



## **Envestnet Portfolio Solutions, Inc.**

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**March 31, 2022**

This Brochure provides information about the qualifications and business practices of Envestnet Portfolio Solutions, Inc. ("EPS"). If you have any questions about the contents of this Brochure, please contact us at 312-827-2800. 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 EPS also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.



## **Item 2 – Material Changes**

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. EPS last filed an update to our Brochure on January 31, 2022. There were no material changes to this Brochure from the previous version.

In the past, EPS has offered or delivered a brochure, with information about its qualifications and business practices, to clients on at least an annual basis. Pursuant to SEC rules, if there are material changes to the Brochure, EPS will provide a summary of any material changes to its Brochure within 120 days of the close of its fiscal year. EPS may also provide information about material changes to clients at other times during the year, if necessary.

EPS will provide you with a new Brochure, at any time, without charge.

Currently, our Brochure may be requested by contacting EPS at 312-827-2800. Our Brochure is also available on our web site (<http://www.investpmc.com/ADVPart2A>), free of charge.



### Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes.....	ii
Item 3 – Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	8
Item 6 – Performance-Based Fees and Side-By-Side Management .....	13
Item 7 – Types of Clients .....	13
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	13
Item 9 – Disciplinary Information .....	20
Item 10 – Other Financial Industry Activities and Affiliations .....	20
Item 11 – Code of Ethics .....	23
Item 12 Brokerage Practices .....	24
Item 13 – Review of Accounts .....	27
Item 14 – Client Referrals and Other Compensation .....	28
Item 15 – Custody.....	28
Item 16 – Investment Discretion.....	28
Item 17 – Voting Client Securities .....	29
Item 18 – Financial Information.....	30
COVERED SERVICE PROVIDER DISCLOSURE REPORT FOR ERISA PLANS.....	31



#### Item 4 – Advisory Business

EPS is an investment management firm, registered as an investment adviser with the SEC since 1993, that provides investment management and investment advisory services through independent investment advisor firms (“Advisors”) for use with Advisors’ clients (each a “Client”). EPS also serves institutional clients such as pension or profit-sharing plans, trusts, estates, and corporations and provides advisory and research services directly to Advisors. As of December 31, 2021, EPS had \$44.5 billion in assets under management and \$42.7 billion in assets under administration.

EPS is a wholly-owned subsidiary of its parent company, Envestnet, Inc. (NYSE: ENV), a publicly held company.

EPS provides Advisors with an extensive range of investment sub-advisory services for use by Advisors with their Clients through its Private Wealth Management programs, including Separately Managed Accounts (“SMA”), ActivePassive Portfolios, Unified Managed Account (“UMA”), PMC Multi Manager Account (“PMC MMA and Third-Party Fund Strategists (together, the “Programs” and individually a “Program”). Within these programs certain, investment strategies that are prefaced with “PMC” or “Sigma” designate that the investment strategy is a proprietary strategy of EPS or its affiliated investment adviser Envestnet Asset Management (“EAM”), as opposed to the third-party investment strategies that we also make available in the SMA, UMA, MMA and Third-Party Fund Strategists programs. EPS also makes available several services within these programs (defined below), including the PMC Custom Case Design Service, PMC White Label UMA Service, Strategist UMA, Private Wealth Consulting Service (“PWC”), and Manager Outsourced Consulting Services (“Manager OC Services”).

In general EPS offers its services to Client’s independent Advisor as sub-advisory services to be performed on Client’s account at the direction of Advisor, and in certain limited instances, EPS works directly with the Client. In addition to the EPS sub-advisory services offered in the Programs, EPS also offers Advisors many advisory service tools, whereby EPS provides only administrative and technology services and investment research and due diligence. A Client’s Advisor determines which services and Programs of EPS to utilize with its Clients and may utilize the services of other third-party services providers in conjunction with the Programs; Clients should therefore consult their Advisor’s Form ADV Part 2 for a fuller description of that Advisor’s specific use of EPS, EAM and the Programs. The selection of services offered by EPS include:

- Assessment assistance of the Client’s investment needs and objectives
- Investment policy planning assistance
- Assistance in development of an asset allocation strategy designed to meet the Client’s objectives
- Recommendations on appropriate style allocations
- Identification of appropriate managers and investment vehicles appropriate for the Client’s goals
- Evaluation of asset managers and investment vehicles meeting style and allocation criteria
- Engagement of selected asset managers and investment vehicles on behalf of the Client
- Ongoing monitoring of individual asset manager’s performance and management for “Approved” investment strategies (*see also Item 8 - PMC Research Statuses*)
- Automated tools that assist in the review of Client accounts to ensure adherence to policy guidelines and asset allocation
- Recommendations for account rebalancing, if necessary
- Online reporting of Client account’s performance and progress
- Fully integrated back office support systems to Advisors, including interfacing with Client’s custodian, trade order placement, and confirmation and statement generation.
- Access to third party platforms and strategies through the EPS Platform.



### ***The Programs***

For all Programs, Client and Advisor compile pertinent financial and demographic information to develop an investment program that will meet the Client's goals and objectives. Utilizing the EPS platform tools, Advisor will allocate the Client's assets among the different options in the Program and determine the appropriateness of the asset allocation and investment options for each Client, based on the Client's needs and objectives, investment time horizon, risk tolerance and any other pertinent factors.

EPS uses a number of proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes and risk premiums. For all Programs, the Client directly owns the securities (e.g., stocks, bonds, mutual funds or exchange traded funds ("ETFs")) purchased within each of the Program's investment strategies. Mutual funds, ETFs, closed-end funds, unit investment trusts and real estate investment trusts and ETFs are collectively referred to throughout this document generally as a "Fund" or "Funds."

For Clients participating in the SMA program, the Client's Advisor is recommending an actively managed or index-ed investment portfolio managed by a roster of independent asset managers (each a "Sub-Manager") with a variety of disciplines who have been granted discretion. A separately managed account is a portfolio of individually owned securities that can be tailored to fit the Client's investing preferences. EPS will assist Advisor in identifying individual asset managers and investment vehicles that correspond to the proposed asset classes and styles or Advisor may independently identify asset managers. EPS retains the Sub-Managers for portfolio management services in connection with the SMA program through separate agreements entered into between EPS and the Sub-Manager on terms and conditions that deems appropriate. For many Sub-Managers, EPS has entered into a licensing agreement with the Sub-Manager, whereby EPS performs overlay management, administrative and/or trade order placement duties pursuant to the investment directions of the Sub-Manager. In such situation, the Sub-Manager is acting in the role of a Model Provider (as defined below). Clients may also select individual Funds through the SMA program.

Client's Advisor may also recommend asset allocation strategies of a variety of mutual fund and ETF asset managers in the Third-Party Fund Strategists program. Each portfolio may consist solely of mutual funds or ETFs or may combine both types of funds to pursue different investment strategies and asset class exposures. Pursuant to a licensing agreement entered into with the Model Provider, Envestnet provides overlay management of the portfolios, and performs administrative and trade order placement duties pursuant to the direction of the Model Provider.

For Clients participating in the UMA program, the Client's Advisor is recommending a single portfolio that accesses multiple asset managers and Funds, representing various asset classes, that is customized by the Client's Advisor. Utilizing the Envestnet tools, Advisor customizes the asset allocation models for a particular Client or selects Envestnet's proposed asset allocations for types of investors fitting Client's profile and investment goals. The Advisor then further customizes the portfolio by selecting the specific, underlying investment strategies or Funds in the portfolio to meet the Client's needs. Once the Advisor has established the content of the portfolio, Envestnet provides overlay management services for UMA accounts and places trade orders based on the investment strategies contained in the UMA portfolio. Within the UMA program, the Client's Advisor may also offer MMA portfolios created and managed by third party asset managers that access multiple asset managers and Funds representing various asset classes. Within the UMA program, the Client's Advisor may also select a UMA portfolio Sub-Manager which customizes and manages the single portfolio by selecting the specific, underlying investment strategies or Funds in the portfolio (see Strategist UMA below).

Client's Advisor may also offer a version of the UMA, whereby Advisor does not exercise investment discretion in the selection of the asset allocation or the specific, underlying investment vehicles and investment strategies used in each sleeve of the UMA portfolio ("Client-Directed UMA"). In the Client Directed UMA, the Advisor will



provide Client with recommendations regarding the appropriate asset allocation and the underlying investment vehicles or investment strategies to meet the Client's objectives, but the Client is directing the investments and changes made to Client's UMA portfolio and is ultimately responsible for the selection of the appropriate asset allocation and the underlying investment vehicles or investment strategies. As described above, EPS provides overlay management services for UMA accounts and places trade orders based on the directions of the investment strategies contained in the UMA portfolio.

For Clients participating in the PMC Multi Manager Account program ("PMC MMA"), the Client's Advisor is recommending MMA portfolios created and managed by PMC that access multiple asset managers and Funds representing various asset classes. PMC allocates the portfolios across investment asset classes, with the use of complementary asset managers to create a blend that fits the target investment profile and risk tolerance. PMC includes Funds in PMC MMA to complete the asset class exposure of the asset managers utilized. Because EPS does not have to share management fees with Fund families but does share management fees with third party Model Providers, EPS has an economic incentive to choose Funds rather than third party strategist portfolios within the PMC MMA.

For Clients participating in the Strategist UMA program ("Strategist UMA"), the Client's Advisor is recommending portfolios created and managed by third party investment strategists that access multiple asset managers and Funds representing various asset classes. The third-party investment strategist allocates the portfolios across investment asset classes, with the use of complementary asset managers to create a blend that fits the target investment profile and risk tolerance.

For clients using the Manager OC Services the Client's Advisor is recommending custom MMA portfolios created and managed by third party investment strategists that access multiple asset managers and Funds representing various asset classes. The third-party investment strategists allocate the portfolios across investment asset classes and complementary asset managers to create a blend that fits the target investment profile and risk tolerance, while the Advisor has full discretion of investments. The third-party investment strategists include Funds in the Manager OC Services to complete the asset class exposure of the asset managers utilized.

### **Customized PMC Services**

PMC provides Advisors PMC Custom Case Design Service whereby PMC assists the Advisor in creating a custom portfolio designed generally for households with at least \$1 million of investable assets where the Advisor has full discretion of investments within a UMA or a series of SMAs. The Advisor utilizes the PMC Custom Case Design Service to provide Client a customized portfolio design recommendation that accesses multiple asset managers and funds, representing various asset classes, which fits the Client's investment profile and risk tolerance, as determined by the Advisor. EPS provides overlay management services for UMA accounts and places trade orders based on the investment strategies contained in the UMA portfolio.

PMC provides Advisors the "PMC White Label UMA Service" whereby PMC assists the Advisor in selecting from a series of UMA models designed for account size entry points at 250K, 500K and greater than 1M where the Advisor has full discretion of investments within a UMA. The Client is offered a portfolio design recommendation that accesses over 7 investment styles, multiple asset managers and funds, representing various asset classes, which fits the Client's investment profile and risk tolerance, as determined by the financial representative. EPS provides overlay management services for UMA accounts and places trade orders based on the investment strategies contained in the UMA portfolio.

For clients participating in Investnet's Private Wealth Consulting Services ("PWC Service") the Client's Advisor is recommending a custom MMA portfolios created and managed by PMC that access multiple asset managers and Funds representing various asset classes. PMC allocates the portfolios across investment asset classes and complementary asset managers to create a blend that fits the target investment profile and risk tolerance, while the Advisor maintains full discretion of investments. PMC includes Funds in the PWC Service to complete the asset class exposure of the asset managers utilized. Because EPS does not have to share



management fees with Fund families but does share management fees with third party Model Providers, EPS has an economic incentive to choose Funds rather than third party strategist portfolios within the MMA.

For portions of the PMC MMAs, PMC Custom Case Design Service, and some of the PMC MMAs created within the PWC Service, PMC may also utilize proprietary strategies or a PMC Fund. Because PMC is also managing the portion of assets utilizing a PMC proprietary strategy, PMC has an incentive to recommend its proprietary strategies. Further, a portion of these assets may be invested in the PMC Funds, where appropriate, in conjunction with using multiple asset managers and other Funds that comprise these portfolios. EPS' affiliate EAM serves as the investment advisor to the PMC Funds, EPS receives fees for both the PMC Funds and fees as the manager, EPS makes a corresponding fee reduction to the fee that EPS normally charges for managing in order to offset the fees it receives as a result of those assets being invested in the PMC Funds. EPS may still recognize ancillary benefits in investing assets in PMC Funds.

### ***ActivePassive Portfolios***

In the ActivePassive Portfolios, EPS acts as a sub-advisor and provides discretionary investment advisory services under which EPS selects mutual fund investments for Clients consisting of a series of third party index mutual funds as well as one or more actively managed funds from the PMC Fund family. Under the ActivePassive Portfolios program, EPS has discretionary authority to direct investment of the monies contributed by the Client. Such discretionary authority includes the discretion to adjust asset allocations to the ActivePassive Portfolios, and to replace or reduce allocations to specific mutual funds without prior consultation with the Client. EPS periodically monitors Client portfolios and when deemed appropriate makes changes in both asset allocations as well as specific mutual fund selections. EPS does not act as a qualified custodian for the Funds or other assets owned by each Client. Advisor Clients determine the funds that are available to EPS for use within the portfolios, and clients are the registered owners of the Funds which are held by a qualified custodian or Fund transfer agent. The PMC Funds are a proprietary fund family of EAM and as the investment advisor to the PMC Funds, EAM receives a management fee based on assets invested in the PMC Funds. If PMC Funds are used within the portfolios, EPS does not separately charge a fee for its management of assets invested in the PMC Funds through the ActivePassive Portfolios, but may charge a portfolio management fee for assets invested in third-party Funds.

### ***PMC Strategies and Portfolios***

For Clients selecting a mutual fund or ETF asset allocation strategy, EPS manages mutual fund asset allocations based on EPS's recommended investment strategy (each a "PMC Strategy"). The PMC Strategies are fully discretionary, mutual fund and/or ETF asset allocation programs offering a series of model portfolios positioned at various points along the risk/return spectrum that correspond to the individual Client's goals and objectives. Once the Client's assets are invested, EPS may add, remove or replace mutual funds at its discretion. Certain Advisors may re-brand a PMC Strategy and label the investment strategy according to that Advisor's design, as further described in the Advisor's Form ADV Part 2A.

For Clients selecting the PMC Select Portfolios, EPS utilizes EAM's proprietary mutual fund family, the PMC Funds, for the investments based on the Client's corresponding investment objectives and risk profile. Where appropriate, EPS may also utilize non-proprietary mutual funds in the PMC Select Portfolios. EPS is responsible for developing, constructing and monitoring the asset allocation and strategy for each portfolio. EAM, an affiliate, serves as the investment advisor of the PMC Funds and actively manages a portion of the PMC Funds, and also acts in a "manager of managers" role by selecting and overseeing multiple sub-advisors to the funds who manage distinct segments of a market, asset class or investment style. Where EPS is exercising a grant of investment discretion to select the PMC Funds for a portfolio, to mitigate the conflict of interest, EPS makes a corresponding fee reduction to the portfolio management fee that EPS normally charges.

The PMC Select Dynamic Portfolios are centered on the strategic allocations of the PMC Funds used by the PMC Select Portfolios, as described above, but also allow for underweighting or overweighting between the PMC Funds for each portfolio.





The PMC Liquid Endowment Portfolios are a series of MMAs that, depending on the assets in the account, may include mutual funds, ETFs, Third Party Fund Strategists and SMAs. EPS chooses the different asset allocations, investment strategies and Funds for each of the Liquid Endowment Models. The models managed for the smaller asset accounts may only consist of mutual funds and ETFs while models for larger asset accounts may include mutual funds, ETFs, Third Party Fund Strategists and SMAs.

### ***QRG Capital Management***

EPS's affiliate, QRG Capital Management ("QRG") offers passive indexing strategies through its Market Series of Quantitative Portfolios ("QPs"). The QPs provide investors with several primary attributes, including: 1) cost-efficient exposure to beta; 2) the opportunity to capture "tax management alpha" (see below for a further discussion of tax management overlay); and 3) the ability to customize the portfolio. QPs are constructed using a systematic process that balances, among other things, a desired tracking error to the underlying index and a target account investment minimum.

QRG offers factor-tilted strategies through its Factor-Enhanced Series of QPs. The Factor-Enhanced series is constructed using a systematic process that balances, among other things, enhanced exposures to some combination of asset pricing factors such as momentum, value and quality; a desired tracking error to the underlying index; a target investment minimum; and liquidity requirements.

QRG offers socially responsive investing strategies through its Impact Series of QPs. The Impact series is constructed using a systematic process based in part on inputs provided by third-party research firms. The construction process blends several different objectives, including, among other things, high scores on various impact dimensions (e.g., environmental, social and governance; gender equity; climate solutions; faith-based elements, etc.); a desired low tracking error to the underlying index; a target investment minimum; and liquidity requirements.

### ***Third Party Models and Model Providers***

Many of the asset managers in the SMA Program and the Third-Party Fund Strategist Program described above are accessed through the use of investment models ("Third Party Models"), whereby the asset manager, acting as a "Model Provider," constructs an asset allocation and selects the underlying investments for each portfolio on a non-discretionary basis. EPS performs overlay management of the Third-Party Models by placing trade orders, periodically updating and rebalancing each Third-Party Model pursuant to the direction of the Model Provider. EPS is not exercising discretion as a fiduciary in implementing the investment selections of third-party Model Providers. EPS may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third-Party Models created by particular Model Providers.

In managing the Third Party Models, certain Model Providers may pursue an investment strategy that utilizes underlying mutual funds or exchange traded funds advised by the Model Provider or its affiliate(s) ("Proprietary Funds"). In such situations, the Model Provider or its affiliate(s) may receive fees from the Proprietary Funds for serving as investment advisor or other service provider to the Proprietary Fund (as detailed in the Proprietary Fund's prospectus). These fees will be in addition to the management fees that a Model Provider receives for its ongoing management of the Third Party Models and creates a financial incentive for the Model Provider to utilize Proprietary Funds. Clients should discuss any questions with or request further information from their Advisor concerning the use of Proprietary Funds in Third Party Models or the conflict of interest this creates.

### ***Tax and Impact Overlay Services***

EPS also provides Tax and Impact Overlay Services. Tax Overlay Services seeks to consider tax implications that may detract from the Client's after-tax returns. Impact Overlay Services seek to reflect a Client's own





personal values by excluding investments linked to companies that derive revenues from specific business areas or companies that are involved in controversial business activities (e.g., negative environmental impacts, human rights violations, corruption). If selected by the Client, EPS will provide Tax Overlay Services, Impact Overlay Services, or both, to an account or sleeve. Clients electing an overlay service should review the Tax Overlay Services Form for additional service details.

The end goal of Tax Overlay Services is to improve the after-tax return for the Client while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. Tax Overlay Services are available only to U.S. clients, though EPS may provide similar services for non-U.S. clients upon agreement with a program's sponsor. EPS does not provide tax planning advice or services. Consult your financial advisor and tax consultant before investing. The end goal of Impact Overlay Services is to align a portfolio with the personal values of the Client, while staying as consistent as possible with the risk/return characteristics provided by the model portfolios.

The typical additional fee for Overlay Services is ten (10) basis points annually for SMA accounts and eight (8) basis points annually for FSP accounts, which is applied to all assets in the account, including cash, and it applies when Tax Overlay Services, Impact Overlay Services, or both are provided to an account. The Advisor establishes account fees for their programs and in some cases may negotiate these fees with certain of Advisor's Clients. EPS does not control, and may not be aware of, the entire Overlay Services fee paid by Clients to Advisor for overlay management. EPS Tax and Impact Overlay Services may be available at a lower overall cost in some of Advisor's programs as compared to its other programs. In addition, lower fees for comparable services may be available from other sources.

### ***Model Trading - Overlay Services***

When a Client utilizes a Model within a UMA portfolio or places an investment overlay screen (such as tax-management or socially responsible investing) on the Model, trading within such Model may differ from Models that are not within a UMA and do not include the screen.

Block orders for tax-managed accounts are processed separately from non-tax managed accounts. Therefore, tax-managed accounts utilizing a Model will effect securities transactions required to conform to a Model update as soon as practicable after receipt of the update instruction; in accordance with any Client-specific mandates such as tax overlay screens. Same-day or multi-day trade timing differences can occur between the submission of the Model update and the execution of securities transactions for tax-managed accounts resulting in execution price differences from non-tax managed accounts.

Same-day trade timing differences are due to trade evaluation and order processing timing differences (i.e., dependent on timing of Model update submissions and tax overlay trade engine analysis completion). Multi-day trade timing differences are due to the evaluation and recommendation of the tax overlay trade engine to align with Client's specific tax goals (i.e., whether to execute the trade the day of the model update vs. waiting until a future date based on Clients' stated tax goals). Due to the referenced trade timing differences, Client's may receive different prices than other Client's in the same model. Given that each Client's tax situation can vary from one person to another, Client should consult their Advisor and tax consultant before investing. Refer to Item 8 (Tax-Managed Investing Risks) for additional information regarding the risks associated with tax-managed accounts.

### ***PMC Strategies Availability on Non-Affiliated Platforms***

Certain PMC strategies may also be offered to Clients through agreements with non-affiliated institutional platforms. In doing so, PMC contracts with the non-affiliated firm as portfolio managers to the PMC offerings. For such portfolio management services, PMC obtains a manager fee, which is negotiated separately with each respective firm.



### ***Mutual Funds***

EPS' affiliate, EAM, serves as the investment advisor to a mutual fund family: The PMC Funds, consisting of the PMC Core Fixed Income Fund and the PMC Diversified Equity Fund (information available at [www.investpmc.com](http://www.investpmc.com)).

### ***Investnet | Digital Advice***

Investnet | Digital Advice (formerly Investnet | Advisor Now), is a technology solution that enables Advisors to provide advice to Client through the internet and automates the process of managing Client assets. Advisors customize their offering and may either use it as a tool for their own discretionary management of Client assets or leverage EPS as a sub-advisor to perform investment management.

### ***Account Customization and Investment Restrictions***

The discretionary Programs identified above are intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Each Client's account is managed on the basis of the Client's financial situation and stated investment objectives, in accordance with the Client's reasonable investment restrictions imposed by Client on the management of the assets in the account. In addition, Clients will be contacted at least annually by their Advisor, and notified quarterly to contact Advisor, in order to confirm whether there have been any changes to the Client's financial situation, investment objectives or if Client would like to impose or modify investment restrictions on the account.

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

Advisors may offer the Programs as "wrap fee programs" to Clients as described in Advisor's Appendix 1 of its Form ADV Part 2A. EPS also offers the Programs as "wrap fee programs" and provides portfolio management services. EPS manages the wrap fee programs in the same manner as described in this document and receives fees for its portfolio management services as described in Appendix 1 of its Form ADV Part 2A.

EPS may provide asset management services as a non-discretionary sub-adviser for unaffiliated RIA program sponsors. Under these arrangements, EPS provides model portfolio recommendations to third party platforms. Ultimately, the discretionary responsibility for the asset allocation and securities selection remains with the clients (RIAs/wrap sponsors). Our clients also maintain responsibility for executing all security transactions in connection with such determinations, which means our clients' portfolios may materially diverge from the model portfolio communicated for each client. There may be differences between the model portfolio and the portfolios managed by our clients and EPS's other clients outside of these wrap-fee sponsor clients. EPS receives a fee from the RIA sponsors for the services provided in these programs.

### ***Institutional Clients***

EPS also provides customized services to certain institutional clients, such as banks, charities/foundations organized under Section 501(c)(3) of the US Internal Revenue Code and employment retirement plans. These services generally consist of investment policy statement development and documentation, investment due diligence, and plan advice and management services under the Employee Retirement Security Income Act ("ERISA") of 1974.

As also described below, EPS may make its technology platform available to Advisors, banks or trusts for them to manage their own advisory services for Clients. In such cases, EPS may be providing account billing, reconciliation and reporting and other administrative and technology services, but is not acting in an advisory role to any Client.

## Item 5 – Fees and Compensation

Clients in the Programs pay a program fee (each, a “Program Fee”) to EPS from which EPS, either directly or through EAM, its affiliate, pays the Sub-Managers, Model Providers and an administration fee. As described below, certain Advisors may not use EPS for their billing services, in which case, EPS is paid by invoicing the Advisor instead of debiting Client’s account. Depending on the services utilized by the Advisor, the Program Fee also includes investment management services comprised of client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of investment strategies and Funds, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services. However, Clients whose Advisors perform or utilize a third-party to perform certain of these services listed above may pay a lower Program Fee.

As one of its services, EPS performs account billing administration, whereby EPS, acting as billing service provider deducts the Program Fee, the fees charged by Advisor and the custodian fee from the Client’s account and pays the applicable parties. However, as agreed upon with Client, Advisor and custodians may choose to independently deduct fees from the Client’s accounts. The Advisor’s fees may be processed and debited by EPS but are paid directly to the Advisor. Please note that in coordinating the processing of Advisor’s fee with the custodian, EPS is acting as an outsourced, processing agent for the Advisor and does not undertake a duty to supervise Advisor’s fee disclosure to Client. On average, the fee charged by Advisor will range from approximately 0.80% to 1.10%; however, Clients should separately refer to Advisor’s Form ADV Part 2A and fee schedule in the client agreement with Advisor for a description of Advisor’s fees for Client’s particular account(s).

EPS does not require a Client to utilize a particular executing broker-dealer or custodian and currently has relationships with many executing broker-dealers and custodians that provide brokerage, clearing and custody services to Clients in the Programs. The choice of which custodian to utilize is determined by Client in consultation with their Advisor. An Advisor that does not have a direct custodian relationship may utilize EPS’s contractual custodial arrangement and fee schedule in servicing Client’s account. Accounts leveraging the EPS arrangement with Pershing Advisory Solutions will be charged a range of .04 bps to .25 bps for custody, calculated on a tiered basis<sup>1</sup>, with a portion of that fee retained by EPS for additional administrative support services. For those firms that rely on EPS’s agreement with Fidelity Brokerage Services for custodial services, the fee range is from .05 bps to .28 bps, calculated on a linear basis<sup>2</sup>, which is paid directly to Fidelity with no fees retained by EPS. The actual fee charged within the ranges noted depend on assets invested, program type, and possible householding discounts for clients with multiple accounts at the same custodian. Additionally, Client’s Advisor may ask EPS to exclude certain assets from the fee calculations, and custodial minimums may also apply based on custodian and the dollar value of aggregate assets in an account(s). Please consult with your Advisor for details on the custodial fees assessed to your account.

Certain fees are not included in the Program Fee shown below; the most significant of which is the fee charged by the Advisor, which generally range from approximately 0.80% to 1.10%. Even if Client is utilizing custodial asset-based pricing, certain fees charged by a broker or custodian may also be assessed (described more fully below in “Other Issues Relating to Fees”). The Program Fees shown below include assumed brokerage, clearing and custody fees based on a percentage of Client’s assets held in the Program, but do not include assumed fees charged by the Advisor. Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker or custodian (as opposed to transaction-based fees such as commissions). For certain custodial relationships, EPS is able to present the asset based custodial fee as part of the Client’s fee schedule in the client agreement between the Advisor and Client. To the extent that such fees are not included in the fee schedule, the Client will be so informed in writing. Clients, through coordination with their Advisor, may utilize transaction-based pricing for clearing and custody services. In that case, those fees will be disclosed separately to the Client in the applicable custodian’s clearing and custodial paperwork.

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<sup>1</sup> Tiered - the custodial fee is a blended rate based on the billable account value in each tier.

<sup>2</sup> Linear - the custodial fee is the rate listed at the highest asset tier based on the billable account value.



The standard fee schedules for Envestnet's Programs are as follows, but lower fees may be separately negotiated by the Advisor:

<b>Program/Portfolio</b>	<b>Fees *, **, ***</b>
SMA Portfolios	0.65%-2.31%
Fixed Income SMA Portfolios	0.50%-1.66%
Third Party Fund Strategist	0.20%-2.05%
Unified Managed Accounts (UMA)****	0.30%-1.47%
Strategist UMA (MMA)*****	0.38%-0.65%
Quantitative Portfolios	0.35%-0.91%
PMC Fund Strategist Portfolios - Including: ActivePassive Portfolios, PMC Select Portfolios, PMC Select Dynamic Portfolios and PMC Liquid Endowment Portfolios	0.10%-1.74%
PMC Strategist UMA and PMC MMA	0.34%-0.80%

\* Fees shown do not include Advisor Fee, which generally range from approximately 0.80% to 1.10%. Mutual funds, ETFs and other Funds have internal operating expenses that they charge that are separate than the fees shown in this table. Please see the prospectus or related disclosure document for information regarding these fees. Envestnet and its affiliates do not retain 12b-1 fees from mutual funds in which Clients invest. Any 12b-1 fees inadvertently received shall be returned to the fund company.

\*\* Fees are calculated on a per account basis. The fee charged depends on the manager(s) selected. Sub-Managers and Model Providers have lower or higher fees. The maximum fee stated above is the current maximum for accounts using Envestnet as of the date of this disclosure brochure, however, depending on the Sub-Manager, Model Provider or Overlay Service selected by the Advisor the maximum could be exceeded.

\*\*\* When Tax Overlay or Impact Overlay Services are utilized there is an additional fee of 0.08% - 0.10%.

\*\*\*\* Includes Client-Directed UMA, and when PMC Custom Case Design Service and PMC White Label UMA Services are utilized in conjunction with the UMA Program.

\*\*\*\*\* When PWC and Outsourced Consulting are utilized in conjunction with this program, there is an additional overlay fee of 0.10%.

### ***Fee Billing Calculation***

For the majority of EPS's Advisor relationships, the Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of quarter. The Program Fee calculation takes into account cash and cash equivalents, however certain Advisors and custodian may exclude cash in their fee calculation. Unless otherwise agreed to by the Client with Advisor, Program Fees are charged on a calendar quarter basis in advance and prorated to the end of the quarter upon inception of the account. EPS billing services can accommodate different billing calculations. These customizations, such as billing in arrears or billing accounts based on the average daily balance, result from customizations requested by the Advisor. Clients with different billing arrangements set up with the Advisors should refer to their Advisor's Form ADV or Appendix 1 and client agreement for specific details. The Program Fee calculation will vary with the amount of assets under management, the particular investment styles and investment options chosen or recommended as well as the Sub-Managers or Model Providers selected.

EPS offers two options for intra-quarter fee calculation. An advisor may select a billing configuration in which fees are calculated in advance and there are no fee adjustments (i) for appreciation or depreciation in the value of the assets during that quarter, (ii) for adjustments to the asset allocation or rebalancing when assets are invested in a single portfolio that accesses multiple asset managers and/or Funds, such as a UMA or MMA strategy, or (iii) for the replacement of a manager and/or Fund with such strategies as a UMA or MMA. This calculation process means that Client may have paid a greater or lesser Program Fee for that quarter had the intra-quarter reallocations and/or replacement of asset managers or Funds been in place at the time of the quarterly billing calculation. Alternatively, certain other advisors have elected a billing option in which fees calculated in advance result in fee adjustments Intra-Quarter when an investment selection in an account is changed which results in the termination of the old investment and the addition of a new investment. In order to reflect an adjustment in fees due to the change in investment selection or the model allocation, product change billing generates a rebate of fees from the old fee schedule and a re-billing of fees from the new fee schedule as of the change date. For more information as to which methodology is utilized, please consult with your Advisor.

For mid-quarter deposits or withdrawal exceeding a *de minimis* threshold (\$10,000, unless Advisor agrees on a different threshold with applicable custodian), EPS will calculate an adjustment to the Program Fee for those assets for the remainder of the quarter ("Intra-Quarter Billable Assets"). Withdrawal or deposits for those Intra-Quarter Billable Assets will be calculated in accordance with the allocation of the assets in the managers or Funds at the time of the intra-quarter billing.

If a UMA model contains multiple managed products, the billable value for each third party asset manager will be calculated using one of the following methodologies based on the billing configuration used by the Advisor: (1) Target Value: The billable value will equal the percentage of the model assigned to the manager multiplied by the total market value of the account; (2) Actual Value: The billable value will equal the sum of the market values of all the positions in the account belonging to the manager's model.

### ***Termination***

The client agreement terms and conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly Program Fee, based upon the number of days remaining in the quarter after the termination date. Clients are not charged a liquidation fee if securities are



to be delivered in-kind, otherwise certain commissions and/or fees may be charged by the broker-dealer liquidating security positions.

### ***Other Issues Relating to Fees***

The Program Fee may also contain administration fees for services performed by the Advisor's corporate office. These fees are not EPS fees and Clients should separately refer to Advisor's Form ADV Part 2A or Appendix 1 for a description of these types of fees.

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the Program to a particular Client include the size of the account, the type of account (*i.e.*, equity or fixed income), the size of the assets devoted to a particular strategy and the managers selected.

EPS also acts as the advisory technology platform for broker-dealers (including broker-dealer clearing custodians) that coordinate support services for Advisors and EPS and/or sponsor a Program. In such cases, the Program Fee stated in the client agreement will also contain fees for such services that are paid to the broker-dealer/custodians. Certain broker-dealer/custodians also charge EPS for supporting technology interfaces with their technology resources. These fees are included as part of the Program Fee, but are separate from and additional to the custodial/brokerage fee listed in the brokerage/custodial agreement. The range of these fees depend on the particular program utilized, the level of integration of the EPS technology platform with the clearing custody platform, and the particular broker-dealer/custodian. These fees generally make up between 5-35% of the fee charged by EPS.

Advisor network firms may also license the EPS platform in order to provide mid- and back-office services to Advisors leveraging their network services. The range of these fees depends on the particular program utilized and the level of services provided by the advisor network firm to the Advisor, but these fees generally are between 0.05 - 0.15% of the Advisor's book of business supported.

When Advisor or Client selects a Sub-Manager or Model Provider, the Program Fee includes the fees paid to the Sub-Manager or Model Provider for their services, in addition to the EPS fees associated with making those strategies accessible and administering them in the Program. When the fees paid to the Sub-Manager or Model Provider are displayed separately from the Program Fee, these fees represent the management fees for which EPS makes the strategies available and not the fee paid to Sub-Managers or Model Providers. EPS separately negotiates the agreements between Sub-Managers and Model Providers, including fees paid, on terms and conditions that it deems acceptable

In general, EPS's retained portion of the separately displayed fee for an investment strategy will range between 0.02% to 0.15% of the assets under management, but may be as high as 0.35%. Fees paid to Sub-Managers or Model Providers generally range from 0.15% to 1.00% of the assets under management. Certain Model Providers participating in the Third-Party Fund Strategist program may not charge management fees, because they utilize their proprietary mutual funds and/or ETFs and receive fees from the Funds. The pricing terms are routinely re-negotiated with individual Sub-Managers and Model Providers, whereby EPS, Sub-Manager or Model Provider may receive a greater or lesser percentage of the Program Fee than the current percentage at the time Client selected a particular investment strategy. In general, this reapportionment does not increase the Program Fee that the Client pays. In the rarer case where the Program Fee negotiations results in a need to increase the Program Fee, Client and/or Client's Advisor (if such Advisor has investment discretion to act on behalf of the Client) would be notified in advance of any increase in Program Fees, with full opportunity to select another strategy in the Program or otherwise change Client's account.

As described in Item 4 above, the ActivePassive Portfolios and the PMC Select Portfolios, consist entirely or predominately of the PMC Funds. EAM serves as the investment adviser to the PMC Funds and is paid an advisory fee based on the assets invested in the PMC Funds (as detailed in the funds' prospectus). EAM or its advisory affiliates (*i.e.*, EPS) do not separately impose a charge for the ongoing portfolio management of assets





invested in the PMC Funds through the ActivePassive Portfolios and the PMC Select Portfolios. Advisor, or Client in consultation with Advisor, may choose to construct a UMA portfolio in which an ActivePassive Portfolio, the PMC Select Portfolio or a PMC Fund is utilized as one of the sleeves contained in a multi-sleeve UMA portfolio. In such instances, because EPS is performing a separate overlay service in managing the entire UMA portfolio, a portion of EPS's fee will be based on the assets in the UMA portfolio sleeve that are following the ActivePassive Portfolios, the PMC Select Portfolios or a PMC Fund. As with the PMC MMA program described in Item 4, for any program where EPS is exercising its grant of investment discretion to select the PMC Funds for a portfolio, to mitigate the conflict of interest, EPS makes a corresponding fee reduction to the fee that EPS normally charges for managing that portfolio, in order to offset the fees it receives as a result of those assets being invested in the PMC Funds.

The Program Fee does not cover certain charges associated with securities transactions in a Clients' account including: (i) dealer markups, markdowns or spreads charged on transactions in over-the-counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that are imposed by any Funds, (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed by Funds may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into the Clients' account.

With respect to this latter type of charge, EPS may liquidate such assets transferred into a Clients' account at the direction of the Advisor. Clients should thus be aware that if they transfer in-kind assets into a Program, EPS may liquidate such assets immediately or at a future point in time. As this liquidation is at the direction of the Advisor, EPS does not assume best execution obligations for securities not yet invested under the Program. Assets being sold to fund an account on the Platform may incur losses, and/or a brokerage commission or other charge, including a CDSC. Clients also may be subject to taxes when EPS liquidates such assets. Accordingly, Clients should consult with their Advisor and tax consultant before transferring in-kind assets into a Program.

EPS strives to choose the lowest-priced share class available for all EPS proprietary strategies, such as the PMC Strategies. EPS does not negotiate share class availability on behalf of entities or their Clients, nor does EPS take responsibility for the management and review of Client accounts for share class usage. Clients should consult with their Advisor for share-class specific guidance. The availability of mutual funds, ETFs, and other products in a Program, including applicable share classes, is determined by the Advisor.

In addition to the redemption fees previously described, a Client may incur redemption fees when the portfolio manager to an investment strategy determines that it is in the Client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Funds prior to the expiration of the minimum holding period of the Funds. Some mutual funds also assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

The Program Fee does not cover certain custodial fees that may be charged to Clients by the Custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds, including possible fund surcharges. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).





In connection with a Client's investment in ADRs, the Client could incur additional expenses and fees that are not included in the fees charged by EPS. For example, ADRs could be subject to dividend withholding taxes from the country of origin, which are an additional expense and reduce the dividend paid to the Client. The Client or Client's custodian is responsible for filing the appropriate forms/filings in the foreign country to reclaim any dividend withholding. In addition, paying agents who process ADR dividend payments to a Client will assess a fee for their services, which also reduces the dividend paid to the Client.

For smaller accounts, a minimum account fee may apply to the Program Fee or fees charged by the custodian. Minimum accounts fees are expressed in annual amounts, but are determined and assessed based on the account asset value at the beginning of each quarter. For example, if an account has a \$100 minimum annual account Program Fee, it will be assessed a minimum of \$25 every quarter. Therefore, if a Client has large asset inflows or outflows during the year that cross the minimum asset value threshold, it is possible for an account to be assessed a minimum fee for a particular quarter even if at the end of the year a look back over the account's average balance for the entire year would have placed it above the minimum asset value threshold.

See also *Item 12 – Brokerage Practices* below for a description of the factors that EPS considers in utilizing broker-dealers for Client transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

EPS does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a Client). Certain third party advisory program strategies available through the Platform that are not managed or co-advised by EPS may charge qualified investors a performance based fee. These strategies will not be widely available and access to these strategies will generally require that an Advisor and qualified Client enter into a separate agreement with the manager. Please refer to the documents provided by the third party for more information. In making these strategies available through EPS' platform, EPS is not participating in any performance fees charged.

#### **Item 7 – Types of Clients**

As described above under Programs, EPS provides portfolio management services to individuals, high net worth individuals, Advisors, banks, trusts, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

The Programs are made available by EPS through each Client's independent Advisor, and in certain limited instances, directly to the Client. Participation in each of the Programs may carry a minimum account size for any particular portfolio and strategy selected. Generally mutual fund or ETF asset allocation portfolios will require \$25,000 - \$50,000 account size minimums. For Envestnet | Digital Advice, account size minimums are determined by Advisors that utilize the solution. Separately managed accounts for equity strategies will require \$100,000 account size minimums and \$250,000 account size minimums for fixed income strategies. Multi-sleeve portfolios will generally require \$150,000 account size minimums. The Market Series QP portfolios have account minimums starting at \$60,000 and the Factor Enhanced QP portfolios have account minimums starting at \$100,000. Minimum account sizes may be lowered at the discretion of the portfolio manager and Clients need to be aware that investments below the recommended minimums can impact your account, and it is recommended that you work with your Advisor before funding your account.

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

### ***Methods of Analysis***

EPS provides Advisors with a variety of portfolio construction methods utilizing an analytics module to blend a solution that best meets Client requirements. EPS uses the capital markets assumptions (“CMA”) construction process of Black-Litterman and inverse optimization methods to estimate the expected returns for asset classes when constructing EPS’s proprietary strategies and in assisting Advisors with asset allocations and portfolio construction. The underlying CMA process results in the construction of optimized, diversified portfolios across a wide set of risk tolerances and preferences that can be employed by the Advisor. The Advisor can select investment strategies using a variety of search screens on the EPS technology platform that are configurable to create Advisor specific selection criteria. In addition, Advisors may utilize third-party analytic modules that are licensed through the EPS platform and independent of EPS’s proprietary analysis.

In assisting Advisor with asset allocation and portfolio construction, EPS uses demographic and financial information provided by the Client and Advisor to assess the Client’s risk profile and investment objectives. EPS uses proprietary analytical tools and commercially available optimization software applications to develop its asset allocation strategies.

### ***Investment Strategy, Fund Research and Due Diligence***

SMAs, mutual funds, and ETFs on the platform are reviewed either quantitatively or qualitatively by the PMC Research team, and are assigned one of three research statuses: Available, Approved-Quantitative or Approved-Qualitative. The PMC team updates the research status of strategies and Funds on a quarterly basis, including those that are added to or removed from the Approved List. In addition, PMC provides recommendations to Advisors of possible replacements for those strategies and Funds that fall off the Approved List each quarter. Research and possible substitutions for demoted or terminated strategies and Funds include, at a high level, PMC’s ongoing monitoring and updated viewpoints of the products available on the EPS platform. PMC’s platform-level research content does not include in-depth research notes on any specific managers, specific Fund share classes, nor any other materials, content, or services. Notwithstanding the research status of a Fund or Strategy, it is the Advisor’s decision in recommending a Fund or investment strategy to that particular Client.

### ***PMC Research Statuses***

- ***Available***  
Strategies and Funds designated as Available have undergone no investment due diligence assessment by PMC or EPS. All mutual fund, SMAs, strategist portfolios, and ETFs added initially to the EPS platform are assigned the “Available” research status. For the SMA strategies, Third Party Models and Funds categorized as “Available,” EPS has not reviewed (and therefore has not assessed) the investment merits of the investment strategy, model or Fund. Client’s Advisor is responsible for determining that it has sufficient information about Available SMA strategies, Third Party Models and Funds to select or recommend them to their Clients and is solely responsible for such selections or recommendations.
- ***Approved-Quantitative***  
These strategies and Funds have undergone PMC’s quantitative due diligence process and are actively monitored, via a quantitative process only, on an ongoing basis. This process measures risk and return for each product, and ranks it against its investment style peers, and is updated each quarter. Strategies and Funds that fall below certain thresholds as a result of this process are removed from the “Approved-Quantitative” list. We do not use this methodology to approve proprietary PMC portfolios.
- ***Approved-Qualitative***  
These strategies and Funds have undergone PMC’s due diligence process and are actively monitored by both PMC’s quantitative and qualitative processes, on an ongoing basis. The due diligence process uses periodic reviews to monitor third-party money managers, who also have been vetted by PMC’s team of experienced research analysts. The process includes statistical analysis, site visits, and qualitative

assessments of managers' ability to execute their strategies. The "Approved-Qualitative" research status is applied to mutual funds, exchange traded funds, SMAs, and strategist portfolios.

Portfolios that are managed by PMC receive the research status of "Approved-Qualitative" with the "PMC Managed" portfolio attribute since PMC actively manages these portfolios and is confident in their investment methodologies. Because all PMC managed strategies and the constituent Funds and SMAs are designated as "Approved," they do not undergo the same research process and analysis that non-proprietary strategies do. Oversight of these portfolios lies with PMC's Investment Committee.

### ***Impact Investment Strategies***

Various impact investment strategies are available on the EPS platform for Advisors to build portfolios that align with Client values and interests. At EPS, we define impact investing as an investment philosophy that combines an intent to generate positive environmental and social impact alongside a financial return. Impact investing incorporates any of the following approaches: values alignment, ESG integration and thematic impact.

**Impact Portfolio Attributes.** Investment strategies on the EPS platform that integrate ESG factors in the investment process, as well as strategies that focus on a particular theme (e.g. environment, diversity, community, religious), are identified by PMC using data sourced from third-party research firms. While PMC relies on the data provided by these firms to identify impact focused investment strategies, PMC can override impact (ESG and thematic) classifications at its own discretion based on proprietary research and analysis.

**ESG Due Diligence.** For the ESG investment strategies researched and monitored by the PMC Research team, PMC incorporates an additional layer of analysis within the research and due diligence process. This analysis involves a systematic process that evaluates a manager's governance and oversight of ESG, ESG integration approach, reporting on impact, and engagement on ESG issues. Through this process, the PMC Research team determines whether these investment strategies meet PMC standards to be identified as ESG focused.

**PMC Impact Portfolios.** PMC offers a suite of portfolios that are designed with the objective to be holistically ESG aligned. To achieve this objective, PMC has made efforts to incorporate investment strategies that meet PMC standards to be identified as ESG focused. Certain asset classes may not have an ESG focused strategy that meets our standards from an ESG due diligence perspective. In this case, PMC will generally utilize Approved-Qualitative or Select list strategies carefully vetted by the PMC Research team or strategies that are identified as ESG focused based solely on third-party data.

### ***CIO Support and Investment Consulting Services***

PMC offers a suite of consulting services to help institutions design and implement seemingly complex investment programs.

#### ***Consulting Services***

***Institutional Consulting.*** This is for institutions and enterprises that require design, implementation, and monitoring of full wealth management programs to complement their core competencies and proprietary strategies. PMC offers CIO support services, including recommendations to Advisors of possible strategies to consider, across different types of investment vehicles.



*Portfolio Consulting.* PMC consultants work with financial representatives on a case-by-case basis to build sophisticated solutions to address complex client needs. Services include: Large case proposals, UMA model construction, Manager mapping, Presentation support, and Tax transition planning

### ***CIO Support Services***

Two levels of the CIO support program are offered, which are based on the degree of PMC engagement:

***Platform Access to Research*** includes PMC Premium Research, EPS platform services (CMAs, asset allocation, manager factsheets, and manager screening), comprehensive analyst opinions, ongoing analyst updates, watch list alerts, and scorecards for Strategists.

This premium research includes access to additional qualitative and quantitative research designations, including Select, Watch, PMC managed, Impact Focus, and Strategic beta.

***Custom CIO Support Services*** includes custom model construction, access to the PMC Institutional Consulting Team for asset allocation, manager research, and portfolio construction, access to PMC Portfolio consultants for advice on portfolios and managers, access to PMC research analysts, and non-voting representation on the firm's investment committee.

### ***Exceptions and Conflict of Interests***

PMC may make exceptions for managers on the Approved list. For these exceptions, EPS analysts use qualitative and quantitative tools to make a determination that the manager otherwise warrants to be added to, or to remain on the Approved list. For example, the SMA strategy may not have a track record of sufficient length, but the portfolio manager's proven track record may enable the strategy to be added to the Approved list. EPS's PMC Investment Policy Committee approves or disapproves all exceptions and can remove managers from the Approved list at its sole discretion. If an Investment Committee member or a PMC analyst is conflicted, the individual is required to disclose the conflict of interest and recuse from the decision making process. Managers that have a significant affiliation with an Advisor, or one of its affiliates, or are a direct client of EPS must also be reviewed as exceptions and must be approved by the PMC Investment Committee.

Because all PMC managed strategies and funds are listed as Approved-Qualitative, they do not undergo the same approval process and analysis as used with non-proprietary strategies. Portfolios that are managed by the PMC team are designated with the "Approved – Qualitative" IM&R status, but with an additional Attribute status of "PMC-Managed". PMC managed strategies or funds retain the designation "Approved – Qualitative" as EPS actively manages these products and the PMC Investment Policy Committee oversees and monitors these strategies. See also *Item 4 – The Programs* for a description of the use of PMC Funds in the PMC MMA program.

Any due diligence completed by EPS or designee should be used in conjunction with the Advisor's existing research and as a supplement to any existing due diligence that the Advisor may already have in place.

EPS's affiliate Investnet Retirement Solutions, LLC ("ERS") provides services to retirement plans under Section 3(21) and Section 3(38) of ERISA. In providing such services directly to retirement plans, ERS may be servicing a client base with whom Advisors may also be providing similar services.

### ***Investment Strategies***

EPS provides Advisors with access to a large variety of investment strategies as a core tenet of its capability. While many different investment strategies can be selected, EPS provides Advisors with the ability to utilize our technology platform to assess portfolios holistically and across multiple programs, custodians, and registrations, allowing the Advisor to make a household assessment of their Client's needs. This analysis capability allows Advisors to consider multiple options for investment strategies and Funds as they seek to



match their Client's needs with the features and benefits of each program. For a description of the EPS Programs, please refer to Item 4.

### ***Risks***

Investing in securities involves risk of loss (including loss of principal) that each Client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to company specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. Fixed-income strategies are subject to interest rate risk and the inherent credit risk related to the underlying credit worthiness of the various issuers and the volatility of the bond market.

EPS seeks managers and Funds with a variety of investment strategies in an effort to make a wide range of investment strategies available to Advisors and Clients. Some strategies may be high-risk strategies. Such strategies have the potential for substantial returns; however, there are corresponding significant risks associated with the strategies and they are not intended for all types of Clients. Clients who choose to follow high-risk strategies should be aware that there is the possibility of significant losses up to and including the possibility of the loss of all assets invested in accordance with the strategies. It is strongly recommended that Clients diversify their investments and do not have all of their investments in high-risk investment strategies.

Certain types of investment strategies have particular types of risk. Strategies that invest in international securities involve special additional risks, including currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Strategies that invest in small capitalized companies involve risks, including relatively low trading volumes, a greater degree of change in earnings and greater short-term volatility. Smaller companies typically have a higher risk of failure and are not as well established as larger blue-chip companies. Growth stocks can perform differently from the market as a whole and from other types of stocks and can be more volatile than other types of stocks. High-yield bond strategies invest in lower-rated debt securities (commonly referred to as junk bonds) and involve additional risks because of the lower credit quality of the securities in the portfolio. Clients should be aware of the possible higher level of volatility and increased risk of default. "Alternative" is an investment type that is not one of the three traditional asset types (stocks, bonds and cash) and generally has low correlations to stocks and bonds. Alternative investments may have complex terms and features that are not easily understood and are not suitable for all investors. Concentrated, non-diversified or sector strategies investing more of their assets in a few holdings involve additional risks, including share price fluctuations, because of the increased concentration of investments. The lack of industry diversification subjects the Client to increased industry-specific risks. Finally, municipal investment strategies can be affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Certain ETFs in Third Party Models are leveraged equity ETFs. The use of leverage by an ETF increases the risk to the portfolio. The more a portfolio invests in leveraged instruments, the more the leverage will magnify gains or losses on those investments. Due to the complexity and structure of these portfolios, they may not perform over time in direct or inverse correlation to their underlying index.

Tactical and dynamic investment strategies involve more frequent trading than the traditional "buy-and-hold" investment strategies. Such trading can increase transaction costs and create more short-term tax gains than other types of strategies.

Risks that may be associated with liquid alternative investments include leverage, shorting, security valuation, and nightly reconciliation. Risks that may be associated with liquid alternative investments include: (1) Leverage - Leverage may enhance a fund's returns in up markets but exacerbate returns in a bad market. Some firms with leverage inherent in their portfolios may experience "margin calls" in the event of liquidity dry-ups or if certain counterparties cannot provide the leverage needed; (2) Shorting - Certain securities may be difficult to sell short at the price that the manager would wish to execute a trade. A short position has the



possibility of an infinite loss if a security continues to go up in price and the manager does not cover: (3) Security valuation - Certain securities held in alternative mutual funds, such as derivatives or thinly traded stocks, bonds or swaps may not have a market in which the money manager can trade it quickly to raise cash in case of fund redemptions. High bid/ask spreads or the lack of another buyer/seller to take the opposite position of a thinly traded security could cause inaccurate estimates in underlying security valuation by the administrator; and (4) Nightly reconciliation - The use of thinly traded securities, shorting and leverage may make it difficult for some alternative funds, based on their investment strategy, to provide accurate nightly NAVs for the mutual fund.

### ***Liquidity Risk***

Investing in certain types of securities that are thinly traded, or investing in bonds, ETFs or mutual funds that invest in thinly traded securities introduces liquidity risk. Liquidity risk is a financial risk that, for a certain period of time, a security or commodity cannot be readily traded in the market or cannot be traded without a significant discount to the market price. All tradable assets assume some level of liquidity risk. Alternative mutual funds and ETFs may use techniques such as shorting of securities, leverage and derivatives, all of which may have liquidity risks if there are no buyers and sellers available or if a counter party cannot fulfill the order.

### ***Model and Data Risk***

When Models and Data utilized by EPS prove to be incorrect or incomplete, any decisions made in reliance thereon expose clients to potential risks. All models rely on correct market data inputs. If incorrect market data is entered into even a well- founded model, the resulting valuations will be incorrect. However, even if market data is input correctly, “model prices” will often differ substantially from market prices, especially for securities with complex characteristics, such as derivative instruments.

### ***ESG and Impact Risks***

Incorporating ESG characteristics into the investment process carries the risk that the Impact and ESG portfolios may underperform as compared to non-impact or non-ESG focused strategies. The Impact and ESG considerations may reduce the investment universe or result in different exposures from funds or strategies that do not use such criteria. There is no guarantee that impact investment strategies will work under all market conditions, and each investor should evaluate their ability to invest long-term. In addition, EPS utilizes several ESG research and ratings providers for portfolio management and reporting purposes. The scores, ratings, and assessments are subjective by nature, and may or may not be accurate, complete, or reflect the beliefs of some investors. EPS depends on the information provided by third-party vendors. Any delay in the remittance of ESG information or sudden change in scores may cause the portfolio to hold companies that do not align with the impact methodology. While EPS attempts to update the portfolios in a timely manner, it cannot guarantee that the strategies will reflect the latest ESG information.

### ***Tax-Managed Investing Risk***

Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. The ability to utilize various tax-management techniques may be curtailed or eliminated in the future by tax legislation or regulation. The pre-tax performance of a tax-managed accounts may be lower than the performance of similar advisory accounts portfolios that are not tax-managed. Please note, while a retail account subscribes to a tax-managed overlay strategy, the overlay strategy may not be able to succeed in reducing the amount of taxable income and capital gains to which an advisory account may become subject. The benefit of tax-managed investing to an individual investor is dependent upon the tax liability of an investor, which considers the level of prevailing tax rates. Over time, the ability of an investor in a tax-managed strategy to harvest losses may decrease and gains may build up in a securities portfolio. Tax-managed investing does not equate to comprehensive tax advice, is limited in scope, and not designed to eliminate taxes in an account. Mandates or the use of limits to restrict the



amount of gains realized on your total tax bill may severely restrict trading in the account and could result in substantial deviations from the investment allocation. Tax overlay screens and limits should only be imposed after you have consulted with your tax advisor. EPS does not provide tax planning advice or services.

### ***Tracking Error Risk***

Tracking error risk refers to the risk that the performance of a client portfolio may not match or correlate to that of the index it attempts to track, on a daily or aggregate basis. Factors such as fees and trading expenses, imperfect correlation between the portfolio's investments and the index, changes to the composition of the index, regulatory policies, and high portfolio turnover all contribute to tracking error. Tracking error risk may cause the performance of a client portfolio to be less or more than expected.

### ***Cybersecurity Risks***

The proliferation of business technologies, while empowering, has also made Envestnet and its affiliates susceptible to operational, information security, and related risks. Cyber risks arise from deliberate attacks or incidental events originating from external or internal sources. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating client or firm level assets or sensitive information; corrupting data, equipment, or systems; and causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Beside hackers, customers trying to gain unauthorized access to databases through legitimate service solutions also pose a threat. Unauthorized access to IT systems or databases could result in the theft, publication, deletion or modification of confidential company or client information. Cyber incidents can disrupt business operations, potentially resulting in financial losses, interfering with the ability to calculate asset prices, impeding trading and transactions, damaging equipment and systems, and violating applicable privacy and other laws; resulting in private litigation, regulatory fines, penalties, reputational damage, reimbursement or other compensation and compliance costs. An actual or perceived data security breach of our security may also require notification under applicable data privacy regulations.

Envestnet, and its customers through which Envestnet's solutions are made available to end users collect, use, transmit and store confidential financial information such as bank account numbers, social security numbers, non-public personally identifiable information, and portfolio holdings. The measures we take to provide security for collection, use, storage, processing and transmission of confidential end user information may not be totally effective in protecting against data security breaches by third parties.

We use commercially available security technologies, including hardware and software data encryption techniques and multi-layer security measures, to protect transactions and information. We also encrypt certain data fields that typically include sensitive, confidential information, though other unencrypted data fields may include similar information that could be accessible in the event of a security breach. We use security and business controls to limit access and use of confidential end user information. The technologies and practices of our customers and third-party suppliers may not meet all the requirements we include in our contracts; we may also not have the ability to effectively monitor the implementation of these security measures. In a number of cases, our customers build and host their own web applications accessing our solutions through our APIs. In such cases, additional risks associated with security and preventive controls reside in the customer's or any third-party supplier's system. Thus, any inadequacies of our customers' and third-party suppliers' security technologies and practices may only become apparent after a security breach has occurred.





Our security procedures and technologies are regularly audited by independent security auditors engaged by us, and many of our prospective and current customers conduct their own audits or review the results of such independent security audits as part of their evaluation of our solutions. We are also periodically audited by regulatory agencies to which our operations or our customers are subject.

We maintain multiple redundancies, back up our databases and safeguard technologies and proprietary information consistent with industry best practices. We also maintain a comprehensive business continuity plan and companywide risk assessment program that is consistent with industry best practices and that complies with applicable regulatory requirements.

### **Item 9 – Disciplinary Information**

EPS is required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's evaluation of EPS or the integrity of EPS' management. EPS has no legal or disciplinary action that must be disclosed in response to this Item.

### **Item 10 – Other Financial Industry Activities and Affiliations**

EPS also provides other products and services other than investment advice to financial institutions, Advisors and their financial professionals by serving as a third-party service provider to assist them with administering their business needs.

#### ***Consulting Services and Software Tools***

EPS provides a customizable asset management software program through a web-enabled platform ("Platform") primarily to other large investment advisors, broker-dealers and financial services companies ("Institutions").

EPS provides consulting services and software tools to selected Institutions. In addition, EPS licenses the Platform to certain Institutions. The Platform is typically customized and private labeled in the name of the applicable Institution. Institutions provide the Platform to their financial professionals, who can use the Platform to manage the accounts of their respective Clients.

The Platform provides Institutions the ability to offer their clients a separate account investment advisory program, various asset allocation programs and account reporting services. EPS also allows Institutions to combine these programs and services to suit the needs of their clients.

#### ***Advisor Directed Models***

EPS offers Advisors the ability to create their own investment model portfolios for Clients (an "Advisor Directed Model" or "Advisor as Portfolio Manager"). For Clients using an Advisor Directed Model, EPS is providing only administrative services and does not provide any investment advisory services, and therefore, is not responsible for the selection of the specific investment vehicle choices made with respect to an Advisor Directed Model. For certain types of Advisor Directed Models, EPS will also place trade orders pursuant to the direction of the Advisor ("Advisor Proprietary Models"), but does not exercise discretion over the Client accounts or act as an investment advisor to the Client.

The Advisor may configure the Advisor Directed Models program so that neither Advisor nor EPS will exercise investment discretion in relation to the Client's investment model portfolio (a "Non-Discretionary Advisor Directed Models Program"). In a Non-Discretionary Advisor Directed Models Program, the Client has the ability to choose his/her own model portfolios from among a group of designated investment vehicles with help from



an Advisor. The Advisor's financial representative will review investment model strategies with the Client to determine if the use of a particular investment strategy and associated investment vehicle are appropriate for the Client and in the Client's best interest. Client will then approve any subsequent changes to the investment model.

### ***Alternative Investment Strategies***

EPS makes investment managers of non-traditional or alternative investment strategies accessible to Advisors for use with their Clients. Advisors are responsible for ensuring that any security or other product recommended by Advisor is appropriate for that specific Client, and that the Advisor is permitted to recommend alternative strategies. Examples of such investment strategies may include "hedge" strategies and private equity strategies. Unless otherwise disclosed in writing to Client, EPS is solely providing administrative services in connection with non-traditional or alternative investment strategies and Client will be required to enter into a separate client agreement with the third-party alternative portfolio manager, containing separate terms and conditions and important disclosures.

### ***Reporting Services***

EPS offers reporting and data aggregation services to allow Institutions and Advisors the ability to monitor their clients' accounts. Advisors are able to examine their clients' holdings, allocation of assets and portfolio performance. Performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets.

### ***Back Office Processing/ Billing and Custodial Services***

EPS provides back-office functions including daily account reconciliation and asset transfers. EPS uses electronic data feeds from trading, clearing, and custodial firms to streamline the account reconciliation process.

EPS' billing software automates billing for Institutions and Advisors. The Platform can accommodate a billing structure that includes house-holding of accounts to capture scaling rates, several layers of combined accounts and assets, flat fee billing, credits, advance or arrear billing, daily weighted average billing and event triggered billing. Advisors are expected to confirm billing accuracy and notify EPS if errors are noted. EPS does not provide investment advice or otherwise act as a fiduciary to Client with regards to accounts for which it is solely providing performance reporting and/or Advisor fee billing on behalf of the Advisor on behalf of the Advisor.

### ***Other Affiliations***

EPS has arrangements that are material to its advisory business or its Clients with a related entity. EPS and is under common control with the following entities that are engaged in the securities or investment advisory business of EPS. Certain directors and members of the executive management team of EPS also serve as directors and/or executive management of these entities, each a Registered Investment Advisor:

QRG Capital Management, Inc. ("QRG")  
35 E. Wacker Drive, Suite 2400  
Chicago, IL 60601  
Firm CRD #305277

Investnet Asset Management, Inc. ("EAM")  
35 E. Wacker Drive, Suite 2400  
Chicago, IL 60601  
Firm CRD #111694

Investnet Retirement Solutions, LLC  
("ERS")  
35 East Wacker Drive, Suite 2400  
Chicago, IL 60601  
Firm CRD #171570

FDX Advisors, Inc. ("FDX")  
35 E. Wacker Dr., Suite 2400  
Chicago, IL 60601  
Firm CRD # 104601



QRG, EAM, ERS and FDX are wholly-owned subsidiaries of Envestnet, Inc. (NYSE: ENV), whose principal business address is 1000 Chesterbrook Boulevard Berwyn, Pennsylvania 19312.

EAM also serves as the investment advisor to a mutual fund family, the PMC Funds, which consists of the PMC Core Fixed Income Fund and the PMC Diversified Equity Fund (information available at [www.investpmc.com/solutions/portfolios](http://www.investpmc.com/solutions/portfolios)).

### ***Potential Conflicts of Interest***

The following are relationships that may introduce conflict:

Envestnet's financial professionals receive a salary and a discretionary bonus based on their individual performance and the success of the firm. Our financial professionals are also compensated based on the revenue we receive from investments issued, managed, or sponsored by us or an affiliate. This is a conflict of interest because our financial professionals have a financial incentive to recommend our own proprietary products or strategies over those that are offered by unaffiliated asset managers on the platform.

Third- party products are subject to the same standards and research process as any other third party manager or product provider on the EPS platform.

Envestnet, Inc. has a financial interest and occupies board of director positions in Fiduciary Exchange LLC ("FIDx"). FIDx facilitate a program that integrates insurance solutions into the wealth management process on the Platform.

Envestnet, Inc. has a financial interest and occupies board of director positions in Advisor Credit Exchange, LLC ("ACE"). ACE provides lending solutions to Advisors and their clients via the EPS Platform through EPS's affiliate, Envestnet Financial Technologies, Inc. Neither ACE nor EPS offers any loan products or makes any lending decisions. The funding and administration of all loans is undertaken by separate and unaffiliated financial institutions.

Mr. Thomas Sipp, Sr. Group Head of Envestnet Solutions, is one of the founders of Magis Capital Partners, LLC ("Magis"). Magis identifies and cultivates technology-driven, disruptive opportunities in the FinTech sectors of Wealth Management, Retirement, Insurance and Lending. EPS's parent company, Envestnet, Inc. and Magis are currently co-invested in four service providers, Fiduciary Exchange, LLC, Advisor Credit Exchange, LLC, Trucent LLC, and HealthPilot Technologies, LLC. (the "Magis Exchanges"). As a founder of Magis and investor in Magis private funds invested in the Magis Exchanges, Mr. Sipp has a financial incentive to promote the use of the Magis Exchanges to Advisors using the EPS platform. Another Magis venture offered on the EPS platform is Sallus Retirement LLC (Sallus). Neither Envestnet, Inc. or Mr. Sipp are invested in Sallus.

EPS's parent company, Envestnet, Inc., has a minority investment (less than 5%) in Dynasty Financial Partners, LLC. Dynasty and EPS's affiliates jointly offer financial advisors using the EPS wealth platforms an enhanced set of tools and services to help build and grow their businesses.

### ***BlackRock, Inc.***

Through a holding company subsidiary, BlackRock, Inc. ("BlackRock") owns a non-controlling interest in EPS's parent company, Envestnet, Inc. Funds managed by BlackRock also invest in EPS's publicly traded parent company, Envestnet, Inc. (NYSE: ENV).



EPS and its affiliates are engaged with BlackRock in several strategic initiatives to better integrate their respective financial wellness technologies and jointly offer these services to Advisors. Advisors using EPS's technology platform are not required to use any BlackRock software, applications, or products, and are not restricted from licensing and integrating other software and applications. EPS and BlackRock may, from time to time, participate in joint marketing and financial professional educational events.

As part of its due diligence reports for Advisors, EPS may review Funds affiliated with BlackRock and EPS may also utilize Funds affiliated with BlackRock in its investment strategies. While EPS has dedicated certain resources to review BlackRock affiliated Funds and streamline the operational processes for the availability of BlackRock Funds and strategies on EPS's platform, these BlackRock affiliated Funds and strategies are subject to the same level of review that EPS applies to all Funds and strategies in the applicable category in order to mitigate the conflicts of interest. EPS may also collaborate with BlackRock to develop and offer co-branded investment strategies.

### ***Conferences***

EPS solicits sponsorship contributions from Fund and investment strategy managers, including but not limited to BlackRock, to defer the costs associated with EPS conferences and events. Depending on sponsor-level, contributors will be provided 'main-stage' sessions on technology and investments, and highlighted break-out sessions for Advisor and Institutional guests of the event. EPS may receive contributions in excess of the costs associated with the event.

EPS participates in Advisors' and Broker-Dealers' sponsorship programs and conferences and pays annual commitment fees for participation in such programs.

### **Item 11 – Code of Ethics**

Covered Persons must, at a minimum, comply with all applicable legal requirements, including applicable federal and other securities laws. Covered Persons may be held personally liable for any improper or illegal acts committed during the course of their employment, and ignorance of laws and regulations is not a defense. Covered Persons must comply with the requirements of U.S. Securities and Exchange Commission ("SEC") Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which imposes certain code of ethics obligations on investment advisers registered with the SEC.

EPS's code of ethics subjects Covered Persons to standards of business conduct and imposes a requirement to acknowledge written receipt of the code and amendments thereto, and to report violations of the code. In addition, certain persons called "Access Persons" must pre-clear trades before directly or indirectly acquiring beneficial ownership in (i) Envestnet, Inc. (ii) an initial public offering (iii) any exchange traded equity or fixed income security (excluding securities issued by the U.S. Federal Government or other foreign federal issuance) (iv) a limited offering such as private placements, hedge funds, private equity funds and limited liability company interests, and (v) any other securities placed on a restriction list by the Legal Department. When a pre-clearance request is submitted by an Access Person, a determination will be made as to the appropriateness of the transaction. If the trade appears unlikely to affect the market for the security, is clearly unrelated to the business of the Firm, and poses no conflict of interest with client trades, Compliance or authorized designee may grant approval. Access Persons also are required to provide periodic reports regarding their personal securities activities, including initial and annual holdings reports and quarterly transactions reports. They are also required to provide confirmations (or have their brokers promptly submit duplicate confirmations) of all personal securities transactions to the Compliance Department and are required to obtain written approval before they may invest in a limited offering (such as a private placement) or an initial public offering.

EPS employees or related persons may have accounts with investment managers that EPS recommends to Clients as part of its investment programs. In addition, EPS employees or related persons may personally buy or sell securities that Clients also own in their accounts. Investment decisions for EPS personnel may not be



made at the same time or in the same manner as those made for Clients. EPS or a related person of EPS may purchase or sell securities that are recommended to, or purchased or sold for Clients. Personal securities transactions by persons identified as Access Persons with EPS are subject to EPS's Code of Ethics. The Code of Ethics includes various reporting, disclosure and approval requirements, described in the summary below. EPS designed these requirements to prevent or mitigate actual or potential conflicts of interest with Clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment at Envestnet

In accordance with SEC rules governing investment advisors, EPS requires prompt reports of all securities transactions by Access Persons identified in the Code of Ethics as "Reportable Securities" transactions. EPS further requires that all brokerage account relationships of such individuals be disclosed, that EPS receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all Access Persons. Transactions in certain securities such as U.S. government securities, bankers acceptances, bank certificates of deposit, and commercial paper and shares of unaffiliated mutual funds are excluded from the reporting requirements.

The responsibilities of EPS's Chief Compliance & Ethics Officer (or designee) include overseeing the regular monitoring and verification of compliance of covered persons with the requirements of the Code of Ethics, and reporting material violations to EPS's senior management. Covered transactions of the Chief Compliance & Ethics Officer are reviewed by another officer (or designee) of EPS. In addition to reporting and recordkeeping requirements, the Code of Ethics imposes various substantive and procedural restrictions on Reportable Securities transactions. The Chief Compliance & Ethics Officer may recommend to management the imposition of more severe sanctions, including suspension of personal investing privileges, or termination of employment, in the case of certain types of violations.

A copy of EPS's Code of Ethics can be obtained by contacting EPS at 312-827-2800.

## **Item 12 Brokerage Practices**

EPS operates the Programs as a directed brokerage subject to most favorable execution of client transactions. EPS does not require a Client to utilize any particular executing broker-dealer or custodian and currently has relationships with many executing broker-dealers and custodians that provide brokerage, clearing and custody services to Clients in the Programs. The choice of which custodian to utilize is determined by Client in consultation with their Advisor. Clients enter into a separate contractual relationship with the selected custodian, and Advisors may limit their Clients to a subset of custodians. Those Advisors may be affiliated with one or more of these custodians and may require their Clients to contract with that custodian. If an Advisor requires a Client to utilize the services of an affiliated custodian, the Advisor may benefit and Client should review the Advisor's Form ADV Part 2A for a description of any potential conflicts of interests.

Clients will generally pay an asset-based fee for the brokerage, custody, and clearing services provided by the custodian (as opposed to transaction-based fees such as commissions). For certain custodial relationships, EPS is able to present the asset-based fee as part of the Client's fee schedule in the client agreement. To the extent that such fees are not included in the fee schedule, the Client will be so informed in writing by the Advisor. Such fees may be charged directly to the Client or may be included within the overall cost of the security. Several of the available custodians apply minimum fees for Client accounts, which will be disclosed by the custodian to Clients in the applicable custodian's account documentation.

Generally, EPS directs transactions to the custodian chosen by Clients, based on the lack of commissions or other trading costs for such trades. Although EPS is aware of the possibility that better execution may be available at another broker-dealer, executing at another broker dealer other than the custodian chosen by Client (custodian of record) could delay the timely receipt of updated transaction and account information necessary for EPS to process Client accounts within its technology platform on a timely basis.



### ***Best Execution and Trading***

EPS routes the majority of trades resulting from Client transactions and manager model updates directly to the custodian(s) of record. For the small percentage of trades not rounded directly to the custodian of record, EPS's primary objective is to obtain prompt execution of orders at the most favorable prices reasonably obtainable. EPS utilizes a global third-party service provider to assist in the review of trades for best execution purposes and maintains a Best Execution Committee. EPS's Best Execution Committee periodically reviews the execution quality obtained on behalf of Clients of the securities that are included in the "Mega Block" process (described below), and any non-market orders submitted by Investnet to the custodian for execution. In fulfilling its responsibilities, the Committee is guided by applicable regulatory requirements and equitable treatment in trading such client accounts.

For the small percentage of trades not submitted to the custodian of record, certain thinly traded securities, illiquid stocks or ETF's for example, will be 'stepped-out' to an executing broker dealer ("EBD") that specializes in trading these types of securities, in order to gain best execution and minimize market impact ("Mega Block" feature). The mega block feature is configurable for certain Custodians and allows for large trade blocks to be evaluated by EPS's Institutional Trade Desk ("ITD") as an eligible step out trade. The feature also allows for the combining of trades across Advisors at the same Custodian into a single order. Advisors have the option to participate in the Mega Block feature.

Where deemed appropriate, as part of the Mega Block process, ITD has the ability to trade a security held across multiple Custodians as single block trade, and once executed, reallocate the required shares to each specific Custodian for all underlying Client accounts. This process provides more control over the trade as well as affords each client account with the convenience of a single price execution across custodians. Securities eligible for Mega Block trading are selected at ITD's discretion. Not all securities that meet the Mega Block requirements are stepped out.

As part of the Mega Block process ITD considers a number of factors including without limitation; the overall direct net economic result to the Client; the financial strength, reputation and stability of the broker; the efficiency in which the transaction is achieved; the capacity to effect the transaction; and the availability of the broker to stand ready to efficiently execute a potentially intricate transaction in the future. Additionally, the following order execution factors are also considered; price/spread, costs, speed, order size, average daily volume, number of custodians, visible liquidity/market depth, trade origin, and any manager instructions.

In some instances, stepped-out trades are effected by the EBD without an additional commission or markup/markdown, while in other instances; the EBD imposes a commission or a markup/markdown on the trade. If trades are routed to an EBD that imposes a commission or equivalent fee on the trade, including a commission that may be embedded in the price of the security, the Client will incur trading costs in addition to the fee the Client paid to the Advisor. EPS does not charge for its services in facilitating these trades.

On an annualized-basis, the number of stepped-out trades facilitated by ITD via the Mega block feature can vary materially from Advisor to Advisor on a dollar-weighted percentage (typically ranging from 1% - 35%) dependent on the Third Party Manager product(s) chosen by the Advisor and the securities held in the particular model(s). For firm specific step out reporting please contact EPS.

It is important to know that Clients frequently, but not always, incur additional brokerage costs in addition to the Program Fee when step-out trades are executed. When applicable, these additional brokerage costs are reflected in the net purchase or sale price for the particular step-out trade. Depending on the contractual arrangement between the Advisor and the custodian(s), the custodian(s) may impose additional charges for transaction-based accounts in which Mega Block trades are routed through the Custodian(s) institutional trading desk. It is each Advisor's responsibility to confirm these charges, as EPS is not privy to each custodial fee arrangement. Clients should consult with their Advisor for more information related to the specific costs related to step-out trading within your account(s).





### ***Sub-Manager Trading***

For the Programs, Sub-Managers have the authority to place orders for Client accounts with or through a broker dealer other than the custodian of record designated by the Client, if Sub-Manager believes that best execution of transactions may be obtained through such other broker dealer, including any broker dealer that is affiliated with Advisor or Sub-Manager. In such cases, commissions or other compensation to the brokers in such transactions will be in addition to the Program Fee and that may be in addition to the Advisor's advisory fees. Clients should consult with their Advisors and review the Sub-Manager's Form ADV Part 2A for information related to any such additional fees. Clients should carefully consider any additional trading costs the Client may incur before selecting a Sub-Manager.

### ***EPS Trade Processing***

The EPS Platform is an account asset management system, not a brokerage desk. Service Requests that result in trade orders submitted for Client accounts undergo a staging process and are then routed to the custodian of record or executing broker-dealer for trade execution. For service requests submitted by Advisor to EPS prior to 12:00 p.m. Central Standard Time, trade orders will be generated and routed to the custodian of record or EBD on the same business day.

For Service Requests, such as Client account updates or changes, submitted by Advisor after 12:00 p.m. Central Standard Time, EPS shall use its best efforts to generate and route trade orders on the same business day. However certain account conditions, including, but not limited to, issues relating to the reconciliation of transactions between EPS and custodial records, Client imposed trade restrictions, operations volume, exceptions, and complexity of account or order, may take more than one business day to route to the custodian of record or executing broker-dealer for trade execution.

### ***Block Trading***

Block trading is permitted if EPS has determined, on an individual basis that the securities order is:

1. In the best interests of each Client participating in the order;
2. Consistent with EPS's duty to obtain best execution; and
3. Consistent with the terms of the investment advisory agreement of each participating Client.

In addition, the following conditions must apply:

1. Any investment by one Client shall not be dependent or contingent upon the willingness or ability of another Client to participate in such transaction;
2. The terms negotiated for the block transaction should apply equally to each participating Client;
3. The allocation of securities purchased or sold in a block trade must be made in accordance with EPS's allocation procedures; and
4. The books and records of EPS must reflect, for each bunched order, the securities held by, purchased and sold for each Client.

### ***Trade Allocations***

Sub-Managers and Advisors performing trade order placement, trading rotation and allocation are solely responsible for these functions. These Sub-Managers and Advisors have their own allocation policy and direct how partial executions are allocated. EPS has no input or supervisory responsibility for these practices. Certain Model Providers, as disclosed in their Form ADV, may have a rotation policy that segregates their investment model updates from their directly managed accounts. If EPS determines that such trade rotation policy does





not equitably treat Clients in accordance with Model Provider's reported performance, EPS may restrict the availability of the Model or impose additional requirements as necessary.

### ***EPS Supported Trade Allocations***

#### *Separately Managed Accounts*

Certain trade orders are created by the Sub-Manager and sent directly to the appropriate custodian according to their own trade rotation policies. If the Sub-Manager directs EPS to allocate orders within each custodian, any partial fills will be pro-rata allocated among the individual Client accounts. Sub-Managers may aggregate Client trades with their own directed trades or trades for other Clients. Please refer to each Sub-Manager's Form ADV for any policies they may have regarding aggregation of trades.

#### *Model-Based*

For a trade order placed by EPS for either EPS's or EAM's proprietary strategies or Third Party Models, EPS uses a trade rotation program in which our technology will automatically send trades for each custodian in a different order as to not prefer one over the other. The order is randomized by line of business, custodian, firm and account.

Once orders are filled, the EPS Platform generates block allocations for the respective block trades. EPS then submits the allocation files to the respective custodians before 8:00PM EST for allocation to the respective Clients.

### ***Errors***

Although EPS takes reasonable steps to avoid errors, occasionally errors do occur. EPS seeks to identify errors and works with the Client's Advisor, Sub-Manager and/or qualified custodian to correct the error affecting any Client account as quickly as possible, in order to put the Client in the position they would have been in had the error not occurred, without disadvantaging the Client or benefiting EPS. Errors may be corrected by either the purchase or sale of a security as originally intended, or in the form of monetary reimbursement to the applicable Client account.

If the error is the responsibility of EPS, any Client transaction will be corrected, and EPS will be responsible for any Client loss resulting from an inaccurate or erroneous order. EPS's policy and practice are to monitor and reconcile trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval and maintain a trade error file. In the case of errors due to the inaction, or actions of others (Advisors, Sub-Manager's, Custodians), EPS may help facilitate the error correction process, again in the best interests of our mutual Clients.

### ***Soft Dollars***

Soft dollar arrangements are any agreement, arrangement or understanding, whether written, verbal or otherwise, with a broker-dealer in which products or services are provided for free, or at a discount, and that are expressly or implicitly conditioned on the amount of trading directed to a particular broker-dealer.

EPS does not utilize any research or other services pursuant to a soft dollar arrangement.

### **Item 13 – Review of Accounts**

EPS performs nightly reconciliation of Client accounts on the Platform against data provided by the Client's custodian. Exceptions are researched and appropriate corrections are made when necessary. Completely reconciled accounts are made available at the beginning of the next business morning.



Clients receive statements from the custodian at least quarterly providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions. In addition, depending on the Advisor, Clients may also receive a quarterly performance report prepared by EPS showing the allocation of the assets in the account as well as the performance of the account during the previous quarter.

Advisors are responsible for reviewing Client accounts and are required to contact Clients on an annual basis to determine if there have been any changes to the Client's financial situation and stated investment objectives or if the Client wishes to impose any reasonable investment restrictions on the management of the assets in the account.

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

EPS and its affiliates do not retain 12b-1 fees from mutual funds in which Clients invest. Any 12b-1 fees inadvertently received shall be returned to the fund company.

EPS may provide breakpoints to Advisors or advisory firms dependent on the amount of assets the Advisor is managing on the platform, however EPS does not compensate for recommending or referring Clients to the Programs. . EPS participates in Advisors' and Broker-Dealers' sponsorship programs and pays annual sponsorship commitment fees for participation in such programs.

#### **Item 15 – Custody**

EPS does not have physical custody of Client assets. If provided with the authority through its billing services for certain accounts, EPS directs the custodian to debit advisory, manager, platform and other fees from Client accounts; however, EPS does not have authority to possess or take actual custody of Clients' funds or securities.

EPS may be deemed to have legal custody of Client assets where the terms of a standing letter of authorization ("SLOA") between a Client and a qualified custodian permit EPS to instruct the custodian to disburse, or transfer, funds or securities on the Client's behalf. Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains Client's investment assets.

Depending on the Advisor, Clients may also receive a quarterly performance report prepared by EPS. EPS urges Clients to carefully review such statements and compare such official custodial records to the account statements we provide to Clients. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities. EPS Client quarterly performance reports should not be construed as custodial account statements, nor should they be used in place of the Client's custodial statements.

#### **Item 16 – Investment Discretion**

Clients that participate in the Programs are required to grant full discretionary investment authority to EPS for the management of those assets pursuant to the investment strategy selected by Advisor and/or Client.

EPS does not assume a fiduciary or investment advisory role in (i) assets that an Advisor manages directly using EPS's technology solely as an account management system, (ii) assets that the Advisor has under management outside of EPS, or (iii) securities transferred into an EPS Program to be liquidated in order for EPS to commence discretionary management of the assets in one of our Programs. . In addition, EPS is not exercising discretion as a fiduciary in implementing the investment selections of third-party Model Providers. For Client assets that are invested under a Program, such discretion is to be exercised in a manner consistent with the stated investment objectives of the investment strategy selected for the particular Client account. Advisors to Clients



should notify EPS if such investment objectives have changed so that EPS may work with the Advisor to make appropriate changes within the Client portfolio.

Advisors also have responsibility to retain the Client within the Program in accordance with the stated minimum investment in order to minimize risks associated with unacceptable variances and unintended performance dispersion, potential impact to a Client's overall fee percentages, and the potential of being invested outside of their risk and internal control framework. When selecting securities and determining amounts, EPS observes the investment policies established through the Program for the particular Client account, along with account investment limitations and restrictions of the Client.

For registered investment companies, EPS's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and impose restrictions on certain types of investments (e.g., illiquid securities) and favor the holding of investments once made. Investment guidelines and restrictions must be provided to EPS in writing.

A Client may establish a broader investment policy governing multiple Client accounts/assets with Advisor. In such instances, EPS can provide tools to assist Advisor in monitoring adherence to the investment policies established between Advisor and Client; however, EPS does not undertake responsibility for monitoring adherence to a Client's larger investment policy.

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

You or your Advisor may delegate proxy voting responsibilities to EPS. In cases where EPS is directed to vote on your behalf, EPS acknowledges that it has a fiduciary obligation to Clients to ensure that any proxies, for which it has voting authority, are voted solely in the best interests and for the exclusive benefit of its Clients. The policies are intended to guide EPS and its personnel in ensuring that proxies are voted in such manner without limiting EPS or its personnel in specific situations to vote in a pre-determined manner. These policies are designed to assist EPS in identifying and resolving any conflicts of interest it may have in voting Client proxies.

For Programs in which EPS is providing overlay management services, including when a Sub-Manager is acting in the role of a Model Provider, Advisors and Clients frequently delegate proxy voting to EPS. In response, EPS has developed appropriate proxy voting policies and procedures to ensure that such proxies are voted in the best interests of Clients. These policies and procedures are relatively general in nature to allow EPS the flexibility and discretion to use its business judgment in making appropriate decisions with respect to our proxy voting process. Clients retain the right to vote securities, or delegate the authority to vote securities to another person and may do so by notifying EPS or their Advisor.

It is EPS' policy to vote Client shares primarily in conformity with Glass Lewis & Co. ("Glass Lewis") recommendations and in order to limit conflict of interest issues between Envestnet and its clients, Envestnet does not take an independent position on any proxy votes. If Glass Lewis does not provide a recommendation, EPS will vote in accordance with management recommendations. EPS cannot accommodate individual or specific voting requests.

Glass Lewis is a neutral third party that issues recommendations based on its own internal guidelines. Generally, EPS votes Client shares via ProxyEdge, an electronic voting platform provided by Broadridge Financial Solutions Inc. Additionally, ProxyEdge retains a record of proxy votes for each Client. We also utilize [www.proxyvote.com](http://www.proxyvote.com) (to process votes for paper proxies) as well through Mediant, a third-party proxy voting processor. However, Mediant accounts for the minority of voting processed by EPS. Glass Lewis does not consider specific client circumstances when providing EPS with its voting recommendations.



Proxies for those clients invested in the PMC Impact Portfolios and PMC Impact QPs are voted using specific ESG proxy voting recommendations provided by Glass Lewis and can differ from votes cast for other clients' portfolios managed by EPS.

EPS may choose not to vote proxies in certain situations or for certain accounts, such as: (1) where a client has informed EPS that it wishes to retain the right to vote the proxy, EPS will instruct the custodian to send all proxy materials directly to the client; (2) where a proxy is received for a client account that has been terminated with EPS, or for a security EPS no longer held in the client account; or (3) when voting a proxy would restrict the ability to trade the shares.

Because EPS does not act as a financial advisor for Client assets invested in the Advisor Directed Models or Proprietary Investment Models, EPS does not vote proxies relating to securities held in these programs. Proxy voting responsibilities for the Advisor Models are either voted by Advisor or directly by Client.

Advisors and their clients that delegate voting obligations to Envestnet are responsible for determining if the voting process used by Envestnet is appropriate for the client. Envestnet does not have a relationship with the individual shareholder, and is unable to determine what is in the best interest of each client. Furthermore, the assignment of proxy voting is facilitated outside of Envestnet, through the custodial paperwork that you and your Advisor complete at the time of investing.

If you desire to vote your proxies, please contact your Advisor so that Envestnet can delink from the voting process. Envestnet is not able to cast votes outside of standard Glass Lewis recommendations, nor can we accommodate individual or ballot specific requests.

Upon request, Clients can receive a summary of EPS' proxy voting policies and procedures, Glass Lewis's proxy voting guidelines or a copy of the record of how a proxy vote was cast by EPS by contacting EPS at 312-827-2800.

### **Class Actions and Legal Proceedings**

In all programs either Advisor or Client are responsible for acting on legal proceedings, such as bankruptcies and class actions, involving securities held in a Client's account.

### **Item 18 – Financial Information**

In certain circumstances registered investment advisors are required in this Item to provide you with certain financial information or disclosures about their financial condition. EPS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.



## COVERED SERVICE PROVIDER DISCLOSURE REPORT FOR ERISA PLANS

**March 31, 2022**

This report is being provided to you because our records indicate that you are the appropriate contact for the ERISA plan sponsor of a “covered plan” (within the meaning of Department of Labor Rule 408b-2(c)) which is the client of an account managed by Envestnet Portfolios Solutions, Inc. (“EPS”). The following table contains information and references to additional information about EPS’s services and compensation as required by Rule 408b-2.

INFORMATION	WHERE TO FIND IT
Description of EPS services	<p>EPS provides a technology structure for investment advisors to efficiently connect with a vast array of independent separate account managers and investment model providers (collectively “SMA Managers”). EPS also offers its proprietary investment portfolios and provides technology, administrative and reporting service</p> <p>See EPS Form ADV Part 2A brochure, specifically Items 4 (Advisory Business); Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), and Item 17 (Voting Client Securities).</p>
Statement concerning services EPS will provide as an investment adviser, ERISA fiduciary and registered investment adviser.	<p>EPS is acting as a “fiduciary” under the Employee Retirement Income Security Act of 1974 (“ERISA”) and an “investment adviser” (as defined in Section 3(21)(A)(ii) of ERISA) with respect to the performance of services listed in Items 4 (Advisory Business). For Third-Party Models, Envestnet performs overlay management, administrative and/or trade order placement duties pursuant to the investment directions of Model Providers. Envestnet is not exercising discretion as a Fiduciary in implementing the investment selections of third-party Model Providers.</p>
Direct Compensation EPS Receives from your Account	<p>The fees that EPS receives for its services are derived from the total fees that are agreed to in the advisory agreement.</p> <p>EPS pays the SMA Manager or Model Provider for its services from the fee it collects. EPS will retain a portion of the fees charged for making the strategies available and for administering them in the Program.</p> <p>See EPS Form ADV Part 2A brochure, specifically Item 5 (Fees and Compensation).</p>
Indirect Compensation that EPS will receive from non-affiliates in connection with services to your Account	<p>EPS may receive indirect compensation from the underlying expenses received by Envestnet Asset Management (“EAM”) for EAM acting as investment advisor to the PMC Funds (PMFIX and PMDEX), both registered mutual funds, in which EAM receives fees from the underlying expenses charged to funds as described in the applicable prospectus.</p> <p>When EPS or EAM sponsor a conference, it will solicit contributions from Vendors to defer the costs associated with the conference. Depending upon Vendor participation, EPS or EAM may receive contributions in excess of the costs associated with the event.</p> <p>EPS does not otherwise receive indirect compensation, such as brokerage commissions, sales charges or referral fees, in connection with your account.</p>
Compensation EPS will receive if you terminate EPS’ management of your account.	None

