and business risks. Despite our best efforts, the investment recommendations we make for you will not always be profitable nor can we guarantee any level of performance. For any client who chooses not to enable price movement notifications, such client may not be able to get the updated price information to make proper investment decisions in a timely manner. Koin does not represent, warrant, or imply that the services or methods of analysis used can or will predict future results, successfully identify market tops or bottoms, or insulate clients from major losses due to market corrections or crashes. No guarantees are offered that clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Koin will provide a better return than other investment strategies. Investments in securities and other financial instruments involve risk of loss that investors must be prepared to bear.

Item 9. Disciplinary Information

We do not have any legal, financial, regulatory, or other “disciplinary” item to report to clients. This statement applies to both Koin and to its employees.

Item 10. Other Financial Industry Activities and Affiliations

At this time, neither Koin nor any of our management persons is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”) or commodity trading advisor (“CTA”). In addition, neither Koin nor any of our management persons is an associated person of an FCM, a CPO or CTA.

Koin does not recommend or select other investment advisers for our clients. Koin does not have any material relationships to our advisory business that would present a possible conflict of interest.

Item 11. Code of Ethics, Participation or Interest in Fund Transactions and Personal Trading

We have established a written Code of Ethics as part of our overall compliance program pursuant to Rule 204A-1 under the Advisers Act for purposes of establishing the standards of business conduct and fostering a culture of honesty and accountability.

The Code of Ethics includes policies and procedures relating to personal securities trading by firm personnel and protection against the misuse of material nonpublic information. The Code of Ethics is designed to prevent, among other things, any improper conduct whenever any potential conflict of interest may exist with client portfolios. In addition, the Code of Ethics requires the firm and/or all supervised persons (if any) of the firm to safeguard and prevent dissemination of non-public information, to refrain from engaging in self-interested transactions without prior approval, to maintain proper books and records, and to refrain from insider trading. The Code of Ethics also outlines the duties of care and loyalty that the firm and its supervised persons are required to follow with respect to clients, including our obligation to exercise a high degree of care, to seek best execution, to safeguard client assets, to act in the best interest of clients and to render impartial advice to clients.

Item 12. Brokerage Practices

Our clients will be required to delegate to us the selection of service providers for brokerage and custody services. DriveWealth, LLC (“**DriveWealth**”), a registered broker-dealer and a member of FINRA and SIPC, is selected by us to provide and/or arrange broker-dealer and custodial services for Koin accounts. Upon its account opening, a client will be prompted to complete a series of compliance questions that are required by DriveWealth to open a DriveWealth brokerage account for the client. During the client onboarding process, the client will also be prompted to simultaneously enter into a separate brokerage agreement with DriveWealth for opening a DriveWealth brokerage account. All trades on our App Platform will be directly placed by clients with DriveWealth.

Koin is not affiliated with, or operated by, DriveWealth. DriveWealth is selected based on the transaction fees compared to other custodians and broker-dealers and best quality in terms of technology. The general policy of Koin in selecting broker-dealers is to obtain the best results taking into account factors including, but not limited to, overall performance, support services, reputation, and cost-benefit.

Koin does not participate in any soft dollar arrangements and will not obtain any research, products, or services from its custodian or any other third-party in connection with client's transactions.

Koin does not allow clients to direct brokerage through its App Platform.

Koin does not have any arrangements to compensate any broker dealer or third party for client referrals.

Item 13. Review of Accounts

Koin provides its clients with access to their account information via the App Platform. DriveWealth, as our clients' custodian, will send account statements directly to clients with a frequency of not less than once every calendar quarter. These statements and reports will be sent directly by DriveWealth to clients at their respective addresses of record or delivered electronically.

Koin personnel oversee the algorithms, not the client accounts. Client accounts are monitored by our algorithms. When opening an account with us, a client will be asked if such client wants to get notification when the daily price movement in client's portfolio exceeds certain percentage. A client has the option to choose to receive such notifications or no notifications. If a client chooses to receive such notifications, such client will be asked to choose a certain percentage (1%, 2%, 3%, 4%, or 5%+) in price movement that triggers such notifications. When a threshold for price movement notification is triggered, our App Platform will send a notification to the client.

In addition, our AI-based algorithms generate an updated Proposed Portfolio each quarter for each client based on the information such client has provided, new financial data, and other factors. Our App Platform alerts clients of the changes that our algorithms have recommended. Clients may accept or decline the updated Proposed Portfolio in their sole discretion.

Item 14. Client Referrals and Other Compensation

Koin does not presently have or pay for third-party client referrals.

Item 15. Custody

Koin does not have custody over the assets of clients and does not provide any custodial services to our clients. The funds and securities of our clients will be maintained at DriveWealth. Clients will receive account statements directly from DriveWealth and should carefully review those statements.

Item 16. Investment Discretion

Koin does not have discretionary authority to manage securities accounts on behalf of clients.

Item 17. Voting Client Securities

Koin does not have the authority to vote client securities for clients, nor does it provide advice about particular proxy solicitations. Clients must vote proxies on securities held in their accounts directly based on information they receive from their custodians.

Item 18. Financial Information

Koin does not require or solicit prepayment six months or more in advance of more than \$500 in advisory fees. As a result, Koin is not required to provide a balance sheet for the most recent fiscal year. Koin is unaware of any financial condition that is reasonably likely to impair any ability to meet contractual commitments to clients. Koin has not been the subject of a bankruptcy petition.