

# **DISCLOSURE BROCHURE**

**(FORM ADV, PART 2A)**

**TD AMERITRADE INVESTMENT MANAGEMENT, LLC**

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**March 31, 2022**

This brochure provides prospective clients with information about TD Ameritrade Investment Management, LLC that should be considered before or at the time of obtaining advisory services from TD Ameritrade Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at 888-310-7921.

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. Please be advised that TD Ameritrade Investment Management, LLC will not assign its duties to you to any other party without your consent.

Additional information about TD Ameritrade Investment Management, LLC is also available on the SEC's website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov). The IARD/CRD number for TD Ameritrade Investment Management, LLC is 111514.

TD Ameritrade Investment Management, LLC is registered with the United States Securities and Exchange Commission as a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training. Please print a copy of this brochure and retain it for your future reference.

### **Summary of Material Changes**

This section highlights revisions made since December 31, 2020 to the Disclosure Brochure:

- On February 7, 2021, the agreement for Morningstar Investment Management's investment consulting services to TDAIM terminated
- On February 8, 2021, CSIM began providing investment consulting services to TDAIM
- On March 2, 2021, the Portfolio Consulting Services Agreement with the Union Bank & Trust for the TD Ameritrade 529 College Savings Plan was terminated
- On March 11, 2021, Essential Portfolios were closed to new investors
- In connection with the recent affiliation with Charles Schwab & Co. (CS&Co), beginning in 2022, Financial Consultants (FCs) will be dually registered with CS&Co for the purposes of offering products and services provided by CS&Co. FCs in Nevada and North Carolina will not be duly registered but will be eligible to receive additional compensation for introducing clients to CS&Co for certain of its products and services
- On April 1, 2022, new Selective Portfolios program fees are effective
- On April 1, 2022, Selective Portfolios and Personalized Portfolios were closed to new investors, except that existing investors will be permitted to open certain new Selective Portfolios accounts

TD Ameritrade Investment Management, LLC

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## Advisory Business

TD Ameritrade Investment Management, LLC ("TDAIM," or "we," "us," or "our") provides a variety of goal-planning and advisory services to clients. The advisory services are: i) The TDAIM Core Mutual Fund, Core ETF, Supplemental Income, Opportunistic, and Managed Risk Portfolios services ("Selective Portfolios") with asset allocation involving ETFs or mutual funds, along with cash and cash alternatives, and are provided only on a discretionary basis; ii) The Essential Portfolios, which use ETFs for investors seeking a primarily online basic asset allocation discretionary service and iii) The Personalized Portfolios, which offer a more tailored discretionary portfolio service, with the client working with a dedicated TDAIM Portfolio Consultant. The services are described in detail below.

We were formed in November 1997 as PFN Investment Management, LLC. TDAIM operated under the name Amerivest Investment Management, LLC from April 2003 to December 2016. TDAIM is wholly owned by Financial Passport, Inc., which is wholly owned by TD Ameritrade Online Holdings Corp. TD Ameritrade Online Holdings Corp. is a wholly owned subsidiary of TD Ameritrade Holding Corporation. TD Ameritrade, Inc. is a registered broker-dealer that principally provides discount brokerage services ("TD Ameritrade"). On October 6, 2020, TD Ameritrade Holding Corporation became a wholly owned subsidiary of The Charles Schwab Corporation ("Schwab"), a publicly traded company. As a result, TDAIM became affiliated with Charles Schwab & Co., Inc. ("CS&Co.") Any information regarding products or services offered by CS&Co or its affiliates, available or viewable on TDAIM's websites or other TDAIM media sources, that may be available to TDAIM clients or members of the public, is provided solely for educational purposes only and should not be construed as an offer, solicitation, or recommendation by TDAIM or its affiliates of any products or services offered by CS&Co or its affiliates.

### A. SERVICES PROVIDED:

TDAIM provides discretionary services known as Selective Portfolios, Essential Portfolios and Personalized Portfolios (collectively known as the "Portfolios") to retail clients of TD Ameritrade. The services are offered only on a discretionary basis that involves the continuous management of client accounts. As of December 31, 2021, TDAIM was providing discretionary advisory services to clients with approximately \$23,630,934,013.76 in assets. We assume all investment duties with respect to the Portfolios held in the client's TD Ameritrade Investing Account and have discretion with respect to such assets, including the initial allocation and ongoing rebalancing (buy, sell, exchange, or otherwise trade) based upon the client's selected strategy and according to TDAIM's investment policy for that strategy. We do not take discretion over assets that are not compatible with the Portfolios.

TDAIM also acted as a portfolio consultant to the Union Bank & Trust in Nebraska, (the "Program Manager") in connection with the Program Manager's recommendation of investment alternatives for the TD Ameritrade 529 College Savings Plan (the "Plan"). Such recommendations were the sole responsibility of the Program Manager and not of TDAIM. The Nebraska Investment Council is responsible for the final selection of investment alternatives within the Plan. The agreement relating to the 529 program was terminated effective March 2, 2021.

TDAIM utilized Morningstar Investment Management's investment-related consulting services through February 7, 2021. Having bolstered its internal investment management capabilities, TDAIM believes it no longer needs the consulting services provided by Morningstar Investment Management, especially in view of its recent affiliation with Charles Schwab Investment Management, Inc. ("CSIM"), dba Schwab Asset Management. Beginning on February 8, 2021, TDAIM retained CSIM to provide research and investment consulting services, and CSIM began serving as an investment consultant. CSIM does not act in the capacity of advisor to TDAIM clients. TDAIM retains ultimate discretion to accept, modify, or reject CSIM's recommendations. CSIM tailors its recommendations and research provided to TDAIM based on models and parameters set by TDAIM. CSIM manages over \$600 billion of client assets on a discretionary basis. TDAIM has reviewed CSIM's capabilities and has concluded that CSIM will be able to meet TDAIM's consulting needs. Pursuant to an agreement between CSIM and TDAIM, CSIM is entitled to receive a fee from TDAIM based on the costs incurred by CSIM to provide the services, utilizing a cost allocation methodology agreed upon between CSIM and TDAIM. CSIM does not enter into agreements directly with the TDAIM advised Separately Managed Accounts ("SMA") and accordingly does not receive direct compensation from, or negotiate fees with, them.

### 1. Selective and Essential Portfolios – General Description

The Selective and Essential Portfolios discretionary services involve the use of CSIM as a consultant to TDAIM. **Essential Portfolios was closed to new investors as of March 11, 2021. Existing investors will continue to be able to change strategies, make deposits and request withdrawals of funds, etc. per the terms of their investment management agreement but can no longer open a new account. Selective Portfolios Managed Risk and Supplemental Income Portfolios are closed to new and existing investors as of April 1, 2022. Existing investors will continue to be able to change strategies, make deposits and request withdrawals of funds, etc. per the terms of their investment management agreement,** except that existing investors, including Essential Portfolios and Personalized Portfolios will be permitted to open certain new Selective Portfolios accounts. Selective Portfolios Core Mutual Fund, Core ETF, and Core Opportunistic Portfolios will only be available to existing TDAIM clients.

CSIM services to TDAIM with respect to the Selective and Essential Portfolios include but are not limited to:

1. Leveraging annual Capital Market Expectations that are used to produce strategic asset allocations for each approved model;
2. Recommendation of appropriate mutual funds and ETFs for the various portfolio models;
3. Discussion around periodic tactical changes to the portfolio models based on changing market and economic conditions;
4. Ongoing due diligence of the funds used in the model portfolios and periodic recommendations for adding or removing funds from the models (such as: performance concerns, fund manager departures, market exposures, tactical positioning, etc.); and
5. Production of periodic client-facing marketing materials that typically contain market and portfolio analysis.

TDAIM will recommend an appropriate strategy to Selective and Essential Portfolios clients according to the client's planned funding, investment objectives, risk tolerance, investment time horizon, age (in certain circumstances), employment status, likelihood of significant withdrawals from the account, any supplemental information, and any reasonable restrictions (collectively, "Profile Information"). In any case, TDAIM clients will either enter their Profile Information online or convey it to a TD Ameritrade registered representative (individually known as a Financial Consultant and collectively known as "FCs"), who will help prospects become TDAIM clients. This may involve more extended discussions around goal planning. Changes in the client's Profile Information may result in a new recommended strategy or strategies. While FCs generally have more detailed goal planning discussions with Selective Portfolios clients, Essential Portfolios clients primarily enter their Profile Information and open their corresponding TD Ameritrade Investing Account with little or no assistance from FCs, and then monitor their portfolio electronically through an Internet/mobile application. Clients who enter a relatively short time horizon will receive a relatively conservative portfolio recommendation regardless of their risk tolerance.

If the client wishes to use the Selective Portfolios or Essential Portfolios service, the client must authorize TDAIM to exercise discretionary trading authority over the assets dedicated to the client's selected strategy, which includes the initial allocation and ongoing rebalancing and portfolio reallocation. The discretionary authority allows TDAIM to buy, sell, or otherwise trade recommended and approved assets in the client's strategy or previously recommended TDAIM securities without prior client approval of each transaction. We are not authorized to withdraw cash or securities from the client's account other than in connection with the payment of our advisory fees as described in the *Fees and Compensation and Custody* sections below.

TDAIM clients are responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to or withdrawal of assets from the client's account). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by TDAIM. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.

In order to participate in the Selective Portfolios or Essential Portfolios service, the client will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. Clients will be able to invest in one strategy per account and will retain ownership of all cash and securities in their accounts. To the extent that a client decides to implement any TDAIM recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions and is not acting as an advisor to the client.

In certain circumstances, TDAIM clients will transfer incompatible securities into their TD Ameritrade Investing Account and the following will apply: (i) if a client deposits an incompatible security into a newly funded TD Ameritrade Investing Account, we will not start charging our advisory fee, nor will we commence making investments, until the incompatible security is removed from the account; (ii) if a client deposits an incompatible security into an existing TD Ameritrade Investing Account within 30 days of the account's initial investments, we will provide a fee credit for the amount of time the incompatible security was held in the TD Ameritrade Investing Account up to and through 30 days after the initial investment; (iii) any incompatible security remaining in or deposited into the TD Ameritrade Investing Account beyond 31 days or more following the initial investment will be considered non-managed and will not disrupt management of the portfolio nor assessment of our advisory fee on the remaining compatible assets in the account. (For example, if an existing client with an initial investment date of July 1 deposits an incompatible security into his/her account on July 15 and the incompatible security remains in the account until August 10, TDAIM will credit back the fees for July 15 through July 31. However, if the incompatible security remains in the account only until July 24 rather than August 10, TDAIM will credit back the fees for July 15 through July 23); and (iv) if the TD Ameritrade Investing Account is restricted (for example on account of an estate issue, a divorce issue, a court order, etc.) TDAIM will provide a fee credit from the time we are notified of the restriction.

Further, to the extent the client deposits incompatible securities into its TD Ameritrade Investing Account, TDAIM will not assume discretion as to such securities. The client is required to either sell or transfer the securities promptly. Any client transactions in that regard are the client's responsibility and not based on any recommendation from us. If the incompatible securities are sold by the client, TD Ameritrade does not charge commissions on equity (exchange-listed US stocks) or ETF (domestic and Canadian) transactions and the sale generally is on an unsolicited basis. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees or other charges (such as mutual fund deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets. In certain circumstances, TDAIM may enter the transactions to implement the client's selected portfolio using the available cash balance and work with the client to promptly remove the incompatible securities.

In addition to the recommended funds, TDAIM will maintain a portion of the account in cash or cash alternatives. The cash buffer ensures the availability of cash for payment of our fee and provides liquidity to cover potential price changes in market orders. For taxable accounts, the principal sweep vehicle TDAIM uses is an insured deposit account (IDA) held at one or more Program Banks, including certain Schwab banks. As a Program Bank Charles Schwab Bank, SSB ("Schwab Bank") earns income on cash balances. (See *Other Financial Industry Activities and Affiliations* below.) TD Ameritrade will receive a volume based fee from the Program Banks that are not affiliated with TD Ameritrade that ranges from 0.70 to 1.00%. In the case of Program Banks that are affiliates, TD Ameritrade will receive a fee of up to \$100 per account. The IDA is insured up to the applicable FDIC limits. In non-taxable accounts, the cash sweep vehicle is a U.S. Government money market fund, the Vanguard Treasury Money Market Fund. Investments in money market funds are subject to restrictions, charges, and expenses described in the prospectus. Money market funds are securities that may increase or decrease in value. They are not insured or guaranteed by the FDIC, any government agency, TDAIM or its affiliates, and there can be no assurance that such funds will be able to maintain a stable net asset value of \$1 per share. Clients will receive periodic statements for sweep transactions involving money market funds in lieu of immediate confirmations. TDAIM's advisory fee applies to the portion of the account maintained in cash. If you decide to leave cash or cash alternatives in the account that are not managed by TDAIM, you are not charged a fee until they are invested in the portfolio. (See *Fees and Compensation* below.) TD Ameritrade Investing Accounts are opened as cash accounts rather than margin accounts and margin is not available. In addition, we generally do not allow clients to fund their TD Ameritrade Investing Accounts with cash borrowed from a margin account, whether from another TD Ameritrade brokerage account or an unrelated broker dealer account.

In February 2018, TDAIM was the survivor of a merger with Scottrade Investment Management, Inc. ("SIM") and became the manager of the SIM Guidance Solutions Portfolios. TDAIM continued the portfolios with portfolio management guidelines and strategies similar to the ones in place. TDAIM assumed discretionary trading authority over the SIM assets, including as to ongoing rebalancing and portfolio allocations. In July 2020 TDAIM reallocated the Guidance Solutions Portfolios into portfolio models corresponding to ones in TDAIM's Selective Portfolios and in September 2020 the portfolios were rebranded as Selective Portfolios.

## **a. Selective Portfolios Using Mutual Fund Investments**

### **i. Selective Core Mutual Fund Portfolios Details**

Selective Core Mutual Fund Portfolios have been based on the asset allocations recommended to TDAIM by Morningstar Investment Management. As noted in A. SERVICES PROVIDED above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021. The Selective Core Mutual Fund Portfolios use mutual funds as the primary investment vehicles. The portfolio models are: Conservative, Moderate, Moderate Growth, Growth, and Aggressive. The service allocates assets among domestic equity, international, specialty, and fixed-income mutual funds. Selective Core Mutual Fund Portfolios positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 20-30 mutual funds with the balance consisting of cash and cash alternatives. The actual portfolio allocations will from time to time differ from the target allocations as a result of market movements, rebalancing tolerances or TDAIM's adjustments. The cash will be held in a designated cash sweep vehicle. The underlying mutual funds may also contain a residual cash position.

## **ii. Selective Supplemental Income Portfolios Details**

The Selective Supplemental Income Portfolios service uses mutual funds as the primary investment vehicles and pursues an asset allocation strategy. The Supplemental Income Portfolios are generally for more conservative investors who may want supplemental income for retirement or other purposes or as a complement to other investment strategies with a secondary goal of growth. Due to the conservative nature of the portfolios, TDAIM has created only two models: Conservative and Moderate. The models allocate assets among domestic equity, international, specialty, and fixed-income mutual funds with a focus on investing in income generating securities.

The Supplemental Income Portfolios positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 10-20 mutual funds with the balance consisting of cash and cash alternatives. The actual portfolio allocations will from time to time differ from the target allocations as a result of market movements, rebalancing tolerances or TDAIM's adjustments. The cash will generally be held in a designated cash sweep vehicle. The underlying mutual funds may also contain a residual cash position.

The Supplemental Income portfolios offer investment strategies designed to provide both income and total returns while limiting your exposure to volatility. The portfolios are not cash vehicles, cash alternatives, or money market funds and are not for short-term investing (less than one year) and should not be viewed or used for these objectives. The Supplemental Income Portfolios hold equity and bond mutual funds that have risks inherent to investing in these securities, including market and credit risk, and possible loss of value as described in the *Methods of Analysis, Investment Strategies, and Risk of Loss* section below.

## **iii. Asset Allocations**

Pursuant to an agreement and as described in A. SERVICES PROVIDED above, Morningstar Investment Management has provided asset allocation, fund selection and other services to TDAIM for its portfolios. As noted in that section, the agreement for Morningstar Investment Management's services to TDAIM terminated on February 7, 2021 and CSIM began providing investment consulting services to TDAIM on February 8, 2021.

The TDAIM asset allocation methodology is based on risk and return parameters relying on historic, current, and forecasted data and on implied risk and return estimates. The Selective Portfolios using mutual fund asset allocations use a strategic asset allocation approach that is value driven. They generally consist of broadly diversified asset allocations that TDAIM will reassess at least annually or more frequently as warranted by market conditions.

TDAIM will strive to meet the asset allocation targets as closely as possible while accounting for fund-specific attributes. However, the actual allocations will fluctuate (for example, in response to changing market conditions). That is because of the nature of mutual fund investment activity and changes in the underlying holdings. In addition, the allocations are subject to change without notice.

## **iv. Mutual Fund Recommendations**

Morningstar Investment Management has provided TDAIM with mutual fund investment recommendations and quarterly strategy evaluations for the Selective Portfolios. Morningstar Investment Management reassessed the model portfolios quarterly (or more frequently as warranted by market conditions) and provided us with recommended updates to them. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021.

The TDAIM fund universe includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed by TDAIM using a set of qualitative and quantitative factors including but not limited to risk-adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity. TDAIM will have a primary mutual fund and where possible at least one alternate mutual fund for each asset class in consideration of client-initiated investment restrictions. TDAIM periodically will review the funds used and the asset allocations made in the Selective Portfolios service.

TDAIM will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to our clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to TDAIM clients, we will select it for use in the Selective Portfolios, so long as we determine the share class is suitable for our clients. TDAIM and TD Ameritrade do not accept 12b-1 fees, other service-related fees, or revenue sharing payments from the mutual fund companies or funds utilized in our advisory service on fund assets held in the Selective Portfolios. TD Ameritrade and our other affiliates may receive compensation from mutual fund companies or funds utilized in the advisory service on assets held outside of the Selective Portfolios, but that compensation does not influence TDAIM's recommendations.

We may accept and use a compatible mutual fund in the client's portfolio, even if the mutual fund share is of a different share class than the share class of the mutual fund approved for use in the Selective Portfolios service. For example, if a client transfers in a retail share class mutual fund and TDAIM uses a lower expense share class of the same mutual fund, we may retain the retail share class of the mutual fund in the client's portfolio. Accepting the retail share class mutual fund will benefit clients as they will be able to invest in their portfolio more quickly. In addition, it may help reduce potential tax liabilities from selling the retail class shares and then buying the lower expense share class. TDAIM will review client accounts that transferred in different share classes of compatible mutual funds and will convert share classes to the approved share class where we believe doing so would be beneficial to the client (for example to help lower the client's expenses). The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. TDAIM will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy.

The dividends and capital gains from the mutual funds generally will be reinvested. However, clients will have the option to request systematic withdrawals including dividend and interest disbursements. Requests for systematic withdrawals that may invade principal by going beyond dividend and interest income will be reviewed and we reserve the right to not accept the request.

Furthermore, if the client's account falls below the approved account minimum as a result of taking systematic withdrawals, the client acknowledges that TDAIM retains the right to cancel the client's systematic withdrawal request. Mutual funds can provide a diversified portfolio that may limit exposure to large price fluctuations of individual stocks or bonds. Mutual funds do not provide complete protection from price volatility in the event of broad market declines, however, and individual securities may outperform mutual funds.



#### **v. Trades**

In order to begin placing trades for a client's account, the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above the threshold specified in the TDAIM Service Agreement, the recommended trades will be placed in the account during the next trading window (TDAIM intends to enter the transactions with TD Ameritrade Clearing, Inc. at approximately the same time every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day).

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), or 2) significant trading volume we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and we determine it is not to the benefit of the clients to enter the orders on an individual account basis. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

Since mutual funds trade at a daily NAV, clients participating in the daily trading windows will receive the same average price for that day.

#### **b. Selective Portfolios Using Exchange Traded Funds ("ETF") Investments**

##### **i. Selective Core ETF Portfolios Details**

The Selective Core ETF Portfolios are similar to the Selective Core Mutual Fund Portfolios as to asset allocations but use ETFs as the primary investment vehicle. The Selective Core ETF Portfolios are designed for clients who are concerned more about costs and tax efficiency than about accessing actively managed mutual funds. ETFs generally seek to match the performance of a specific market index, asset class, or sector. They usually have lower annual expenses than mutual funds as they require little if any manager oversight (passively managed). They generally are more tax-efficient than mutual funds.

Similar to the Selective Core Mutual Fund Portfolios, the Selective Core ETF Portfolios had been based on the online asset allocations recommended to TDAIM by Morningstar Investment Management. As noted in A. SERVICES PROVIDED above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021. The ETF portfolio models are called: Conservative, Moderate, Moderate Growth, Growth, and Aggressive. In each model, the service allocates assets among domestic equity, international, specialty, and fixed-income ETFs. Selective Core ETF Portfolio positions are intended to be long-term investments (a minimum investment time horizon of one year) consisting primarily of approximately 15-25 ETFs with the balance consisting of cash and cash alternatives. The actual portfolio allocations will from time to time differ from the target allocations as a result of market movements, rebalancing tolerances or TDAIM's adjustments. The cash will be held in a designated cash sweep vehicle. For information about TDAIM's tax loss harvesting feature in regard to its Selective ETF Portfolios, see subsection e. below at page 8.

##### **ii. Opportunistic Portfolios Details**

The Opportunistic Portfolios seek long-term growth with a more tactically managed investment approach. They are designed for clients who may be more aggressive investors or prefer a more active portfolio as a complement to other investment strategies.

Unlike the portfolios described above that use a strategic asset allocation method, the Opportunistic Portfolios use a tactical investment approach with an additional equity sector rotation strategy. Strategic asset allocations generally consist of broadly diversified asset allocations that are reassessed at least monthly. The Opportunistic Portfolios use a tactical asset allocation method with more defined asset classes, and generally involve a more active portfolio management strategy to pursue short-term opportunities in different sectors or countries based on changes in the market.

Similar to the strategic portfolios, the Opportunistic Portfolios utilize diversified asset allocations including asset classes, such as domestic equity, international, alternative, and fixed income. However, since the Opportunistic Portfolios have a tactical investment approach, there is a wider diversity of asset classes with industry sectors compared to the strategic portfolios. The expanded asset classes allow for tactical shifts (reallocating). This allows for reallocating assets into sectors with potential larger returns and decreasing assets in sectors with lower potential opportunities. The goal of a tactical portfolio is to outperform relative to a comparison benchmark.

Due to the more aggressive nature of the portfolios, TDAIM has created only two models: Moderate Growth and Aggressive. The portfolios are typically expected to be rebalanced or reallocated monthly. Since strategies using a tactical approach have more frequent trading, they may also have greater tax implications for taxable portfolios.

The Opportunistic Portfolios use ETFs as the primary investment vehicle. Opportunistic Portfolio positions consist primarily of approximately 20-30 ETFs with the balance consisting of cash and cash alternatives. The actual portfolio allocations will from time to time differ from the target allocations as a result of market movements, rebalancing tolerances or TDAIM's adjustments. There is one primary ETF recommended for each asset class. The cash will be held in a designated cash sweep vehicle.

##### **iii. Asset Allocations**

Pursuant to an agreement, Morningstar Investment Management had provided asset allocation, fund selection and other services to TDAIM. As noted above, the agreement for Morningstar Investment Management's investment consulting services to TDAIM terminated February 7, 2021. As described in 1. *Selective and Essential Portfolios - General Description* above, CSIM began providing investment consulting services to TDAIM on February 8, 2021. The Selective Core ETF Portfolios asset allocation methodology is based on risk and return parameters relying on historic, current, and forecasted data, and on implied risk and return estimates. The Selective Core ETF Portfolios asset allocations use a strategic asset allocation approach that is value driven and generally consist of broadly diversified asset allocations that will be reassessed at least monthly.

With the Opportunistic Portfolios, TDAIM performs a qualitative calculation which is a fundamental analysis of the global markets. Next, it performs qualitative calculations to determine the momentum/volatility of the whole equity market and each asset class. Finally, it reviews the fundamental dynamic asset allocation, which determines the overall equity and fixed income changes. The calculations produce the adjustments to the portfolios. TDAIM will perform monthly strategy evaluations including reviewing the asset allocations and ETFs utilized. TDAIM will have a primary ETF and where possible at least one alternate/replacement ETF for each asset class in consideration of, among other things, tax-loss harvesting and client-initiated investment restrictions.

The process TDAIM uses to select ETFs is similar to that for mutual funds. TDAIM analyzes the ETFs available through TD Ameritrade. In making the ETF recommendations, however, TDAIM puts a greater focus on evaluating the particular risk characteristics of ETFs (such as trading volume, liquidity, and discounts). TDAIM also spends time determining how best to combine ETFs, as their strategies can be much more narrowly focused than mutual funds and may offer less asset class coverage. As the ETFs that are used in the service are passively managed, manager history is not considered in the evaluations. TDAIM and TD Ameritrade do not accept 12b-1 fees, other service-related fees, or revenue sharing payments from the fund companies or funds utilized in our advisory service or ETF assets held in the Essential Portfolios. TD Ameritrade and our other affiliates might receive compensation from ETFs utilized in the advisory service on assets held outside of the Essential Portfolios, but that compensation does not influence TDAIM's recommendations.

TDAIM may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Account if the ETFs are considered compatible with his or her strategy. We reserve the right to accept and utilize in the client's portfolio ETFs that were previously recommended by us. This may result in TDAIM maintaining different sets of ETFs in client portfolios. For example, if a client was in a self-directed portfolio and switched to a Selective Core ETF Portfolio and moved compatible ETFs from his self-directed portfolio to the new Core ETF Portfolio, TDAIM may retain the ETFs if they are valid for the new portfolio even though the ETF may not be the number one ranked ETF for the asset class. Maintaining the ETFs in the new Core ETF Portfolio may be a benefit to the client as it may reduce potential tax liabilities. The limitations on compatible ETFs contained in this paragraph apply to both initial and subsequent contributions. We will assume discretion as to the compatible and previously recommended ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or in the course of management of his or her strategy.

#### **iv. ETF Transactions**

In order to begin placing trades for a client's account, the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above a certain threshold specified in the TDAIM Service Agreement, the recommended trades will be placed in the account during the next trading window. (TDAIM intends to enter the transactions with TD Ameritrade at approximately the same time every business day on which securities markets are open, but reserves the right to change the time when appropriate). We generally trade in full shares of ETFs. However, depending on the value of your TD Ameritrade Investing Account and the price of the ETFs, we may trade in fractional shares. Trading in fractional shares will help us invest in a portfolio allocation that is closer to the recommended target allocation. We will aggregate orders of recommended purchases and sells and enter the orders with TD Ameritrade Clearing, Inc. (See response below at *Brokerage Practices* of this disclosure brochure.)

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), or 2) significant trading volume, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and we determine it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job. We also reserve the right to execute ETF transactions using market orders per client request or if extenuating circumstances lead to an account missing a trading window. For example, when a client requests an immediate liquidation and distribution from an account after the daily trading window has closed and before the next trading day. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

In addition, the dividends from the ETFs generally will not be reinvested and clients will have the option to request systematic withdrawals including dividend disbursements. However, requests for systematic withdrawals that may invade principal will be reviewed and we reserve the right to not accept the request.

Furthermore, if the client's account falls below the approved account minimum as a result of taking systematic withdrawals, the client acknowledges that TDAIM retains the right to cancel the client's systematic withdrawal request. ETFs can provide a diversified portfolio. However, ETFs are subject to risk similar to those of stocks. Portfolio investment returns will fluctuate and are subject to market volatility.

#### **c. Managed Risk Portfolio**

##### **i. Details**

The Managed Risk Portfolio service uses mutual funds as the primary investment vehicles. The asset allocations and mutual fund selections by TDAIM have been based on recommendations from Morningstar Investment Management. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021. The portfolio is designed for investors seeking relatively consistent growth and preservation of capital rather than maximization of returns.

The Managed Risk Portfolio service seeks to limit portfolio volatility in an effort to provide protection against declines in the equity markets. The service seeks to pursue this goal by investing in selected mutual funds that, when combined in a single portfolio, are expected to provide the desired volatility characteristics and return expectations. The service seeks to provide diversified exposures across asset classes, geographies, economic sectors, and time horizons. The service is not designed to outperform stocks and bonds in strong markets. There is no guarantee the underlying mutual funds will achieve positive returns or that the service's objectives will be achieved.

The strategy seeks mutual funds that directly or indirectly (as through other mutual funds) invest in a variety of exchange traded financial instruments, including but not limited to:

1. Stocks
2. Bonds
3. Commodities
4. Derivatives
5. Cash



The strategy may also use a wide variety of mutual funds that use nontraditional investment strategies, including but not limited to the following:

1. Long-only
2. Long-short
3. Merger Arbitrage
4. Convertible Arbitrage
5. Tactical asset allocation
6. Managed Futures
7. Multistrategy
8. Commodities
9. Multisector fixed income
10. Risk parity

The Managed Risk Portfolio service is intended for long-term investors (a minimum investment time horizon of one year). The portfolio will consist primarily of between 5 and 15 mutual funds, with the balance consisting of cash and cash alternatives. The actual portfolio allocations will from time-to-time differ from the target allocations as a result of market movements or TDAIM's adjustments. The cash will be held in a designated cash sweep vehicle. The underlying mutual funds may also contain a residual cash position. Some of the mutual funds used in the portfolio will invest in affiliated funds rather than underlying individual securities. Some of the portfolio funds and some of the funds they invest in will be "non-diversified". That means they may invest in a small number of issuers, sectors, or locations, making them more susceptible to risks affecting such areas of concentration than a more diversified fund might be.

The Managed Risk Portfolio service is not a cash vehicle, cash alternative, or money market fund equivalent and is not for short-term investing (less than one year). It should not be viewed as similar to or used for these objectives.

The mutual funds used in the Managed Risk Portfolio service invest in securities (including mutual funds) and strategies with inherent risks, including market, credit, geographical, and derivatives risk. The funds entail possible loss of value as described in the *Methods of Analysis, Investment Strategies, and Risk of Loss* section below.

#### **ii. Asset Allocations**

Pursuant to an agreement and as described in A. SERVICES PROVIDED above, Morningstar Investment Management has provided asset allocation, fund selection and other services to TDAIM for the Managed Risk Portfolios. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM's consulting services to TDAIM began on February 8, 2021. As described above, the Managed Risk Portfolio service uses an "absolute return" strategy designed to limit volatility and provide diversified exposure across geographies, sectors, and time horizons. The strategy seeks mutual funds with a lower correlation to the equity market (funds that do not move in lockstep with the market). Combining funds that perform differently than the market may help to boost overall (absolute) returns while reducing risk. TDAIM will have a primary mutual fund and where possible at least one alternate mutual fund for each asset class in consideration of client-initiated investment restrictions.

#### **iii. Mutual Fund Recommendations**

Morningstar Investment Management had provided TDAIM with initial mutual fund investment recommendations and quarterly strategy evaluations for the portfolios. As noted above, the agreement for Morningstar Investment Management's services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021.

The TDAIM fund universe includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed using a set of qualitative and quantitative factors including but not limited to risk adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity.

TDAIM will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to our clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to our clients, we will select it for use in the portfolios, so long as we determine the share class is suitable for our clients. TDAIM and TD Ameritrade do not accept 12b-1 fees, other service-related fees, or revenue sharing payments from the mutual fund companies or funds utilized in our advisory service. TD Ameritrade and our other affiliates may receive compensation from mutual fund companies or funds utilized in the advisory service on assets held outside of the Managed Risk Portfolio but that compensation does not influence TDAIM's recommendations.

We may accept and use a compatible mutual fund in the client's portfolio, even if the mutual fund share is of a different share class than the share class of the mutual fund approved for use in the Selective Portfolios service. For example, if a client transfers in a retail share class mutual fund and TDAIM uses a lower expense share class of the same mutual fund, we may retain the retail share class of the mutual fund in the client's portfolio. Accepting the retail share class mutual fund will benefit clients as they will be able to invest in their portfolio more quickly. In addition, it may help reduce potential tax liabilities from selling the retail class shares and then buying the lower expense share class. TDAIM will review client accounts that transferred in different share classes of compatible mutual funds and will convert share classes to the approved share class where we believe doing so would be beneficial to the client (for example to help lower the client's expenses). The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions. TDAIM will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy.

The dividends and capital gains from the mutual funds generally will be reinvested. However, clients will have the option to request systematic withdrawals including dividend and interest disbursements. Requests for systematic withdrawals that may invade principal by going beyond dividend and interest income will be reviewed and we reserve the right to not accept the request.

Furthermore, if the client's account falls below the approved account minimum as a result of taking systematic withdrawals, the client acknowledges that TDAIM retains the right to cancel the client's systematic withdrawal request. Mutual funds can provide a diversified portfolio that may limit exposure to large price fluctuations of individual stocks or bonds. Mutual funds do not provide complete protection from price volatility in the event of broad market declines, however, and individual securities may outperform mutual funds.

#### **iv. Placement of Trades**

In order to begin placing trades for a client's account, the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in an amount at or above a certain threshold specified in the TDAIM Service Agreement, the recommended trades for the portfolios will be placed in the account during the next trading window (TDAIM intends to enter the transactions with TD Ameritrade at approximately the same time every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day).

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), or 2) significant trading volume, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and we determine it is not to the benefit of the clients to enter the orders on an individual account basis. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

Since mutual funds trade at a daily NAV, clients participating in the daily trading windows will receive the same average price.

#### **d. Essential Portfolios – General Description**

##### **i. Details**

The Essential Portfolios are a discretionary advisory service. **Essential Portfolios was closed to new investors as of March 11, 2021. Existing investors will continue to be able to change strategies, make deposits and request withdrawals of funds, etc. per the terms of their investment management agreement but will no longer be able to open a new Essential Portfolio account as of April 1, 2022.** The Essential Portfolios are offered electronically via the Internet as the primary channel of interaction with TDAIM and may be referred to as a robo-advisory service. Accordingly, Essential Portfolios clients need Internet access for activities such as monitoring their portfolio, updating their Profile Information, conducting cash and securities transfers, and communicating with the Essential Portfolios specialists. Essential Portfolios clients agree to receive notices including disclosure brochures, regulatory communications, and other materials electronically in lieu of paper communications. The communications will be delivered electronically to the email address provided on the client's TD Ameritrade Investing Account application. The Essential Portfolios service uses ETFs as the sole investment vehicles. ETFs generally seek to match the performance of a specific market index, asset class, or sector. They usually have lower annual expenses than mutual funds as they require little if any manager oversight (passively managed). They generally are more tax-efficient than mutual funds.

The Essential Portfolios had been based on asset allocations and fund selections recommended to TDAIM by Morningstar Investment Management. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021. The portfolio models are: Conservative, Moderate, Moderate Growth, Growth, and Aggressive. A Socially-Aware version of the portfolio models is also available to clients. With the Socially-Aware portfolio models, the equity allocation utilizes ETFs that track companies that have positive environmental, social, and governance characteristics. The ETFs utilized for the fixed income allocation for all Essential Portfolios models are the same. They generally will not reflect environmental, social, and governance characteristics as there are relatively few such fixed income ETFs. In each model, the service allocates assets among domestic equity, international equity, emerging markets, domestic, and international fixed income ETFs. TDAIM will recommend one ETF for each of the 6-10 asset classes, with the balance consisting of cash and cash alternatives. In comparison, the Selective Core ETF Portfolios utilize additional asset classes and consist of approximately 15-25 ETFs. The Essential Portfolios are intended to be long-term investments (a minimum investment time horizon of one year). The actual portfolio allocations will time to time differ from the target allocations as a result of market movements or TDAIM's adjustments. The cash will be held in a designated cash sweep vehicle.

##### **ii. Asset Allocations**

Pursuant to an agreement, Morningstar Investment Management had provided asset allocation, fund selection and other investment services to TDAIM. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021.

TDAIM's Essential Portfolios asset allocation methodology is based on risk and return parameters relying on historic, current, and forecasted data, and on implied risk and return estimates. The asset allocations use a strategic asset allocation approach that is value driven and generally consist of broadly diversified asset allocations that TDAIM will reassess at least annually or more frequently as warranted by market conditions. TDAIM will have a primary ETF and if possible at least one alternate/replacement ETF for each asset class in consideration of, among other things, tax-loss harvesting and client-initiated investment restrictions.

The process TDAIM uses to select ETFs is similar to the one it uses for mutual funds. TDAIM analyzes the ETFs available through TD Ameritrade. In making the ETF recommendations, however, TDAIM puts a greater focus on evaluating the particular risk characteristics of ETFs (such as trading volume, liquidity, and discounts). TDAIM also spends time determining how best to combine ETFs, as their strategies can be much more narrowly focused than mutual funds and may offer less asset class coverage. As ETFs that are used in the service are passively managed, manager history is not considered in the evaluations. TDAIM and TD Ameritrade do not accept 12b-1 fees, other service-related fees, or revenue sharing payments from the fund companies or funds utilized in our advisory service or ETF assets held in the Essential Portfolios. TD Ameritrade and our other affiliates might receive compensation from ETFs utilized in the advisory service on assets held outside of the Essential Portfolios, but that compensation does not influence TDAIM's recommendations.

TDAIM may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts if the ETFs are compatible with his or her strategy. We reserve the right to accept and utilize in the client's portfolio ETFs that were previously recommended by us. This may result in TDAIM maintaining different sets of ETFs in client portfolios. For example, if a client was in a self-directed portfolio and switched to an Essential Portfolio and moved compatible ETFs from a self-directed portfolio to the new Essential Portfolio, TDAIM may retain the ETFs if they are valid for the new portfolio even though the ETF may not be the number one ranked ETF for the asset class. Maintaining compatible ETFs in the new Essential Portfolio may be a benefit to the client as it may reduce potential tax liabilities. The limitations on compatible ETFs contained in this paragraph apply to both initial and subsequent contributions. We will assume discretion as to the compatible ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or in the course of management of his or her strategy.

### **iii. ETF Transactions**

In order to begin placing trades for a client's Essential Portfolio, the client's TD Ameritrade Investing Account application (including related forms) and other required forms must first be received and approved. Next, after the client deposits cash in their TD Ameritrade Investing Account in the amount at or above a certain threshold specified in the TDAIM Service Agreement, the recommended trades will be placed in the account during the next trading window. (TDAIM intends to enter the transactions with TD Ameritrade at approximately the same time every business day on which securities markets are open, but reserves the right to change the time when appropriate). We will aggregate orders of recommended purchases and sells and enter the orders with TD Ameritrade Clearing, Inc. (See response below at *Brokerage Practices* of this disclosure brochure.)

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), or 2) significant trading volume, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and we determine it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job. We also reserve the right to execute ETF transactions using market orders per client request or extenuating circumstances lead to an account missing a trading window. For example, when a client requests an immediate liquidation and distribution from an account after the daily trading window has closed and before the next trading day. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

In addition, the dividends from the ETFs generally will not be reinvested and clients will have the option to request systematic withdrawals including dividend disbursements. However, requests for systematic withdrawals that may invade principal will be reviewed and we reserve the right to not accept the request. Furthermore, if the client's account falls below the approved account minimum as a result of taking systematic withdrawals, the client acknowledges that TDAIM retains the right to cancel the client's systematic withdrawal request. ETFs can provide a diversified portfolio. However, ETFs are subject to risk similar to those of stocks. Portfolio investment returns will fluctuate and are subject to market volatility.

### **e. Tax-Loss Harvesting**

TDAIM offers a tax-loss harvesting ("TLH") feature. It is a strategy designed to help manage your portfolio in a tax-efficient manner by seeking to lower your taxes by selling securities at a loss to offset potential capital gains. Tax-loss harvesting is not appropriate for all investors. It generally is more beneficial to investors in higher tax brackets and high tax states. For more information, please see our whitepaper at <https://www.tdameritrade.com/investment-guidance/investment-management-services/tax-loss-harvesting/tax-loss-harvesting-wash-sales.page>.

The TLH feature is currently only available in taxable accounts utilizing the Essential Portfolios or Selective Portfolios services, which use ETFs as the investments, and in certain Personalized Portfolios. In addition, accounts with certain investment restrictions are not eligible for the TLH feature.

For clients who have enrolled in the TLH feature, generally each trading day TDAIM will attempt to review your account for any ETFs that have unrealized losses. Specifically, we look at the individual tax lot to identify investment losses meeting or exceeding a specified loss threshold and dollar amount. If these thresholds are met, that tax lot will be sold. To replace the sold security, we will attempt to buy shares of a replacement security if there is a replacement security available that fits your portfolio's asset allocation and risk characteristics and itself is not subject to the 30 day wash sale period. TDAIM does not represent or guarantee that the objectives of the TLH feature will be met or that a replacement security will be available when a tax lot is sold. In some instances with the Socially-Aware portfolio models, the availability of a replacement security with the appropriate environmental, social governance characteristics will be limited. In these instances, TDAIM generally utilizes non-socially aware ETFs as a replacement and then rebalance back into the primary ETFs after the wash sale period has passed. Wash sales, missed tax-loss events, excess cash or inadvertent gains may be generated. The performance of the replacement security may be better or worse than the performance of the security that is sold for tax-loss harvesting purposes. TDAIM will execute the tax-loss harvesting trades on a best efforts basis as there are situations when we are unable to harvest losses due to possible wash sale avoidance or to avoid excess cash in the portfolio. In addition, during volatile markets, small gains may be harvested as the price of the security being sold for a loss may move between the time of the TLH calculations and the scheduled daily trading job. When you enroll in the tax-loss harvesting feature, the enrollment is on an account basis and does not apply to other TDAIM portfolios you may have.

**TDAIM and its affiliates do not provide tax advice. We suggest you consult a tax-planning professional with regard to your personal circumstances as to whether the TLH feature is appropriate for you.**

You should educate yourself regarding the Internal Revenue Service ("IRS") wash sale rule. The IRS identifies the specifics of this rule in IRS Publication 550. In brief summation, the IRS established the wash sale rule to limit an investor's ability to claim a tax loss. If you do not have any capital gains or you have more losses than gains, you can use up to \$3,000 of investment losses to offset your income.

The IRS prohibits an investor from claiming a tax loss if an investor repurchases the same security (or a substantially similar security) either 30 days before OR 30 days after selling a security for a loss. To evaluate whether an investor violated the wash sale rule or not, the entire trading activity of an investor must be reviewed. Our TLH feature is only available on an account basis and does not apply to other TDAIM portfolios you may have. Each eligible TDAIM portfolio must be enrolled separately in the TLH feature. Accordingly, we do not base tax loss situations on activity that happens in your other TDAIM portfolios or any other brokerage account. So it is important to review all your taxable and non-taxable accounts including your spouse's accounts and accounts of business entities controlled by you to determine if you run the risk of violating the wash sale rule.

The wash sale rule postpones losses on a sale, if replacement shares are bought around the same time.

### **f. Drift-Based Rebalancing**

Depending on your selected model, there will generally be an annual, quarterly or monthly rebalancing of your portfolio along with automatic drift- based rebalancing designed to keep the portfolio close to its target allocations during higher market volatility.

Through natural market movements, a security may drift from its target allocation. Drift-based rebalancing is designed to automatically bring an allocation back to its target allocation. When certain parameters are triggered, a rebalance occurs to bring the security back to its target allocation and reallocate/rebalance across the portfolio.

## **2. Personalized Portfolios – General Description**

The Personalized Portfolios discretionary service involved the use of Morningstar Investment Management as an investment consultant to TDAIM, as described above under A. *Services Provided*. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021.

CSIM services to TDAIM with respect to the Personalized Portfolios include but are not limited to:

1. Leveraging annual Capital Market Expectations that are used to produce strategic asset allocations for each approved model;
2. Recommendation of appropriate mutual funds and ETFs for the various portfolio models,
3. Discussion around periodic tactical changes to the portfolio models based on changing market and economic conditions;
4. Ongoing due diligence of the funds used in the model portfolios and periodic recommendations for adding or removing funds from the models (such as: performance concerns, fund manager departures, market exposures, tactical positioning, etc.); and
5. Production of periodic client-facing marketing materials that typically contain market and portfolio analysis.

**Personalized Portfolios are closed to new and existing investors as of April 1, 2022. Existing investors will continue to be able to change strategies, make deposits and request withdrawals of funds, etc. per the terms of their investment management agreement but can no longer open an additional account.**

TDAIM will recommend an appropriate long-term asset allocation strategy to Personalized Portfolios clients according to the client's planned funding, investment objectives, risk tolerance, investment time horizon, age (in certain circumstances), employment status, likelihood of significant withdrawals from the account, any supplemental information, and any reasonable restrictions (collectively, "Profile Information"). In any case, TDAIM clients will convey their Profile Information to an FC who will help prospects become TDAIM clients. Then the FC will forward the client's Profile Information to a TDAIM Portfolio Consultant ("PC") to have more extended discussions around goal planning. The PC will work with the client to build a tailored portfolio based on the client's Profile Information. The client will be recommended a Strategy (Core, Tax-Aware, Socially Aware, etc.) using a combination of ETFs, mutual funds and/or SMAs. However, after further discussing their needs with a PC, the PC may recommend another strategy that may be more appropriate for the client because of client imposed investment restrictions, client preferences, or management style. The other strategies include, but are not limited to, Tax-Aware, Socially-Aware, Ultra-Conservative, Ultra-Aggressive, Income and Growth, and Equity Income Portfolios and/or the client may be recommended a +/- 5% variance on the recommended Strategy's equity allocation. Clients who enter a relatively short time horizon will receive a relatively conservative portfolio recommendation regardless of their risk tolerance. The construction of your Personalized Portfolio(s) is based solely on the information provided by you to TDAIM and is assembled in consideration of the suitability and risk tolerance presented specific to your portfolios. A Personalized Portfolio is not intended to provide a complete financial plan.

Assets held at other financial institutions, while used in the assessment of your overall investment and risk profile, are a snapshot in time and are not monitored, reviewed, or in any way evaluated in the ongoing management of the advisory accounts by TDAIM. You are responsible to contact your Financial Consultant if you have changes to your assets not managed by TDAIM or if there is a change to your financial circumstances that would necessitate the need for an updated assessment of your Personalized Portfolio.

Securities used in a strategy may include, but are not limited to, ETFs, closed-end funds, open-end mutual funds, common or preferred stock, convertible stocks or bonds, options, warrants, and rights as well as corporate, municipal, or government bonds, notes, or bills. We may also recommend allocating portions of your account into a Separately Managed Account ("SMA"). TDAIM will place uninvested cash in your account into a cash sweep vehicle. The cash buffer ensures the availability of cash for payment of our advisory fee and provides liquidity to cover potential price changes in market orders. In taxable accounts, the cash sweep vehicle is the TD Ameritrade FDIC Insured Deposit Account ("IDA") provided by one or more banks ("Program Banks"). The IDA is insured up to the applicable FDIC limits. In non-taxable accounts, the cash sweep vehicle is a US Government money market fund, the Vanguard Treasury Money Market Fund. Investments in money market funds are subject to restrictions, charges, and expenses described in the prospectus. Money market funds are securities that may increase or decrease in value. They are not insured or guaranteed by the FDIC, any government agency, TDAIM, or its affiliates, and there can be no assurance that such funds will be able to maintain a stable net asset value of \$1 per share. You understand that you will receive periodic statements for sweep transactions involving money market funds in lieu of immediate confirmations. TDAIM's advisory fee applies to the portion of the account maintained in cash. If you decide to leave cash or cash alternatives in the account that are not managed by TDAIM, you are not charged a fee until they are invested in the portfolio. (See *Fees and Compensation* below.) TD Ameritrade Investing Accounts are opened as cash accounts rather than margin accounts and margin is not available. In addition, we generally do not allow clients to fund their TD Ameritrade Investing Accounts with cash borrowed from a margin account, whether from another TD Ameritrade brokerage account or another unrelated broker-dealer account.

In order to participate in the Personalized Portfolios Service, the client will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. The client grants TDAIM discretion in the TD Ameritrade Investing Account to buy, sell, or otherwise trade securities or other investments in the account without discussing the transactions with the client in advance. To the extent that a client decides to implement any TDAIM recommendation through his or her TD Ameritrade brokerage account, TD Ameritrade acts solely as a broker on an unsolicited basis in connection with such transactions and is not acting as an advisor to the client. TDAIM will make investment decisions for the account according to the investment objectives and financial circumstances described in the client's Profile Information or such documents that outline the client's assets, goals, investment time horizon, and risk tolerance. In addition, the client grants TDAIM the authority to delegate any or all of its discretionary authority and any other rights, powers and functions granted to TDAIM to the sub-advisor described below, which will assist TDAIM in providing services to the client. We are not authorized to withdraw cash or securities from the client's account other than in connection with the payment of our advisory fees as described in the *Fees and Compensation and Custody* sections below.

TDAIM's discretionary decisions generally are made without considering potential tax consequences to the client, but such consequences may be taken into account in connection with possible fund substitutions within the same mutual fund family. The client is responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to or withdrawal of assets from the client's account). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by TDAIM. See response below at *Methods of Analysis, Investment Strategies, and Risk of Loss* of this disclosure brochure.



TDAIM has appointed Sawtooth Solutions, LLC, a federally registered investment advisor, as sub-advisor to the client (hereinafter, the "Sub-Advisor"). The Sub-Advisor has been selected to provide additional services to the client. Those services include portfolio management services such as trading, account monitoring, and performance reporting as well as for the selection, due diligence, and access to the Model Managers in the Sub-Advisor's Managed Account Program. The Sub-Advisor has the discretionary authority to (i) invest and reinvest the assets in the account, and (ii) implement the models in the Managed Account Program described below. The Sub-Advisor shall bear no responsibility or liability for any portions of the client accounts it does not manage.

The Sub-Advisor offers the Managed Account Program (the "Program"). The Program provides the client with access to the investment management services of the Sub-Advisor, which includes the selection of (i) individual securities, or (ii) one or more proprietary model portfolios, or (iii) the model portfolios of various third-party investment advisors. A third-party investment advisor, or "Model Manager," provides the research and development for their model portfolio as well as continuous monitoring of the selection and allocation of securities utilized in the model portfolio.

The Sub-Advisor will receive from the Model Manager all purchase and sale recommendations for the model portfolios that will enable the Sub-Advisor to manage client assets in accordance with a Model Manager's recommendations. In the event the Sub-Advisor's proprietary model portfolio is utilized in the client's account, the Sub-Advisor will provide the related purchase and sale recommendations.

The Sub-Advisor will monitor the performance of the client's account and may reallocate the client's account assets among the available Model Manager's model portfolios according to the individual needs and circumstances of the client. The Sub-Advisor will have full discretion to allocate and reallocate the account and to increase or decrease the portion of the account allocated to each Model Manager, including itself. The Sub-Advisor also acts as a "manager of managers" by retaining and replacing any third-party Model Manager, by allocating and reallocating the account among the Model Managers in the Program, or by allocating to individual securities.

Under certain circumstances, the Sub-Advisor may offer the client the ability to utilize a proprietary model developed by a third-party advisor. In such cases, the Sub-Advisor will implement standard Model Manager due diligence on the advisor, including but not limited to; examining the experience, expertise, investment philosophies, and past performance of the advisor to determine if it has demonstrated an ability to invest over a period of time and in different economic conditions. The Sub-Advisor reserves the right to decline any advisor's proposed strategy for any reason. If accepted, the Sub-Advisor will enter into a standard Model Portfolio Agreement with the advisor to provide third-party research that will include purchase and sale recommendations in the form of a model portfolio to be used in the management of the investments in the Client's Account.

TDAIM and TD Ameritrade provide periodic comprehensive reporting services via ByAllAccounts, which can incorporate other client investment assets including those investment assets that are not part of the assets managed by TDAIM (the "Excluded Assets") (assets over which the client maintains trading authority vs. trading authority designated to another investment professional). The service relative to the Excluded Assets is limited to reporting services only, which does not include investment implementation. Because TDAIM and TD Ameritrade do not have trading authority for the Excluded Assets, to the extent applicable to the nature of the Excluded Assets, the client (and/or the other investment professional), and not TDAIM or TD Ameritrade shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets.

Furthermore, the client and the client's advisors that maintain trading authority, and not TDAIM or TD Ameritrade, shall be exclusively responsible for the investment performance of the Excluded Assets. Without limiting the above, TDAIM and TD Ameritrade shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets.

#### **i. Asset Allocations**

Morningstar Investment Management had constructed and recommended to TDAIM the asset allocations for the Personalized Portfolios. As noted above, the agreement for Morningstar Investment Management's consulting services to TDAIM terminated on February 7, 2021 and CSIM's consulting services to TDAIM began on February 8, 2021. The asset allocations have used a strategic asset allocation approach that is value driven and generally consists of broadly diversified asset allocations. TDAIM will strive to meet the asset allocation targets as closely as possible while accounting for fund-specific attributes. However, the actual allocations will fluctuate (for example, in response to changing market conditions). That is because of the nature of mutual fund investment activity and changes in the underlying holdings. In addition, the allocations are subject to change without notice.

TDAIM will have a primary security along with at least one alternate security for each asset class in consideration of, among other things, tax-loss harvesting and client-initiated investment restrictions.

#### **ii. ETF and Mutual Fund Recommendations**

The client will be recommended a Strategy (Core, Tax-Aware, Socially Aware, etc.) using a combination of ETFs, mutual funds and/or SMAs.

The TDAIM fund universe includes the thousands of mutual funds and ETFs available on the TD Ameritrade platform. The funds are carefully screened and analyzed by TDAIM using a set of qualitative and quantitative factors including but not limited to risk-adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity.

TDAIM will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to our clients on the TD Ameritrade platform is being selected. If a selected mutual fund has a lower expense share class that is available to TDAIM clients, we will select it for use in the Personalized Portfolios, so long as we determine the share class is suitable for our clients. TDAIM and TD Ameritrade do not accept 12b-1 fees, other service-related fees, or revenue sharing payments from the mutual fund companies or funds utilized in our advisory service for assets held in the Personalized Portfolios. TD Ameritrade and our other affiliates might receive compensation from mutual fund companies or funds utilized in the advisory service on assets held outside of the Personalized Portfolios, but that compensation does not influence TDAIM's recommendations.

The process TDAIM uses to select ETFs is similar to that for mutual funds. TDAIM analyzes the ETFs available through TD Ameritrade. In selecting ETFs, however, TDAIM puts a greater focus on evaluating the particular risk characteristics of ETFs (such as trading volume, liquidity, and discounts). TDAIM also spends time determining how best to combine ETFs, as their strategies can be much more narrowly focused than mutual funds and may offer less asset class coverage. As the ETFs that are used in the service are passively managed, manager history is not considered in the evaluations.

TDAIM may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts if the ETFs are compatible with his or her strategy. We reserve the right to accept and utilize in the client's portfolio ETFs that are considered compatible. This may result in TDAIM maintaining different sets of ETFs in client portfolios. TDAIM may retain the ETFs if they are valid for the new portfolio even though the ETF may not be the number one ranked ETF for the asset class. Maintaining compatible ETFs may be a benefit to the client as it may reduce potential tax liabilities. The limitations on compatible ETFs contained in this paragraph apply to both initial and subsequent contributions. We will assume discretion as to the compatible ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or in the course of management of his or her strategy.

ETF trades in a TD Ameritrade Investing Account holding Personalized Portfolios are executed according to, and dependent upon, the number of shares of a particular ETF that are submitted for trading during regular market hours.

If the client's account falls below the approved account minimum as a result of taking systematic withdrawals, the client acknowledges that TDAIM retains the right to cancel the client's systematic withdrawal request. ETFs can provide a diversified portfolio. However, ETFs are subject to risk similar to those of stocks. Portfolio investment returns will fluctuate and are subject to market volatility.

### **iii. Incompatible Securities**

Asset deposits to TD Ameritrade Investing Accounts, from internal (TD Ameritrade) or external sources, may be subject to recommendations made by TDAIM for funding of Personalized Portfolio strategies. TDAIM will not charge for liquidations of securities in TD Ameritrade Investing Accounts. Assets identified as not subject to liquidation recommendations will be transferred in-kind to a TD Ameritrade retail brokerage account for self-directed management by the client. The Investing Account will not be actively managed until all the incompatible securities have either been liquidated or transferred from the account. We do not charge advisory fees on incompatible securities in the client's TD Ameritrade Investing Account. See response below at *Fees and Compensation* of this disclosure brochure.

### **iv. Tax-Loss Harvesting**

TDAIM offers a tax-loss harvesting ("TLH") feature for the ETF portion of a Personalized Portfolio. It is a strategy designed to help manage your portfolio in a tax efficient manner by seeking to lower your taxes by selling securities at a loss to offset potential capital gains. Tax-loss harvesting is not appropriate for all investors. It generally is more beneficial to investors in higher tax brackets and high tax states. For more information, please see our whitepaper at <https://www.tdameritrade.com/investment-guidance/investment-management-services/tax-loss-harvesting/tax-loss-harvesting-wash-sales.html>.

With Personalized Portfolios, the TLH feature is currently only available with the ETF portion of taxable accounts. In addition, accounts with certain investment restrictions are not eligible for the TLH feature.

For clients who have enrolled in the TLH feature, each trading day TDAIM will review your account for any ETFs that have unrealized losses. Specifically, we look at the individual tax lot to identify investment losses meeting or exceeding a specified loss threshold and dollar amount. If these thresholds are met, that tax lot will be sold. To replace the sold security, we will attempt to buy shares of a replacement security if there is a replacement security available that fits your portfolio's asset allocation and risk characteristics and itself is not subject to the 30-day wash sale period. TDAIM does not represent or guarantee that the objectives of the TLH feature will be met or that a replacement security will be available when a tax lot is sold. In the Socially-Aware portfolio models, the availability of a replacement security with the appropriate environmental, social governance characteristics is limited. Wash sales, missed tax-loss events, excess cash or inadvertent gains may be generated. The performance of the replacement security may be better or worse than the performance of the security that is sold for tax-loss harvesting purposes. TDAIM will execute the tax-loss harvesting trades on a best efforts basis as there are situations when we are unable to harvest losses due to possible wash sale avoidance or to avoid excess cash in the portfolio. In addition, during volatile markets, small gains may be harvested as the price of the security being sold for a loss may move between the time of the TLH calculations and the scheduled daily trading job.

**TDAIM and its affiliates do not provide tax advice. We suggest you consult a tax-planning professional with regard to your personal circumstances as to whether the TLH feature is appropriate for you.**

You should educate yourself regarding the Internal Revenue Service ("IRS") wash sale rule. The IRS identifies the specifics of this rule in IRS Publication 550. In brief summation, the IRS established the wash sale rule to limit an investor's ability to claim a tax loss. If you do not have any capital gains or you have more losses than gains, you can use up \$3,000 of investment losses to offset your income.

The IRS prohibits an investor from claiming a tax loss if an investor repurchases the same security (or a substantially similar security) either 30 days before OR 30 days after selling a security for a loss. To evaluate whether an investor violated the wash sale rule or not, the entire trading activity of an investor must be reviewed. Our TLH feature is only available on an account basis and does not apply to other TDAIM portfolios you may have. Each eligible TDAIM portfolio must be enrolled separately in the TLH feature. Accordingly, we do not base tax loss situations on activity that happens in your other TDAIM portfolios or any other brokerage account. So it is important to review all your taxable and non-taxable accounts, including your spouse's accounts and accounts of business entities controlled by you, to determine if you run the risk of violating the wash sale rule. The wash sale rule postpones losses on a sale, if replacement shares are bought around the same time.

### **v. Drift-Based Rebalancing**

Through natural market movements, a security may drift from its target allocation. Drift-based rebalancing is designed to automatically bring an allocation back to its target allocation. When certain parameters are triggered, a rebalance occurs to bring the security back to its target allocation and reallocate/rebalance across the portfolio.



## Fees and Compensation

### i. Financial Planning

Clients will be notified in the event that TDAIM charges fees for financial planning, as they are not currently being charged.

### ii. Selective Portfolios Using Mutual Fund Investments

#### **a. Core Mutual Fund Portfolios and Managed Risk Portfolio Fee Schedule (effective April 1, 2022)**

Account Value	Annual Advisory Fee*
First \$0 - \$100K	0.90%
Next \$100k - \$250k (or portion thereof)	0.70%
Next \$250k - \$500k (or portion thereof)	0.50%
Next \$500k - \$1M (or portion thereof)	0.30%
Additional assets above \$1M +	0.20%

#### **b. Supplemental Income Portfolios Fee Schedule (effective April 1, 2022)**

Account Value	Annual Advisory Fee*
First \$0 - \$100k	0.75%
Next \$100K - \$250K (or portion thereof)	0.60%
Next \$250k - \$500k (or portion thereof)	0.45%
Next \$500k - \$1M (or portion thereof)	0.30%
Additional assets above \$1M +	0.20%

\* In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. The minimum initial investment is generally \$25,000 and \$100,000 for certain business accounts. However, clients can fund an account and implement a portfolio with a lesser dollar amount specified in the TDAIM Service Agreement. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that TDAIM's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$25,000 minimum. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. We do not bill advisory fees on accounts with an account value of \$1,000 or less. All pricing is subject to change on reasonable notice.

The applicable TDAIM fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement our advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade, and the fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, we will collect a prorated fee for the balance of the quarter upon account funding.

Advisory fees are not charged on assets that are not directly under our management. This means that fees are not charged on (i) cash outside of the portfolio strategy (for example, client-initiated transactions to raise cash for future withdrawal) or (ii) on incompatible securities that are temporarily held in the related TD Ameritrade account. Advisory fees will be charged for all other compatible assets, including cash held within the portfolio strategy.

If the client closes their related TD Ameritrade account during a quarter, TDAIM will refund to the client the unearned portion of the previously collected fee, which will be calculated on a prorated basis by days. The Core Mutual Fund, Supplemental Income Portfolios, and Managed Risk Portfolio may use mutual funds or share classes that may not be available to you as a retail investor. If you terminate your advisory relationship with TDAIM, we reserve the right to redeem any and all shares of such funds and you may incur a gain or loss from the liquidation. In lieu of liquidation, if available, we reserve the right to convert the shares into a share class for which you are eligible and you will be subject to the terms and conditions including expenses per the mutual fund prospectus and there may be tax consequences.

The above pricing is in the context of clients who deal directly with TDAIM and TD Ameritrade. We reserve the right to provide our services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as portfolio consulting). We also reserve the right to vary our fee structure for such other types of clients and in such other contexts, as well as for TD Ameritrade employees.

If the market value of a client's account falls below the minimum for his or her strategy due to him or her withdrawing assets from the account, TDAIM may require the client to deposit additional money to bring the account up to the required minimum, and we reserve the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade.

Mutual fund companies utilized by the Selective Portfolios service reserve the right to charge fund-imposed, short-term redemption fees as detailed in the fund prospectus on transactions initiated due to client requests to raise cash. The mutual funds available in the Selective Portfolios may be available directly from the fund companies, per the terms of the fund prospectuses and without paying the TDAIM advisory fees. However, the mutual funds may be subject to applicable sales charges and other restrictions. Please refer to the fund prospectus for more information. Conversely, TDAIM may provide access to mutual funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

Clients are also responsible for paying the mutual fund expenses of the underlying funds. The expenses include underlying fund advisory fees and other fund service fees. Please see the fund prospectuses for more information. The mutual fund expenses are separate and apart from the TDAIM advisory fee.

The maximum investment amount will vary depending on the model selected and the client's Profile Information. If the investment amount exceeds the maximum for the model, the client will be contacted by a TDAIM representative to discuss the suitability of the model. If we are unable to contact the client within 30 days, we reserve the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

### **iii. Selective Portfolios Using Exchange Traded Fund Investments**

#### **a. Core Exchange Traded Funds Portfolios and Opportunistic Portfolio Fee Schedule (effective April 1, 2022)**

<b>Account Value</b>	<b>Annual Advisory Fee*</b>
First \$0 - \$100k	0.90%
Next \$100k - \$500k (or portion thereof)	0.75%
Next \$500k - \$1M (or portion thereof)	0.65%
Additional assets above \$1M +	0.50%

\* In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. TD Ameritrade will charge a Regulatory Fee on certain transactions. These charges are typically based on fees assessed under various regulations applicable to transactions. It may include any of the following: a sales fee on certain sell transactions (assessed at a rate consistent with Section 31 of the Securities Exchange Act of 1934), the Options Regulatory Fee (applicable to options transactions), and the Trading Activity Fee (assessed at a rate consistent with Section 1 of Schedule A of FINRA's By-Laws), among other charges. Transactions in foreign securities (including foreign company ADRs that trade in the U.S.) may include taxes and fees charged by the foreign markets or governments, which may be reflected in the price of the security or charged as an independent line item on your monthly statement.

<b>*Regulatory Fees</b>	
"Section 31" Fee <sup>1</sup>	\$0.0000051 per \$1.00 of transaction proceeds
Options Regulatory Fee <sup>2</sup>	\$0.009946 per options contract
Trading Activity Fee <sup>3</sup>	\$0.000130 per equity share \$0.00218 per options contract \$0.00082 per bond \$0.0000082 x value per asset-backed security trade

\*Subject to change

<sup>1</sup> Applies to certain sell transactions, assessed at a rate consistent with Section 31 of the Securities Exchange Act of 1934. TD Ameritrade remits these fees to certain self-regulatory organizations and national securities exchanges, which in turn make payment to the SEC. These fees are intended to cover the costs incurred by the government, including the SEC, for supervising and regulating the securities markets and securities professionals. The rate is subject to annual and mid-year adjustments which may not be immediately known to TD Ameritrade; as a result, the fee assessed may differ from or exceed the actual amount of the fee applicable to your transaction. Any excess may be retained by TD Ameritrade. Fees are rounded to the nearest penny.

<sup>2</sup> This fee varies by options exchange, where an options trade executes, and whether the broker responsible for the trade is a member of a particular exchange. As a result, TD Ameritrade calculates a blended rate that equals or slightly exceeds the amount it is required to remit to the options exchanges.

<sup>3</sup> This fee is assessed at a rate consistent with Section 1 of Schedule A of FINRA's By-Laws for trading activity. Current rates are: \$0.000130 per share for each sale of a covered equity security, with a maximum charge of \$6.49 per trade; \$0.00218 per contract for each sale of an option; \$0.00082 per bond for each sale of a covered TRACE-Eligible Security (other than an Asset-Backed Security) and/or municipal security, with a maximum charge of \$0.82 per trade; and \$0.0000082 times the value, as reported to TRACE, of a sale of an Asset-Backed Security, with a maximum charge of \$0.82 per trade. Fees are rounded to the nearest penny.

The minimum initial investment is generally \$25,000 and \$100,000 for certain business accounts. However, clients can fund an account and implement a portfolio with a lesser dollar amount specified in the TDAIM Service Agreement. The maximum initial investment will vary depending on the model and suitability considerations.

Please note that TDAIM's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$25,000 minimum. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. We do not bill advisory fees on accounts with an account value of \$1,000 or less. All pricing is subject to change on reasonable notice.

The applicable TDAIM fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement our advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. The fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, TDAIM will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under our management. This means that fees are not charged on (i) cash outside of the portfolio strategy (for example, client-initiated transactions to raise cash for future withdrawal) or (ii) on incompatible securities that are temporarily held in the related TD Ameritrade account. Advisory fees will be charged for all other assets, including cash held within the portfolio strategy. If the client closes their related TD Ameritrade account during a quarter, TDAIM will refund to the client the unearned portion of the previously collected fee which will be calculated on a prorated basis by days.

The above pricing is in the context of clients who deal directly with TDAIM and TD Ameritrade. We reserve the right to provide our services to other types of clients (such as participants in 401(k) plans) and in other contexts (such as portfolio consulting). We also reserve the right to vary our fee structure for such other types of clients and in such other contexts, as well as for TD Ameritrade employees.

If the market value of a client's account falls below the minimum for his or her strategy due to the client withdrawing assets from the account, TDAIM may require the client to deposit additional money to bring the account up to the required minimum, and we reserve the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade.

Clients are also responsible for the fees and expenses for owning the ETFs. The expenses may include underlying fund advisory fees and other fund service fees. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the TDAIM advisory fee. ETFs are available outside of our services without paying the advisory fee but will be subject to trade commission and/or other transactions charges. Conversely, we may provide access to funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

The maximum investment amount will vary depending on the model selected and the client's Profile Information. If the investment amount exceeds the maximum for the model, the client will be contacted by a TDAIM representative to discuss the suitability of the model. If we are unable to contact the client within 30 days, we reserve the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

#### **iv. Essential Portfolios**

<b>Annual Advisory Fee*</b>
0.30%

\* In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in TD Ameritrade Investing Accounts. TD Ameritrade will charge a Regulatory Fee on certain transactions. Please see the description of *Regulatory Fees under Fees and Compensation, iii. Selective Portfolios Using Exchange Traded Fund Investments*.

Please note that TDAIM's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. Such employees also may be allowed to open related TD Ameritrade accounts at levels below the standard \$500 minimum. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. We do not bill advisory fees on accounts with an account value of \$50 or less. All pricing is subject to change on reasonable notice.

The applicable TDAIM fee will be assessed at the beginning of each quarter, in advance for that quarter. Clients will implement our advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. The fee will be deducted from the assets in the related introducing account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc. If the client opens their related TD Ameritrade account during a quarter, we will collect a prorated fee for the balance of the quarter upon account funding. Advisory fees are not charged on assets that are not directly under our management. This means that fees are not charged on (i) cash outside of the portfolio strategy (for example, client-initiated transactions to raise cash for future withdrawal) or (ii) on incompatible securities that are temporarily held in the related TD Ameritrade account. Advisory fees will be charged for all compatible assets, including cash held within the portfolio strategy. If the client closes their related TD Ameritrade account during a quarter, TDAIM will refund to the client the unearned portion of the previously collected fee which will be calculated on a prorated basis by days.

The above pricing is in the context of clients who deal directly with TDAIM and TD Ameritrade. We also reserve the right to vary our fee structure for other types of clients (such as participants in 401k plans) and in such other contexts, (such as portfolio consulting) as well as for TD Ameritrade employees.

If the market value of a client's account falls below the minimum for his or her strategy due to the client withdrawing assets from the account, TDAIM may require the client to deposit additional money to bring the account up to the required minimum, and we reserve the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade.

Clients are also responsible for the fees and expenses for owning the ETFs. The expenses may include underlying fund advisory fees and other fund service fees. Please see the fund prospectuses for more information. The ETF expenses are separate and apart from the TDAIM advisory fee. ETFs are available outside of our services without paying the advisory fee but will be subject to trade commission and/or other transactions charges. Conversely, we may provide access to funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

The maximum investment amount will vary depending on the model selected and the client's Profile Information. If the investment amount exceeds the maximum for the model, the client will be contacted by a TDAIM representative to discuss the suitability of the model. If we are unable to contact the client within 30 days, we reserve the right to restrict trading and billing on the account until the client is contacted and the issue is resolved.

#### **v. Personalized Portfolios**

<b>Account Value</b>	<b>Annual Advisory Fee</b>
First \$500,000	0.90%
Next \$500,000	0.75%
Above \$1 Million	0.60%

The client's annual advisory fee is based on a percentage of the value of assets in the client's account that are allocated for the client's Personalized Portfolio. The advisory fee is calculated monthly, applied in arrears, and deducted from the client's account. It is determined by the average daily balance of assets under management in the client's account and, is charged in the following month. In connection with this fee, TD Ameritrade charges no commissions for all eligible transactions in the accounts. The minimum initial investment is \$250,000 for a portfolio consisting of one or more individual accounts, each having at least a \$50,000 minimum. If the market value of the client's account falls below its respective minimum, due to the client's withdrawal of assets, TDAIM may require the client to deposit additional money to bring the account back to the required minimum. We reserve the right to discontinue our advisory relationship with the client and transfer the securities to a like-titled brokerage account with TD Ameritrade.

Please note that TDAIM's advisory fees may be waived, in whole or in part, at our sole discretion, including in connection with promotional efforts or special pricing arrangements. In addition, the fee may be waived, in whole or in part, for employees and certain former employees of TD Ameritrade and its affiliates. We also reserve the right to negotiate pricing in individual circumstances for clients with large accounts or multiple accounts, not assess the minimum annual fee in certain circumstances, provide offers to new and prospective clients, and may grandfather the annual advisory fee of pre-existing advisory relationships. All pricing is subject to change on reasonable notice.

The TDAIM annual advisory fee does not include underlying ETF, closed-end fund, or open-end mutual fund expenses taken at the individual fund level. These are the standard expenses that all shareholders pay. The expenses include underlying fund advisory fees and other fund service fees. The mutual funds available in the portfolio may be available directly from the fund companies, per the terms of the fund prospectuses and without paying our advisory fees. However, the mutual funds may be subject to applicable sales charges and other restrictions. Please refer to the fund prospectus for more information. ETFs are available outside of TDAIM without paying the "Annual Advisory Fee" and "Sub-Advisor's Fee" but may be subject to trade commission and/or other transaction charges. Conversely, TDAIM may provide access to mutual funds or classes of funds that our clients may not be qualified to purchase outside of our advisory service. Our annual advisory fee covers TDAIM's ongoing advisory services for your portfolio. TD Ameritrade will charge a Regulatory Fee on certain transactions. Please see the description of Regulatory Fees under *Fees and Compensation, iii. Selective Portfolios Using Exchange Traded Fund Investments*. The annual advisory fee also does not cover charges resulting from transfer taxes, exchange fees, Securities and Exchange Commission (SEC) fees, odd-lot differentials, handling charges, electronic fund and wire transfer fees, and any other charges imposed by law or otherwise agreed to with regard to your account, in connection with our advisory service.

In addition to the "Annual Advisory Fee," the "Sub-Advisor's Fee" is for the services provided by the Sub-Advisor, as described in this Agreement. Those services include servicing, trading, and reporting on the client's account as well as the selection, due diligence, and access to the Model Managers in the Program. It should be noted that a change in the allocation amongst the model portfolios and other assets utilized in the client's account may change the overall Sub-Advisor's Fee that will be charged to the client's account. The Sub-Advisor's Fee is reflected in the Initial Investment Strategy Allocation Form provided in Exhibit A of the Investment Management Agreement, which outlines the initial allocation of assets in the client's account.

Mutual fund companies utilized by the Personalized Portfolios service reserve the right to charge fund-imposed, short-term redemption fees as detailed in the fund prospectus on transactions initiated due to client requests to raise cash. The mutual funds available in the Personalized Portfolios may be available directly from the fund companies, per the terms of the fund prospectuses and without paying the TDAIM advisory fees. However, the mutual funds may be subject to applicable sales charges and other restrictions. Please refer to the fund prospectus for more information. Conversely, TDAIM may provide access to mutual funds or classes of funds that clients may not be qualified to purchase outside of our advisory service.

#### **vi. Portfolio Consultant**

The Nebraska Educational Savings Plan Trust had paid to TDAIM, in connection with the portfolio consulting services described under "*Types of Clients*" below, a consulting fee equal to .10% annually of the net daily market value of the assets within the Plan accounts invested in the age-based and static portfolios (calculated daily but payable monthly in arrears). The agreement was terminated March 2, 2021.

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

TDAIM does not receive performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Advisory Business and the Fees and Compensation* sections above and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

### **Types of Clients**

TDAIM generally provides financial planning and asset allocation services to individuals and trusts, but may provide such services to institutions, as well. These services are provided through the Internet or software applications to a national clientele. The financial planning services are incidental to the asset allocation services.

The TDAIM asset allocation services are made available to brokerage clients of TD Ameritrade. The minimum initial investment for the Selective Portfolios services required for a TD Ameritrade Investing Account is generally \$25,000 (minimum investment amount for corporate/business accounts is \$100,000). The minimum initial investment for the Essential Portfolios service for a TD Ameritrade Investing Account is: 1) \$500 on the condition that you set up automatic recurring deposits through your TD Ameritrade Investing Account. Recurring deposits are available by electronic bank transfers (ACH). If recurring deposits cease before reaching a \$5,000 balance in your TD Ameritrade Investing Account, we will require you to re-authorize recurring deposits or deposit additional money to bring your account up to \$5,000. If these conditions are not met, we reserve the right to discontinue

our advisory relationship with you and transfer the securities into a like-titled account with TD Ameritrade; or 2) \$5,000; or 3) \$100,000 for corporate/business accounts. The minimum initial investment for the Personalized Portfolios service required for a TD Ameritrade Investing Account is \$250,000 for a portfolio consisting of one or more individual accounts, each having at least a \$50,000 minimum. In addition, if the market value of a client's account falls below the minimum for his or her strategy due to he or she withdrawing assets from the account: 1) the client's asset allocation of his or her portfolio may vary from the target asset allocation due to the lack of funds, 2) TDAIM may require the client to deposit additional money to bring the account up to the required minimum, and 3) we reserve the right to discontinue the advisory relationship and transfer the securities into a like-titled brokerage account with TD Ameritrade. If you set up automatic recurring deposits, it is possible that smaller deposits may not always be invested as investing and your portfolio rebalancing occur when certain parameters are triggered which is designed to keep your portfolio close to its target allocation. Furthermore, the terms and conditions applicable to a TD Ameritrade Investing Account will apply to any brokerage activities in such an account.

TDAIM previously acted as a portfolio consultant to the Program Manager for the TD Ameritrade 529 College Savings Plan ("Plan") and renders certain investment research and consulting services in connection with the Program Manager's recommendations of investment alternatives for the Plan. The agreement relating to the 529 program was terminated effective March 2, 2021.

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

### **i. Selective Portfolios Using Mutual Fund Investments and the Managed Risk Portfolio**

TDAIM had retained Morningstar Investment Management as an investment consultant to provide asset allocation and fund selection services for the portfolios, but that arrangement ceased when the agreement between them terminated on February 7, 2021. CSIM began providing investment consulting services to TDAIM on February 8, 2021. The Core Mutual Fund Portfolios are diversified asset allocation portfolios.

The Supplemental Income Portfolios are diversified asset allocation portfolios generally for more conservative investors who may want supplemental income for retirement or other purposes or as a complement to other investment strategies with a secondary goal of growth. Due to the conservative nature of the portfolios, TDAIM has created only two models: Conservative and Moderate. The Managed Risk Portfolio is designed to use an absolute return strategy to limit volatility and provide protection against a decline in the equity markets. TDAIM will establish the asset allocations. The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current, and forecasted data; and 2) the use of a tactical asset allocation tool based on modern portfolio theory.

The TDAIM fund universe includes the thousands of mutual funds available on the TD Ameritrade platform. The funds are carefully screened and analyzed by TDAIM using a set of qualitative and quantitative factors. The factors include but are not limited to risk-adjusted performance, variance of returns, tax efficiency, expenses (including as to different expense levels associated with different mutual fund share classes), style consistency, and style purity as described above in *Advisory Business iv. Mutual Fund Recommendations*.

The selected funds are generally no-load or load-waived mutual funds on the TD Ameritrade platform. The classes of these funds may include retail, institutional, or other share classes, depending on TD Ameritrade's agreement with a particular mutual fund or its service providers. We will attempt to obtain waivers of short-term redemption fees and purchase minimums where possible, as well as to access to lower expense share classes, where available. We will attempt to ensure that the lowest expense share class available to clients on the TD Ameritrade platform is being selected. In some cases, however, the less expensive share class may not be available to TDAIM clients.

Information used in making the goal planning and TDAIM asset allocation recommendations is based upon industry accepted methods and criteria for evaluating a client's investment goals, based upon information provided by the client relating solely to the assets each client chooses to invest in accordance with a financial plan or a TDAIM asset allocation model.

The principal TDAIM investment strategy is the long-term purchase of funds (investment time horizon of more than one year). However, depending on the circumstances, and as a result of factors such as client liquidity needs, rebalancing, profile changes, and allocation model adjustments, not all funds purchased may be held for at least a year.

If the client chooses to use Selective Portfolios, the client must authorize TDAIM to exercise discretionary trading authority over the assets in the client's strategy, which includes the initial allocation and ongoing rebalancing for the strategy. This discretionary authority allows TDAIM to buy, sell, exchange, or otherwise trade the assets in the client's strategy without the approval of each transaction in the client's dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. After the client's TD Ameritrade Investing Account application (including related forms) and other required paperwork are received and approved and the client deposits cash in his or her TD Ameritrade Investing Account in the amount at or above a certain threshold specified in the TDAIM Service Agreement, the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account.

TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

### **ii. Selective Portfolios Using ETF Investments and Essential Portfolios**

TDAIM retained Morningstar Investment Management to provide asset allocation and fund selection services for the Selective Portfolios. That arrangement ceased on February 7, 2021, when the agreement between them terminated, and CSIM began providing consulting services to TDAIM on February 8, 2021. The Core ETF Portfolios are diversified asset allocation portfolios. The principal TDAIM investment strategy is for clients to make long-term purchases of ETFs. However, depending on the circumstances, and as a result of factors such as client liquidity needs, rebalancing, profile changes, and allocation model adjustments, not all ETFs purchased may be held for at least a year. TDAIM will reassess the model portfolios quarterly (or more frequently as warranted by market conditions). We will process the transactions for all applicable clients in the applicable models within a reasonable time frame.

The Opportunistic Portfolios seek long-term growth with a tactical investment approach and additional equity sector rotation strategy. The use of a tactical investment approach generally involves a more active portfolio management strategy to pursue short-term opportunities in different sectors or countries based on changes to the market. The Opportunistic Portfolios have additional asset classes that allow for tactical shifts (rebalancing). This allows for rebalancing assets into sectors with potential larger returns and decreasing assets in sectors with lower potential opportunities. The qualitative calculations determine the momentum/volatility of the whole equity market and each asset class. The quantitative calculations review the fundamental dynamic asset allocation which determines the overall equity and fixed income changes. The calculations produce the adjustments to the portfolios.



Essential Portfolios are diversified asset allocation portfolios and may be referred to as a robo-advisory service. The principal TDAIM investment strategy is for clients to make long-term purchases of ETFs. However, depending on the circumstances, and as a result of factors such as client liquidity needs, rebalancing, profile changes, and allocation model adjustments, not all ETFs purchased may be held for at least a year.

The asset allocation methodology is based on two factors: 1) an estimate of risk/return parameters relying on historic, current, and forecasted data; and 2) the implementation of tactical asset allocation views. In addition, CSIM monitors the available ETFs using factors, but not limited to: performance, liquidity, expenses, trading, and tax considerations.

Information used in making the goal planning and TDAIM asset allocation recommendations is based upon industry-accepted methods and criteria for evaluating a client's investment goals, based upon information provided by the client relating solely to the assets each client chooses to invest in accordance with a financial plan or a TDAIM asset allocation model.

If the client chooses to use a Selective Portfolio or an Essential Portfolio, the client must authorize TDAIM to exercise discretionary trading authority over the assets in the client's strategy, which includes the initial allocation and ongoing rebalancing for the strategy. This discretionary authority allows TDAIM to buy, sell, exchange, or otherwise trade the assets in the client's strategy without the approval of each transaction in the client's dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. With a Selective Portfolio using ETF investments, after the client deposits cash in his or her TD Ameritrade Investing Account in an amount at or above a certain threshold specified in the TDAIM Service Agreement the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account.

With an Essential Portfolio, after the client deposits cash in his or her TD Ameritrade Investing Account in an amount at or above a certain threshold specified in the TDAIM Service Agreement, the recommended trades will be placed in the account during the trading window. Clients will be able to invest in one strategy per account. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

### **Types of Investments**

ETFs are investment companies that are registered under the Investment Company Act of 1940, typically as open-end funds or unit investment trusts ("UITs"). They have the flexibility of trading intraday. Most ETFs are passively managed and may provide investors with diversification, cost and tax efficiency, liquidity, and marginability. ETFs sell and redeem their shares at net asset value ("NAV") only in large blocks of shares (such as 50,000) called "Creation Units" and track specific domestic and foreign market indices. Institutional investors create or redeem the Creation Units. After creation, the ETF shares trade between investors like a stock. Because ETF shares trade freely and continuously, the market determines prices, and investors can buy or sell shares at any time that the markets are open. ETFs are priced continuously by the market, so there is a potential for trading to take place at a price other than the NAV. However, because large institutions can create or redeem ETFs at any time, these large institutions take advantage of any significant mispricing through a simultaneous purchase and sale transaction called arbitrage. Arbitrage offers a small but risk-free profit to the institution, while forcing prices to remain close to their NAV.

An index-based ETF seeks to track the performance of its corresponding index by either replicating the securities in the index or holding a representative sample of the securities in the index. Because ETFs are passively managed, their expenses are typically lower than the expenses of actively managed mutual funds, which generally have higher management fees and brokerage expenses due to portfolio trading. In addition, ETF expenses are often lower than the expenses of index funds. However, investors who purchase and sell ETF shares in secondary market transactions generally pay brokerage commissions in connection with those transactions.

ETFs may be used as long-term investments, as they are for TDAIM asset allocation purposes. ETFs also may be used by others as short-term investments. For those investors who trade more frequently, ETFs offer the ability to purchase and sell ETF shares in the secondary market at a known price anytime during the trading day, to purchase ETF shares on margin, and to sell ETF shares short without regard to the "up-tick" rule.

*Risks Associated with Investing in ETFs.* Equity-based ETFs are subject to risks similar to those of stocks, and fixed-income-based ETFs are subject to risks similar to those of bonds. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Foreign-based ETFs have unique and greater risks than domestic-based ETFs including fluctuations due to changes in a currency's exchange rate and political risk. Equity ETF risks include possible pricing delays in times of extreme market volatility, liquidity risk, and market risk.

Fixed-income ETF risks include:

- Credit risk: the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner.
- Interest rate risk: the risk that the market value of the bonds will go down when interest rates go up.
- Prepayment risk: the risk that a bond will be paid off early.
- Liquidity risk: the risk that certain assets may not be readily converted into cash due to lack of demand in the market.
- Market risk: the risk that the value of an investment may decline due to changes in general economic or market conditions. Please note that **past performance is no guarantee of future results.**

#### **i. Selective Portfolios**

##### **a. Selective Core Mutual Fund Portfolios**

The Selective Core Mutual Fund Portfolios service recommends mutual funds as part of an asset allocation model. They primarily include equity and fixed-income mutual funds with investment objectives that closely match the asset/subasset classes of the asset allocation models used by TDAIM.

Mutual funds are investment companies that are registered under the Investment Company Act of 1940. Most mutual funds are managed by investment advisors who research, select, and monitor the securities in the fund. Mutual funds sell and redeem their shares at NAV. The mutual funds recommended in the Selective Portfolios are selected from the mutual funds available on the TD Ameritrade platform. The classes of these funds may include retail, institutional, or other share classes, depending on the applicable mutual fund and TD Ameritrade's agreement with the particular mutual fund or its service providers. TDAIM generally selects the lowest expense share class available to our clients on the TD Ameritrade platform.



*Risks Associated with Investing in Mutual Funds.* Equity-based mutual funds are subject to risks similar to those of stocks, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. International mutual funds are subject to fluctuations due to changes in a currency's exchange rate and political risk. Fixed-income mutual funds (bond funds) fluctuate with the bond market. Fixed-income risks include:

- Credit risk: the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner
- Interest rate risk: the risk that the market value of the bonds will go down when interest rates go up.
- Prepayment risk: the risk that a bond will be paid off early.

#### **b. Core ETF Portfolios**

The Core ETF Portfolios use ETFs as part of an asset allocation model as described under ii. *Selective Portfolios Using ETF Investments and Essential Portfolios* of this section.

#### **c. Supplemental Income Portfolios**

The Supplemental Income portfolios offer investment strategies designed to provide both income and total returns while limiting your exposure to volatility. The portfolios are not cash vehicles, cash alternatives, or money market funds and are not for short-term investing (less than one year) and should not be viewed or used for these objectives. The Supplemental Income Portfolios hold equity and bond mutual funds that have risks inherent to investing in these securities, including market and credit risk, and possible loss of value as described under ii. *Selective Supplemental Income Portfolios Details* of this section.

#### **d. Opportunistic Portfolios**

The Opportunistic Portfolios use ETFs as part of an asset allocation model as described under ii. *Selective Portfolios Using ETF Investments and Essential Portfolios* of this section.

#### **e. Managed Risk Portfolio**

The Managed Risk Portfolio service seeks to limit portfolio volatility in an effort to provide protection against a decline in the equity markets. The service seeks to pursue this goal by investing in certain mutual funds that, when combined in a single portfolio, provide the desired volatility characteristics and return expectations. The service is not designed to outperform stocks and bonds in strong markets. There is no guarantee the underlying mutual funds will achieve positive returns or that the service's objectives will be achieved. The Managed Risk Portfolio service is not a cash vehicle, cash alternative, or money market fund equivalent, and is not for short-term investing (less than one year). It should not be viewed or used for these objectives. The mutual funds used in the Managed Risk Portfolio service invest in securities (including mutual funds) and strategies with inherent risks, including market, credit, geographical, and derivatives risk. The funds entail possible loss of value as described under i. *Selective Portfolios Using Mutual Fund Investment and the Managed Risk Portfolio* of this section.

The underlying mutual fund managers may use investment mandates which allow them to consider a variety of opportunities for their mutual funds including, but are not limited to:

1. Stocks
2. Bonds
3. Commodities
4. Derivatives
5. Cash

Funds used in the service may include the following types of financial instruments in their portfolios: derivative instruments, including options, futures, swaps, structured securities, and other derivative instruments which may involve a high degree of financial risk. Commodity linked mutual funds are investments intended to provide exposure to one or more physical commodities or commodities indices. The value of a commodity linked mutual fund may be affected by market movements and factors specific to a particular commodity or industry, such as weather, embargoes, and international economic, political, and regulatory developments. Derivatives are securities derived from an underlying asset. The most common types of derivatives are futures contracts, options, and swaps. The risks of investing in a derivative include liquidity, interest rate, market, credit, and management risks. Also, the value of a derivative may not correlate with the underlying asset. The funds may also pursue an arbitrage strategy and have the risk that securities purchased pursuant to the strategy intended to take advantage of a perceived relationship between the value of two securities may not perform as expected. In addition, the funds may invest in foreign securities, which may be more volatile than investments in U.S. securities and will be subject to fluctuation and sudden economic and political developments. Furthermore, the funds used may have wide flexibility as to asset allocation as governed by their prospectuses and their chosen asset allocations may prove to have been undesirable. While the funds have flexibility as to their allocation, from time to time, it may be possible that multiple funds used in the Managed Risk Portfolio may invest in a similar asset class(es) to pursue market opportunities. This may result in the overall portfolio allocations being more highly concentrated in a small number of asset classes.

#### **ii. Personalized Portfolios**

The Personalized Portfolios use ETFs and mutual funds as part of an asset allocation model as described above in this section. In addition, Separately Managed Accounts "SMAs" may be used to provide diversification or specialization within a particular sector of the market. Due to direct equity ownership, SMAs have risks including (but not limited to):

- Market risk: the risk that the value of an investment may decline due to changes in general economic or market conditions.
- Credit risk: the risk that a company or bond issuer may fail to pay principal and interest payments in a timely manner.
- Interest rate risk: the risk that the market value of the bonds will go down when interest rates go up.
- Prepayment risk: the risk that a bond will be paid off early.
- Liquidity risk: the risk that certain assets may not be readily converted into cash due to lack of demand in the market.

- Sector risk: the risk that all of the securities in an entire sector will be affected by economic or other factors which pertain to that sector more specifically than other sectors.
- Currency risk: the risk that arises from the change in price of one currency against another.
- Commodity risk: the uncertainty that stems from changing prices that adversely impact the financial results of those who both use and produce that commodity.

Please note that **past performance is no guarantee of future results.**

TDAIM attempts to recommend securities that do not generate a Schedule K-1. However, in certain circumstances, a security held in an SMA will generate a Schedule K-1. A Schedule K-1 is an Internal Revenue Service (IRS) tax form issued annually for an investment in partnership interests. The purpose of the Schedule K-1 is to report each partner's share of the partnership's earnings, losses, deductions, and credits. It serves a similar purpose for tax reporting as one of the various Forms 1099, which report dividend or interest from securities or income from the sale of securities. Please seek the advice of a tax professional for more about Schedule K-1.

## **Risk of Loss**

The TDAIM asset allocation service and recommendations have been developed based on historical performance of the standard asset classes (stocks, bonds, and cash) and of representative index fund products, including ETFs, mutual funds, and index funds, as well as concepts of modern portfolio theory. Modern Portfolio Theory ("MPT") suggests that investors can limit the volatility in their portfolio, while improving its performance, by spreading the risk among different types of securities that do not always behave the same way. It is a principle of investing that higher potential returns carry higher risk, and conversely, for lower risk, investors must accept lower expected returns. According to MPT, a portfolio (a combination of individual investments) exhibits risk and return characteristics based on its composition and the way those components correlate with each other. For each level of risk, there is an "optimal" asset allocation that is designed to produce the best balance of risk versus return. An optimal portfolio will provide neither the highest returns, nor the lowest risk of all possible portfolio combinations—it will attempt to balance the lowest risk for a given level of return and the greatest return for an acceptable level of risk.

The investment analysis information generated by the TDAIM service is hypothetical, does not reflect actual investment results and does not guarantee future results. Our analysis primarily focuses on mutual funds and index ETFs that track to broad indices, including foreign equity, domestic equity, and bond indices, and may provide investors with diversification, cost and tax efficiency, and liquidity. Other investment vehicles that are not included in the modeling process may have characteristics similar or superior to mutual funds, ETFs, or index funds.

Investing in securities involves risk of loss that the client should be prepared to bear. TDAIM does not represent or guarantee that its asset allocation services and recommendations can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that a client's financial goals and objectives will be met. Past performance is in no way an indication of future performance.

TDAIM's recommendations generally are made without considering potential tax consequences to the client. The client is responsible for any tax liabilities resulting from transactions (including any arising from the addition of assets to or withdrawal of assets from the client's account). We make no representation regarding the likelihood or probability that any proposed investing plan will in fact achieve a particular investment goal. We are unable to predict or forecast market fluctuations or other uncertainties that may affect the value of any investment. Clients are urged to seek the advice of tax professionals and to use all available resources to educate themselves about investing in general, as well as the investments and the overall portfolio composition suggested by TDAIM.

## **General Risks**

### **Risk of Loss**

There are inherent risks to investing in TDAIM's investment strategies, including, but not limited to:

### **Management Risks**

TDAIM applies its investment techniques and risk analyses in making portfolio management decisions or recommendations for its clients, but there can be no guarantee that they will produce the desired results. In addition, there is no guarantee that a strategy based on historical information will produce the desired results in the future, and if market dynamics change, the effectiveness of the strategy may be limited. Each strategy runs the risk that investment techniques will fail to produce the desired results. There also can be no assurance that all of the key personnel will continue to be associated with the firm for any length of time.

### **Investment Risks**

Investments in securities, including ETFs and mutual funds and the securities that they in turn invest in, involve various risks, including those summarized below. In addition, each ETF and mutual fund has its own investment style, which may involve risks different from those described below. Clients and prospective clients should be aware that investing in securities involves risk of loss that clients should be prepared to bear.

### **Model Risks**

TDAIM may use quantitative analyses and/or models. Any imperfections, limitations, or inaccuracies in its analyses and/or models could affect its ability to implement strategies. By necessity, these tools make simplifying assumptions that may limit their effectiveness. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate, and/or it may not include the most current information available.

## Cybersecurity Risks

Information security risks for financial institutions are increasing, in part because of the use of the internet and mobile technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, activists, hackers and other external parties, including foreign state actors. Our systems and those of other financial institutions have been and will continue to be the target of cyber-attacks, malicious code, computer viruses, ransomware, and denial of service attacks that could result in unauthorized access, misuse, loss, or destruction of data (including confidential client information), account takeovers, and the unavailability of service or other events. We seek to reduce these risks through controls and procedures believed to be reasonably designed to address these risks. Despite our efforts to ensure the integrity of our systems, we may not be able to anticipate or to implement effective preventive measures against all security breaches of these types, and security breaches could still occur that would halt or impair our ability to provide advisory services. System interruptions, errors or downtime can result from a variety of causes, including changes in client use patterns, technological failure, changes to our systems, linkages with third-party systems and power failures and can have a significant impact on our business and operations. It could take an extended period of time to restore full functionality to our technology or other operating systems in the event of an unforeseen occurrence, which could affect our ability to manage client assets and deliver advisory services. We will respond to breaches with appropriate resources in an effort to contain and remediate the cause of the breach and restore operations.

## ETF General Risks

ETFs in which the strategy may invest involve certain inherent risks generally associated with investments in a portfolio of underlying securities, including the risk that the general level of underlying security prices may decline, thereby adversely affecting the value of each unit of the ETF. Moreover, an ETF may not fully replicate the performance of its benchmark index because of the temporary unavailability of certain securities in the secondary market or discrepancies between the ETF and the benchmark index with respect to the weighting of securities or the number of securities held. Investing in ETFs carries the risk of capital loss. ETFs are not guaranteed or insured by the FDIC or any other government agency. You can lose money investing in ETFs.

ETFs in which the strategies invest have their own fees and expenses as set forth in the ETF prospectuses. These fees and expenses lower investment returns. Although ETFs themselves are generally classified as equities, the underlying holdings of ETFs can include a variety of asset classes, including but not limited to equities, bonds, foreign currencies, physical commodities, and derivatives. A full disclosure of the specific risks of ETFs is located in the respective prospectus of each fund.

ETFs may have exposure to derivative instruments, such as futures contracts, forward contracts, options, and swaps. There is a risk that a derivative may not perform as expected. The main risk with derivatives is that some types can amplify a gain or loss, potentially earning or losing substantially more money than the actual cost of the derivative, or that the counterparty may fail to honor its contract terms, causing a loss for the ETF. Use of these instruments may also involve certain costs and risks, such as liquidity risk, interest rate risk, market risk, credit risk, management risk, and the risk that an ETF could not close out a position when it would be most advantageous to do so.

## Market/Systemic Risks

Equity and fixed income and other global capital markets rise and fall daily. The performance of client investments is, to varying degrees, tied to these markets. When markets fall, the value of a client's investments will fluctuate, which means a client could lose money.

## Asset Allocation/Strategy/Diversification Risks

The asset allocation decisions can result in more portfolio concentration in a certain asset class or classes, which could reduce overall return if the concentrated assets underperform expectations. The more aggressive the investment strategy selected, the more likely the portfolio will contain larger weights in riskier asset classes, such as equities. The asset classes in which an investment strategy in the TDAIM seeks investment exposure can perform differently from each other at any given time (as well as over the long term), so the investment strategy will be affected by its allocation among the various asset classes. As noted in the *"Methods of Analysis, Investment Strategies, and Risk of Loss"* section, under certain market conditions, the Cash Allocation results in lower overall portfolio performance, for example when other riskier assets outperform cash. Depending on market conditions, there may be times where diversified portfolios perform worse than less diversified portfolios.

## Geographic Concentration Risk

Portfolios concentrated in any one geographic region can be more susceptible to that region's political and economic risk. For example, a portfolio that is concentrated in the United States will be more susceptible to the United States' political and economic risk, as compared to a more globally diversified portfolio.

## Trading/Liquidity Risks

A particular ETF may be difficult to purchase or sell or may become difficult to sell after being purchased for a client account. TDAIM may be unable to sell ETFs on behalf of a client at an advantageous time and/or price due to then-existing trading market conditions.

## Large Investment Risks

Clients may collectively account for a large portion of the assets in certain ETFs. A decision by TDAIM to buy or sell some or all of a particular ETF or mutual fund where clients hold a significant portion of such may negatively impact the value of that security.

## Counterparty Risks

There may be a risk of an executing broker failing to deliver securities. This may result in a loss to the client [TDAIM] working with [Schwab], will attempt to mitigate trading counterparty risk through its broker selection program included in *"Brokerage Practices."* ETFs may have some "product" or "structural" risk associated with underlying derivatives, as they will sometimes provide market exposure through indirect means, like futures, options, and forwards contracts.

## **Investment Limitation Risks**

TDAIM Clients could be limited in their ability to invest in certain unaffiliated ETFs. SEC rules governing fund of funds arrangements on which Schwab mutual funds and Schwab ETFs may rely place limits on investments by those Schwab mutual funds and Schwab ETFs, together with their “advisory group” (which could be deemed to include TDAIM clients), in unaffiliated ETFs. Accordingly, to the extent that one or more Schwab mutual funds or Schwab ETFs invest in the same unaffiliated ETF as clients in the TDAIM in reliance on those SEC rules, the Schwab mutual funds, Schwab ETFs and TDAIM clients, collectively, would be limited to owning no more than 25% of the unaffiliated ETFs outstanding shares.

## **Custodian Risks**

TD Ameritrade is a Securities Investor Protection Corporation (“SIPC”) member brokerage firm and maintains SIPC protection. SIPC offers protection of up to \$500,000, including a \$250,000 limit for cash, if a member brokerage firm fails. SIPC covers most securities, such as stocks, bonds, ETFs, and mutual funds, but does not protect against market loss.

## **Tax Risks**

The Program is not designed to address specific tax objectives. There is no guarantee that the tax-loss harvesting strategy in the Program will reduce, defer or eliminate the tax liability generated by a client’s investment portfolio in any given tax year. Also, gains and losses associated with some commodities may be taxed differently than standard short-term and long-term capital gains and losses. Clients should consult a professional tax advisor for help with their unique situations.

## **Underlying Securities Risks**

### **Equity-Related Risks**

#### **General Risks**

The prices of equity securities, and thus the value of ETFs or mutual funds that invest in them, will rise and fall. These price movements may result from factors affecting individual companies, industries, or the securities market as a whole. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies may suffer a decline, in response. In addition, the equity market tends to move in cycles, which may cause stock prices to fall over short or extended periods of time.

#### **Large- and Mid-Cap Risks**

Large- and/or mid-cap U.S. stocks, along with mutual funds and ETFs that focus on large- and/or mid-cap segments of the U.S. stock market, bear the risk that they tend to go in and out of favor based on market and economic conditions. However, stocks of mid-cap companies tend to be more volatile than those of large-cap companies because mid-cap companies tend to be more susceptible to adverse business or economic events than larger, more established companies. During a period when large- and/or mid-cap U.S. stocks fall behind other types of investments—bonds or small-cap stocks, for instance—the performance of the portion of the investment strategies invested in large- and/or mid-cap stocks may lag the performance of these other investments.

#### **Small-Cap and International Risks**

Historically, small-cap and international stocks have been riskier than large- and mid-cap U.S. stocks (also see the “*Foreign Investment–Related Risks*” section below for additional information). During a period when small-cap and/or international stocks fall behind other types of investments—U.S. large- and mid-cap stocks, for instance—the performance of the portion of the investment strategies invested in small-cap or international stocks may lag the performance of these other investments.

### **Fixed Income–Related Risks**

#### **General Risks**

Bond markets rise and fall daily, and fixed income investments, which generally also include instruments with variable or floating rates (including cash and cash-like investments), are subject to various risks. As with any investment whose performance is tied to bond markets, the value of a fixed income investment, ETF, or mutual fund will fluctuate, which means that the client could lose money.

#### **Interest Rate Risks**

When interest rates rise, bond prices usually fall, and with them the value of an ETF or mutual fund holding the bonds. A decline in interest rates generally raises bond prices, and with them potentially the value of a bond fund or ETF share, but could also hurt the performance of an ETF or mutual fund by lowering its yield (which could increase reinvestment risk). The longer the duration of the investments held by an ETF or mutual fund, the more sensitive to interest rate movements its value is likely to be.

#### **Credit Risks**

A decline in the credit quality of a fixed income investment, whether real or perceived, could cause the value of a fixed income security, ETF, or mutual fund to fall. The security, ETF, or mutual fund could lose value if the issuer or guarantor of an investment fails to make timely principal or interest payments or otherwise honor its obligations. The emphasis of a fixed income strategy on relatively higher credit quality and preservation of capital also could cause a security, ETF, or mutual fund to underperform certain other types of bond investments, particularly those that take greater maturity and credit risks.

## **High-Yield Risks**

Investments in ETFs or mutual funds that hold high-yield securities and unrated securities of similar credit quality (sometimes called junk bonds) are subject to greater levels of credit and liquidity risks. High-yield securities and the ETFs or mutual funds that invest in them may be considered speculative.

## **Government Securities Risks**

Many U.S. government securities are not backed by the full faith and credit of the United States government, which means they are neither issued nor guaranteed by the U.S. Treasury. Certain issuers of securities, such as the Federal Home Loan Banks ("FHLB"), maintain limited lines of credit with the U.S. Treasury. Securities issued by other issuers, such as the Federal Farm Credit Banks Funding Corporation, are supported solely by the credit of the issuer. There can be no assurance that the U.S. government will provide financial support to securities of its agencies and instrumentalities if it is not obligated to do so under law.

## **Bank Loans**

Investments in ETFs or mutual funds that hold bank loans are typically below investment-grade credit quality and may be subject to more credit risk, including the risk of nonpayment of principal or interest. Most bank loans are floating rate, whose interest rates are tied to a short-term reference rate, so substantial increases in interest rates may make it more difficult for issuers to service their debt and cause an increase in loan defaults. Bank loans are typically secured by collateral posted by the issuer, or guarantees of its affiliates, the value of which may decline and be insufficient to cover repayment of the loan. Many loans are relatively illiquid or are subject to restrictions on resales, have delayed settlement periods and may be difficult to value, which could have an adverse impact on the ability of the ETF or mutual fund to sell loans at an advantageous time and/or price. Loans are also subject to maturity extension risk and prepayment risk.

## **State and Regional Risks**

To the extent that a security, ETF, or mutual fund invests in securities from a given state or geographic region, its value and performance could be affected by local, state, and regional factors, including erosion of the tax base and changes in the economic climate. National governmental actions, such as the elimination of tax-exempt status, also could affect performance. In addition, an ETF or mutual fund may be more sensitive to adverse economic, business, or political developments if a substantial portion of it is invested in municipal securities that are financing similar projects.

## **Foreign Risks**

Investments in ETFs or mutual funds that hold securities of foreign issuers or securities with credit or liquidity enhancements provided by foreign entities may involve certain risks such as adverse changes in foreign economic, political, regulatory, and other conditions; differing accounting, auditing, financial reporting, and legal standards and practices; differing securities market structures; and higher transaction costs. In addition, sovereign risk, or the risk that a government may become unwilling or unable to meet its loan obligations or guarantees, could increase the credit risk of financial institutions connected to that particular country.

## **Foreign Investment–Related Risks**

### **General Risks**

Investments in securities of foreign issuers or ETFs or mutual funds that hold securities of foreign issuers may involve certain risks that are greater than those associated with investments in securities of U.S. issuers. These include risks of adverse changes in foreign economic, political, regulatory, and other conditions; changes in currency exchange rates or exchange control regulations (including limitations on currency movements and exchanges); differing accounting, auditing, financial reporting, foreign taxes, and legal standards and practices; differing securities market structures; differing trading and settlement practices; ownership restrictions; and higher transaction costs.

### **Emerging Markets Risks**

These and other risks (e.g., nationalization, expropriation, or other confiscation of assets of foreign issuers) are greater for those securities, ETFs, or mutual funds investing in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

### **Frontier Markets Risks**

The risks associated with investing in securities, ETFs, or mutual funds that hold foreign or emerging markets generally are magnified in frontier markets, also known as "next emerging" markets. Some frontier markets may operate in politically unstable regions of the world and may be subject to additional geopolitical/disruption-of-markets risks.

### **Geopolitical/Disruption-of-Markets Risks**

Geopolitical events may adversely affect global economies and markets and thereby decrease the value of and/or the ease of trading those securities, ETFs, or mutual funds invested in those affected markets. Those events as well as other changes in foreign and domestic economic and political conditions could adversely affect the value of the strategy's investments.

### **Currency Risks**

Fluctuations in exchange rates may adversely affect the value of ETFs or mutual funds that hold foreign currency holdings and investments denominated in foreign currencies.



## Risks Related to Other Asset Classes

### Commodities Risks

Commodities involve unique risks that may be distinct from those that affect stocks and bonds, including, but not limited to, worldwide supply and demand factors, weather conditions, currency movements, and international government policies regarding commodity reserves and choice of currency for commodity pricing. Commodities investments may also involve unique risks inherent to investing in derivatives, which may include basis, roll, liquidity, and regulatory risks. A detailed explanation of the risks is available in the prospectus of the respective commodity fund. Commodity pools may be subject to different regulatory requirements than traditional funds governed by the Investment Company Act of 1940.

### Hard Asset Risks

The production and distribution of hard assets, such as precious metals, oil and gas, real estate, and/or agricultural commodities, may be affected by geopolitical and environmental factors and are cyclical in nature. During periods of economic or financial instability, hard asset securities and other instruments may be subject to broad price fluctuations, reflecting volatility of energy and basic materials prices and possible instability of supply of various hard assets. Hard asset securities, hard asset companies, and other instruments may also experience greater price fluctuations than the relevant hard asset. Therefore, the return on hard asset securities can deviate from that of the hard asset itself.

### Real Estate Risks

Real estate-related investments (and the ETFs or mutual funds that hold them) may be adversely affected by factors affecting the real estate industry, which may include changes in interest rates and social and economic trends. Real estate investment trusts ("REITs") may also be subject to the risk of fluctuations in income from underlying real estate assets, poor performance by the REITs' managers, prepayments and defaults by borrowers, adverse changes in tax laws, and, with respect to U.S. REITs, their failure to qualify for the special tax treatment granted to REITs under the Internal Revenue Code of 1986 and/or to maintain exempt status under the Investment Company Act of 1940.

### Limitations of Disclosure

The foregoing list of risks does not purport to be a complete enumeration or explanation of the risks involved in TDAIM's strategies. As TDAIM's strategies develop and change over time, clients and investors may be subject to additional and different risk factors. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

## Disciplinary Information

Form ADV Part 2 requires investment advisors such as TDAIM to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business and/or our management. Neither TDAIM nor any of our management persons have been involved in any disciplinary events that would be material to a client's or prospective client's evaluation of TDAIM or the integrity of its management.

## Other Financial Industry Activities and Affiliations

An affiliate, CSIM, selects and recommends investment advisers to act as (i) sub-advisers for registered investment companies, which include mutual funds and exchange-traded funds ("ETFs," and collectively with mutual funds, "Registered Funds") advised by CSIM, (ii) sub-advisers to Charles Schwab Trust Bank (CSTB) collective investment trusts, (iii) investment advisers of mutual funds or ETFs in which CSIM advised Registered Funds or SMAs invest, or (iv) investment advisers to mutual funds or ETFs that are part of model portfolios or are used in CSTB collective investment trusts and TDAIM advised SMAs. Such investment advisers may have a business relationship with CS&Co whereby CS&Co has agreed to make mutual funds advised by such investment advisers available through Schwab's Mutual Fund Marketplace®. CS&Co receives fees from mutual funds and/or their affiliates for the services CS&Co provides in connection with Schwab's Mutual Fund Marketplace. CSIM does not take into consideration whether an investment adviser advises mutual funds that participate in these platforms when making its recommendations or selections. CS&Co also makes available certain Registered Funds advised by CSIM through its Schwab Mutual Fund OneSource® service, CS&Co's no load, no transaction fee platform. The fees paid to CSIM by the Registered Funds are (i) based upon a percentage of each Registered Fund's averaged daily net assets, (ii) described in their respective prospectuses and statements of additional information, and (iii) reflected in their financial statements, which are included in shareholder reports.

CS&Co has a financial interest in certain CSIM managed Registered Funds because it or its affiliates receive advisory and recordkeeping, shareholder servicing and other administrative servicing fees from those Registered Funds. This results in higher overall compensation to CS&Co., CSIM, and the ultimate parent entity, Schwab. CS&Co also receives fees from certain third-party funds (or their affiliates) for record keeping, shareholder services, and other administrative services and in certain cases, for marketing and promotion of a third party fund. The aggregate fees CS&Co or its affiliates receive from the CSIM managed Registered Funds may be greater than the fees CS&Co receives from third party funds.

TD Ameritrade is a registered broker-dealer that principally provides discount brokerage services. Most of TD Ameritrade's business is derived from brokerage and related services. TD Ameritrade client accounts are carried on a fully disclosed basis by its affiliates, or TD Ameritrade Clearing, Inc., and clients are charged discount brokerage commissions, as applicable. TD Ameritrade and our other affiliates receive compensation from third-party mutual fund companies or funds utilized in the advisory service on assets held outside of the TDAIM Portfolios.

TD Ameritrade offers the TD Ameritrade FDIC Insured Deposit Account ("IDA") as the cash sweep vehicle provided by one or more banks ("Program Banks").

TD Ameritrade Trust Company is a wholly owned subsidiary of TD Ameritrade Holding Corporation offering asset custody, trust, and full-service back-office support to a wide range of plan types. TD Ameritrade Trust provides services through institutional third-party administrators, record-keepers, and investment advisors.

TD Ameritrade and TD Ameritrade Clearing, Inc. are wholly owned subsidiaries of TD Ameritrade Holding Corporation.

TD Ameritrade Institutional provides custody, brokerage, and other financial services to independent financial advisors and their clients. TD Ameritrade Institutional is a division of TD Ameritrade (member FINRA/SIPC).



TD Ameritrade Holding Corporation is wholly owned by Schwab and the Corporation's subsidiaries accordingly are affiliated with CS&Co and its affiliates.

For additional information on TD Ameritrade, please visit TD Ameritrade's website at [tdameritrade.com](http://tdameritrade.com).

Charles Schwab Futures and Forex LLC is a CFTC-registered Futures Commission Merchant and NFA Forex Dealer Member. Charles Schwab Futures and Forex LLC is a subsidiary of Schwab. Charles Schwab Futures and Forex LLC offers futures and forex trading services through the thinkorswim trading platform. Platform tools and resources available include technical studies, interactive education, and specialist support.

TD Ameritrade Hong Kong Ltd. is registered with the Hong Kong Securities and Futures Commission ("SFC"), and provides retail investors in Hong Kong access to U.S. markets. TD Ameritrade Hong Kong Ltd. does not provide tax, legal, or investment advice or recommendations. Products and services offered in Hong Kong are provided by TD Ameritrade Hong Kong Ltd.

TD Ameritrade is the trading name of TD Ameritrade Hong Kong Ltd. in Hong Kong.

TD Ameritrade Singapore Pte. Ltd. is licensed by the Monetary Authority of Singapore ("MAS"), and provides retail investors in Singapore access to U.S. markets. TD Ameritrade Singapore Pte. Ltd. does not provide tax, legal, or investment advice or recommendations. Products and services offered in Singapore are provided by TD Ameritrade Singapore Pte. Ltd. TD Ameritrade is the trading name of TD Ameritrade Singapore Pte. Ltd. in Singapore.

TDAIM is an indirect wholly owned subsidiary of TD Ameritrade Holding Corporation (the "Corporation") through Financial Passport, Inc. ("FPI"). Because FPI is a wholly owned subsidiary of the Corporation, we are indirectly owned by the Corporation. The Corporation also owns TD Ameritrade and TD Ameritrade Clearing, Inc., registered broker-dealers, the former being an introducing broker and the latter being a clearing broker for TD Ameritrade. The Corporation is wholly owned by Schwab and the Corporation's subsidiaries accordingly are affiliated with CS&Co and its affiliates.

Pursuant to an intercompany agreement among TDAIM, TD Ameritrade Clearing, Inc. and TD Ameritrade, Inc., TD Ameritrade Clearing, Inc. and TD Ameritrade, Inc. provide services and support to TDAIM. In addition, TD Ameritrade, Inc. shares certain employees with TDAIM necessary to the operation of the company. Therefore, management persons of TDAIM generally are also employees of TD Ameritrade, Inc. and most management persons are also dually registered as registered representative of TD Ameritrade, Inc. The furnishing of services to TDAIM is undertaken under our oversight, review, approval, supervision, and control. Neither TD Ameritrade Clearing, Inc. nor TD Ameritrade, Inc. provide any investment advice or otherwise perform any function on behalf of TDAIM. We maintain all necessary records and information relating to the services it provides to meet its legal and contractual obligations.

TD Ameritrade FCs are generally dually registered as broker-dealer registered representatives of TD Ameritrade and as investment advisor representatives of TDAIM. In connection with the recent affiliation with CS&Co, beginning in 2022, FCs will also be dually registered with CS&Co. for the purposes of offering products and services provided by CS&Co. FCs in Nevada and North Carolina will not be dually registered but will be eligible to receive additional compensation for introducing clients to CS&Co. for certain of its products and services.

To implement a portfolio, TDAIM clients will need to open a dedicated brokerage account (known as a TD Ameritrade Investing Account) at TD Ameritrade. See response below to *Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading* of this disclosure brochure.

From time to time, TD Ameritrade may provide offers to existing and/or prospective clients with TD Ameritrade Investing Accounts related to the deposit of additional funds into their account or the opening of a new TD Ameritrade Investing Account.

TD Ameritrade is registered with the SEC as both a broker-dealer and an investment advisor. As a broker-dealer, TD Ameritrade may receive certain fees and commissions for effecting customer transactions. TD Ameritrade does not charge commissions on equity (exchange-listed U.S. stocks) and ETF (domestic and Canadian) transactions. TD Ameritrade, acting in such a broker-dealer capacity, will forward orders from its advisory clients to TD Ameritrade Clearing, Inc., its clearing broker, for execution on a fully disclosed basis. TD Ameritrade and certain affiliates underwrite securities, but TDAIM, in its capacity as an investment advisor, does not recommend these securities to its advisory clients. In addition, the cash allocation in taxable TD Ameritrade Investing Accounts is held in the TD Ameritrade FDIC Insured Deposit Account provided by one or more Program Banks. Three of the Program Banks are Schwab Bank, Charles Schwab Premier Bank SSB, and Charles Schwab Trust Bank, all of which are affiliates of TD Ameritrade and TDAIM through CS&Co. The Program Banks receive an economic benefit from the cash held in the TD Ameritrade FDIC Insured Deposit Account and compensate TD Ameritrade in connection with such accounts. See response below to *Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading* of this disclosure brochure. In non-taxable accounts, the cash sweep vehicle is a U.S. Government money market fund, the Vanguard Treasury Money Market Fund. Investments in money market funds are subject to restrictions, charges, and expenses described in the prospectus. Money market funds are securities that may increase or decrease in value. They are not insured or guaranteed by the FDIC, any government agency, TDAIM or its affiliates, and there can be no assurance that such funds will be able to maintain a stable net asset value of \$1 per share. Clients with taxable accounts have the option to switch from the Insured Deposit Account to the Vanguard Treasury Money Market Fund.

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

TDAIM adopted a Code of Ethics as of January 31, 2005, pursuant to Rule 204A-1 under the Investment Advisers Act of 1940. The Code is based on the fiduciary duty principle that clients' interests come first. The Code requires TDAIM's personnel to adhere to high standards of honest and ethical conduct and, among other things, to comply with various reporting and approval requirements as to securities transactions. Copies of the Code are available to clients or prospective clients upon request.

TDAIM's broker-dealer affiliate, TD Ameritrade, will effect transactions for compensation for clients. Once a client selects an asset allocation model, the advisory client may implement the model recommendations through a dedicated brokerage account at TD Ameritrade known as a TD Ameritrade Investing Account. Commissions may be charged for ETF and mutual fund transactions effected through TD Ameritrade, including those to implement, rebalance, or reallocate a TDAIM asset allocation model, although they are not currently being charged.

TD Ameritrade is registered with the SEC as both a broker-dealer and an investment advisor. As a broker-dealer, TD Ameritrade may receive certain fees and commissions for effecting customer transactions. TD Ameritrade, acting in such a broker-dealer capacity, will forward orders from its advisory clients to TD Ameritrade Clearing, Inc., its clearing broker, for execution on a fully disclosed basis. TD Ameritrade and certain affiliates underwrite securities, but TDAIM, in its capacity as an investment advisor, does not recommend these securities to its advisory clients. See response above to

#### *Other Financial Industry Activities and Affiliations* of this disclosure brochure.

In its investment advisory capacity, TD Ameritrade provides services with respect to its AdvisorDirect® advisor referral service, which generally has a \$500,000 minimum investment requirement. The AdvisorDirect service refers eligible TD Ameritrade retail clients to one or more independent investment advisory firms that offer traditional investment management and/or financial planning services. Such firms are clients of TD Ameritrade's Institutional division and have been screened for participation in AdvisorDirect. TD Ameritrade's clients could potentially receive advisory services from such independent advisors or receive advisory services from its affiliated advisor TDAIM. As a result, TD Ameritrade may have a conflict of interest when it guides prospects toward these services. TD Ameritrade has adopted incentive plan arrangements for its FCs as described in *Client Referrals and Other Compensation* below. TD Ameritrade also has implemented procedures to mitigate the conflict of interest and to help ensure its clients are referred to the appropriate advisory service. The procedures include qualification criteria designed, among other things, to identify the client's desire for the traditional services of an independent investment advisory firm or for the TDAIM service based on a number of factors to help ensure the appropriate advisory service is selected. TD Ameritrade is not an "investment manager" or otherwise a fiduciary within the meaning of the Employee Retirement Income Security Act of 1974, as amended, with respect to your account under AdvisorDirect. Responsibility for investment decisions is solely yours and that of your independent advisor. Under Advisor Direct, TD Ameritrade will provide information that will enable you to independently determine whether one or more Advisors are appropriate for your plan or account.

TDAIM prospects investing assets of an employee benefit plan subject to Title 1 of the Employee Retirement Income Security Act of 1974 ("ERISA") should be aware that TDAIM services are not designed for them and they are solely responsible for selecting TDAIM as the advisor for their plan or account. TD Ameritrade will not make that decision for them. Such prospects should seek information to enable them to independently determine whether our service is appropriate for them. Among the factors to be considered in making that determination are: (i) the role that TDAIM would play in the investment portfolio as a whole; (ii) the risk of loss and the opportunity for gain (or other return) associated with using our service; (iii) the composition of the plan's or account's investment portfolio with regard to diversification; (iv) the liquidity and current return of the plan's or account's investment portfolio relative to its anticipated cash flow requirements; and (v) the projected return on the plan's or account's investment portfolio relative to the prospect's investment objectives for the plan or account.

TDAIM's affiliates and TD Ameritrade associates (collectively "Associates") are allowed to invest in our portfolios through the same interactive software that is available to all clients. Associates may purchase the portfolios in the same manner as retail clients. In addition, Associates are subject to the TD Ameritrade Trading Policy, including the prohibition to not buy or sell securities on the basis of material nonpublic information.

Related persons of TDAIM are restricted from purchasing or selling any security (or derivative thereof) that they know or reasonably should know will be recommended in any of the Portfolios (a) in their personal accounts and (b) in accounts as to which they have beneficial ownership (which include (1) the accounts of a spouse, minor children, other persons living in their household, and non-emancipated adult children (collectively, "family members"), (2) trusts established for the related person's benefit, family members, or any other relative as to which trusts the related person has sole or shared voting or investment power and (3) entities in which the related person or his/her family members have sole voting or investment power or as to which the related person or his/her family members have shared voting or investment power and pecuniary interests.) However, the restriction does not apply to securities listed on the S&P 500 or other large cap issues with a market capitalization or net assets of \$5 billion or more or reasonable trading volume where a transaction in the security will not likely move the market.

Supervised Persons are subject to the trading restrictions as described above. In addition, as associates of TD Ameritrade, they are subject to the TD Ameritrade Trading Policy. Our discretionary ETF transactions are entered as block orders with TD Ameritrade and, if applicable, Associate accounts will be included in the block orders and will receive the same average price as clients to help ensure Associates do not benefit unfairly to the disadvantage of the clients. Furthermore, the list of recommended ETFs will be included on a "restricted list" and reviewed and compared against the personal trades of the Access Persons per the trading restrictions.

## **Brokerage Practices**

To implement any of the Portfolios, clients are required to open a TD Ameritrade Investing Account and use TD Ameritrade as the broker-dealer. Use of the discount brokerage service is a condition to implementing the discretionary investment advice provided through TDAIM. We feature TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in TDAIM-related securities. Brokerage services provided by TD Ameritrade, Inc. The TDAIM discretionary transactions will be executed during daily trading windows on an individual account basis. TD Ameritrade currently charges no commissions in connection with the discretionary transactions in associated TD Ameritrade accounts. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows. TD Ameritrade will charge a Regulatory Fee on certain transactions. Please see the description of Regulatory Fees under *Fees and Compensation, iii. Selective Portfolios Using Exchange Traded Fund Investments*. Requiring the use of TD Ameritrade, Inc. as the dedicated broker-dealer may prevent TDAIM from achieving the most favorable execution for client transactions, which may cost clients more money. Please see response above at *Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading* of this disclosure brochure. Also see response below at *Additional Compensation*.

### **Aggregation of Trades**

#### **a. Selective Portfolios Using Mutual Fund Investments and the Managed Risk Portfolio**

With the Core Mutual Fund, Managed Risk, and Supplemental Income Portfolios, TDAIM does not aggregate the orders. The discretionary transactions will be executed during daily trading windows on an individual account basis as mutual funds sell and redeem their shares at NAV. TD Ameritrade currently charges no commissions in connection with Selective Portfolios discretionary transactions in clients' associated TD Ameritrade accounts.

Based on the quarterly recommendations (or more frequently as warranted by market conditions) of the investment consultant, TDAIM may rebalance the portfolios. As noted above, the agreement for Morningstar Investment Management's services to TDAIM terminated on February 7, 2021 and CSIM began providing consulting services to TDAIM on February 8, 2021. When TDAIM rebalances the portfolios, there may be instances when a rebalance will entail a significant amount of transactions across all client accounts; we reserve the right to place the transactions over two or more consecutive trading days in order to reduce large price fluctuations that may occur by executing the trades on a single trading day. We will randomly select the portfolio models that will be traded on each of the two or more consecutive trading days if two consecutive days are needed to minimize price fluctuations. It is our policy that such transactions will be entered in a fair and equitable manner. There is no preferential treatment given to any one client account.

## **Trade Error Policy**

In the event TDAIM or TD Ameritrade makes an error that has a financial impact on a client's account, we will seek to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. We will evaluate each situation independently.

### **b. Selective Portfolios Using ETF Investments and Essential Portfolios**

With the Core ETF, Opportunistic Portfolios and Essential Portfolios, TDAIM typically aggregates orders for more than one client in the Selective and Essential Portfolios if it determines that aggregation is in the best interests of the clients. Clients participating in aggregated transactions will receive an average share price with all transaction costs shared on a pro-rata basis.

TDAIM intends to enter the aggregated orders for the transactions during the trading window at approximately the same time every business day on which securities markets are open. Our trade allocation policy is to allocate the purchase and sales of the recommended ETFs in a fair and equitable manner. The policy prohibits any trade allocation to favor one group or any particular client(s) more favorably than another group or any similar clients.

On a typical trading day, TDAIM generates a list of accounts that require a recommended initial allocation or rebalancing transactions. The list also includes accounts for client-initiated transactions resulting from the client requesting a raise cash (liquidate securities), invest raise cash or the client selecting a new model after the previous day's trading aggregation job. Generally, the list does not include accounts in which client-initiated requests made to the TDAIM Support Team during market hours indicate the client does not wish to wait for the next trading window. In addition, the list will not include accounts with open orders, unresolved investment restrictions, incompatible assets or model, values below the required minimum or above the required maximum, or in "do not trade" or Regulation T status.

However, in certain market conditions such as: 1) significant market losses or gains (generally based on important economic news), or 2) significant trading volume, TDAIM reserves the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve the right to open an additional trading window if there is a considerable amount of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and we determine it is not to the benefit of the clients to enter the orders on an individual account basis. These orders will be aggregated and will receive an average price that is separate from the regular daily trading job. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows.

The aggregated orders are placed with TDAIM's affiliated broker-dealer TD Ameritrade Clearing, Inc. We reconcile the orders by the next business day. Client cash or securities may be held collectively for settlement purposes but no longer than necessary to settle the purchase or sale.

TD Ameritrade provides each client with an account statement and trade confirmations that reflect the securities that have been purchased and sold for the clients. TDAIM also maintains books and records reflecting the securities held by, or bought or sold for, clients' accounts that participate in the aggregations.

The accounts of our associated persons may participate in aggregated orders. The associates will receive the same average share price and will pay any applicable commissions and other transaction costs on a pro-rata basis.

### **Written Aggregation Statement**

Each trading day, as described above, TDAIM generates a list of accounts for the daily aggregated order(s). The orders are sent to TD Ameritrade Clearing, Inc. The order is generally filled in its entirety and clients receive their allotted allocation. ETFs sell and redeem their shares at NAV in Creation Units. Therefore, if additional shares of an ETF are required, a Creation Unit(s) may be used to fill the aggregated order. Once the order is executed, the shares will be allocated back to the clients' accounts participating in the order.

In rare instances, if an order is not filled in its entirety as stated above, the shares will be allocated on a percentage pro-rata basis among the participating clients. However, adjustments may be made to avoid odd amounts of shares held in any client account. If an order is allocated in a manner other than that stated herein, a written explanation for the change must be provided to and approved by the Chief Operating Officer and/or Chief Compliance Officer no later than the morning of the next business day following the execution of the order.

## **Trade Error Policy**

In the event TDAIM or TD Ameritrade makes an error that has a financial impact on a client's account, we will seek to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. We will evaluate each situation independently.

### **c. Personalized Portfolios**

In order to begin placing trades for a client's Account, the client's Account application (including related forms) and other required paperwork must first be received and approved. Next, after the client deposits cash in their Account in the amount at or above the required minimum, the recommended trades will be placed in the Account during the next trading window. (TDAIM intends to enter the transactions with TD Ameritrade Clearing, Inc. at approximately the same time every business day on which securities markets are open, but reserves the right to change the time when appropriate. The orders will be executed at the end of the day.)

However, in certain market conditions such as: 1) significant market losses or gains (generally based on material global geopolitical or economic news), or 2) significant trading volume, we reserve the right to open an additional or earlier trading window or multiple trading windows over consecutive trading days. We also reserve the right to open an additional trading window if there are a considerable number of client-initiated requests to liquidate positions and the clients do not wish to wait for the next scheduled daily trading window and we determine it is not to the benefit of the clients to enter the orders on an individual account basis. TDAIM will make reasonable efforts to place trades within intended trading windows; however, due to a number of potential factors, trades may be placed during later trading windows. There is no preferential treatment given to any one client account.

Since mutual funds trade at a daily NAV, clients participating in the daily trading windows will receive the same average price.

## **Trade Error Policy**

In the event TDAIM or TD Ameritrade makes an error that has a financial impact on a client's account, we will seek to correct the error as soon as possible and in such a manner that the affected client is not disadvantaged and bears no loss. We will evaluate each situation independently.

## Review of Accounts

### A. Reviews

#### Selective Portfolios and Personalized Portfolios Clients

TDAIM will request updated Profile Information from clients informally on a quarterly basis and more formally on an annual basis. Members of the TDAIM Support Team will run reports periodically to identify clients who have updated their Profile Information. They then will see whether the updated information would indicate that a change to the client's portfolio might be appropriate. They also will run periodic reports to identify portfolios in various circumstances such as portfolios with incompatible assets or incomplete paperwork. If so, a member of the Support Team will contact the client to pursue the matter. In addition, members of the Support Team who are knowledgeable about the service will be available to consult periodically with clients about their portfolios.

#### Essential Portfolios Clients

TDAIM will request updated Profile Information from its Essential Portfolios clients informally on a quarterly basis and more formally on an annual basis. Members of the Support Team will run reports periodically to identify clients who have updated their Profile Information. They then will see whether the updated information would indicate that a change to the client's portfolio might be appropriate. They also will run periodic reports to identify portfolios in various circumstances such as portfolios with incompatible assets or incomplete paperwork. The Essential Portfolios are offered electronically via the Internet as the primary channel of interaction with TDAIM. Accordingly, Essential Portfolios clients need Internet access for activities such as monitoring their portfolio, updating their Profile Information, conducting cash and securities transfers and communicating with the Support Team. Essential Portfolio clients agree to receive notices including disclosure brochures, regulatory communications, and other materials electronically in lieu of paper communications. The communications will be delivered electronically to the email address provided on the client's TD Ameritrade Investing Account application.

### B. Reports

#### Selective Portfolios, Essential Portfolios, and Personalized Portfolios Clients

TDAIM does not provide written reports to clients. Clients may view their TD Ameritrade Investing Accounts online to see current account information. Such information includes asset allocation information as of the current business day. TD Ameritrade will also provide a written account statement (at least quarterly) detailing the positions and activity in a client's TD Ameritrade Investing Account, and clients will receive trade confirmations for each buy, sell, or exchange transaction in their accounts.

## Client Referrals and Other Compensation

TD Ameritrade Holding Corporation (or its subsidiaries or affiliates) provides to TDAIM office space, use of its phone system, use of its Internet website and other general office, clerical, managerial, and legal support. Our advisory service is designed to work with TD Ameritrade, a registered broker-dealer under common control with TDAIM. TD Ameritrade does not charge commissions for implementing our recommendations.

TD Ameritrade FCs and Fixed Income Specialists are generally dually registered as broker-dealer registered representatives of TD Ameritrade and as investment advisor representatives ("IARs") of TDAIM. They are generally located in TD Ameritrade branch offices or in a call center. In connection with the recent affiliation with CS&Co, beginning in 2022, FCs will be dually registered with CS&Co for the purposes of offering products and services provided by CS&Co. FCs in Nevada and North Carolina will not be duly registered but will be eligible to receive additional compensation for introducing clients to CS&Co for certain of its products and services.

FC compensation received for advisory services provided as a Financial Consultant (FC) and registered representative of TD Ameritrade and CS&Co consists of a salary component and an incentive bonus component, which can be based on a number of factors including but not limited to, new assets, new accounts and corporate profitability. As an FC, compensation is based on several components including total assets and net new assets as to products and services offered through TD Ameritrade and incentive payments tied to corporate metrics (like client satisfaction scores). A portion of the total and net new assets as to products and services includes the use of advisory services from TDAIM. This portion of the compensation is paid to the FC by TDAIM for acting as an IAR. The FC may also be compensated based on the retention of existing client assets that may include TDAIM assets.

FCs receive cash payments based on the amount of assets you have with us and the time, complexity, and expertise required to help you with any of our services; specifically, they receive compensation to navigate you to our investment advisory services and service your accounts once enrolled in such services. They do earn more for recommending certain services over others, but what they earn is not directly based on the revenue TD Ameritrade, TDAIM or CS&Co earn. For more information on how we pay our representatives, go to <https://www.tdameritrade.com/incentive-compensation.html> page. For information on CS&Co. compensation and its policies and procedures to mitigate conflicts, refer to Client Relationship Summaries like this one available at [Schwab.com/transparency](https://www.schwab.com/transparency). You can also visit the TD Ameritrade CRS by visiting [tdameritrade.com/bestinterest](https://www.tdameritrade.com/bestinterest).

A portion of the asset-based compensation is related to the use of advisory services from TDAIM. This portion of the compensation is paid to the FC by TDAIM for acting as a TDAIM IAR. FCs are also compensated based on new client assets and the retention of existing client assets that may include TDAIM assets. This compensation structure can create a conflict in that the compensation could potentially provide FCs an incentive to make recommendations for asset investment or retention with a view to their compensation interest rather than the best interest of clients. Those incentives could lead them to refer you to TDAIM or deposit additional assets into your TD Ameritrade Investing Account instead of choosing other investment options for your assets. To mitigate the potential conflicts of interest described above, TD Ameritrade and TDAIM policies and procedures and supervision are in place to help the focus be on the most appropriate solution for a client. For more information on compensation, see <https://www.tdameritrade.com/incentive-compensation.html> page. Further, beginning on January 1, 2021 TD Ameritrade Branch Managers were placed on Schwab's Corporate Bonus Program.

TD Ameritrade Fixed Income Specialists are, in addition to base salary, eligible to earn an annual bonus that is funded based on Schwab's performance and determined based on subjective measures at manager's discretion, which may include relationship management, business development, quality assurance, teamwork, client reviews and field partnerships. This compensation creates conflicts of interest. In 2022, FIS associates will also be dually registered with CS&Co, and able to offer fixed income from the CS&Co platform.



To mitigate potential conflicts of interest, TD Ameritrade and TDAIM policies and procedures and supervision are in place to help the focus be on the most appropriate solution for a client. For more information on conflicts, please go to [tdameritrade.com/bestinterest](http://tdameritrade.com/bestinterest).

TD Ameritrade FCs who are IARs of TD Ameritrade had the ability to refer clients to AdvisorDirect and receive compensation in connection with such referrals. All FCs are trained to direct clients to the most appropriate financial solution based on the client's financial situation, suitability, and preferences. TD Ameritrade policies and procedures and supervision are in place to help the FC refer clients to the most appropriate solution for their financial needs. Compensation arrangements for referrals to TDAIM or to AdvisorDirect advisors are designed to make the compensation to the FCs neutral as between referrals to those services. Furthermore, TD Ameritrade client service personnel who are appropriately registered may receive modest additional compensation for making service transfers to TD Ameritrade FCs that result in new assets to TD Ameritrade. These payments are paid to the client service personnel from TD Ameritrade.

## Custody

Clients will implement TDAIM's advice through a dedicated brokerage account (known as a TD Ameritrade Investing Account) at its affiliated brokerage firm, TD Ameritrade. Our fee will be deducted from the assets in the related account held at the affiliated clearing brokerage firm, TD Ameritrade Clearing, Inc.

Pursuant to the Intercompany Agreement (see *Other Financial Industry Activities and Affiliations*), TD Ameritrade Clearing, Inc. agrees to collect, on behalf of TDAIM, any fees charged by us to clients using TD Ameritrade Investing Accounts. Clients will receive written account statements from TD Ameritrade at least quarterly detailing the positions and activity in a client's TD Ameritrade Investing Account, and clients will receive trade confirmations for each buy, sell, or exchange transaction in their accounts. The account statements from TD Ameritrade will indicate the amount of our advisory fees deducted from a client's account(s) each billing period. Clients should carefully review account statements for accuracy. See response above to *Code of Ethics, Participation, or Interest in Client Transactions and Personal Trading* of this disclosure brochure.

## Investment Discretion

### Selective Portfolios, Essential Portfolios, and Personalized Portfolios

With Selective, Essential and Personalized Portfolios, the client must authorize TDAIM to exercise discretionary trading authority over the assets in the client's strategy. This includes the initial allocation and ongoing rebalancing of the strategy. Clients grant the authority to TDAIM by signing/agreeing to the TDAIM Service Agreement. The discretionary authority allows us to buy, sell, exchange, or otherwise trade the eligible assets in the client's strategy without the client approval of each transaction. We are not authorized to withdraw cash or securities from a client's account other than for the payment of advisory fees as described in the *Fees and Compensation and Custody* sections above. TDAIM may, in its discretion, accept mutual funds owned by the client into his or her TD Ameritrade Investing Accounts if the mutual funds are considered compatible by us. We may accept and use a compatible mutual fund in the client's portfolio, even if the mutual fund share is of a different share class than the share class of the mutual fund approved for use in the Selective Portfolios service. For example, if a client transfers in a retail share class mutual fund and TDAIM uses a lower expense share class of the same mutual fund, we may retain the retail share class of the mutual fund in the client's portfolio. Accepting the retail share class mutual fund will benefit clients as they will be able to invest in their portfolio more quickly. In addition, it may help reduce potential tax liabilities from selling the retail class shares and then buying the lower expense share class. TDAIM will review client accounts that transferred in different share classes of compatible mutual funds and will convert share classes to the approved share class where we believe doing so would be beneficial to the client (for example to help lower the client's expenses). The limitations on compatible mutual funds contained in this paragraph apply to both initial and subsequent contributions.

TDAIM will assume discretion as to the compatible mutual funds, and the client acknowledges that all or a portion of the contributed mutual funds may be redeemed, either initially or during the course of management of his or her strategy.

In certain circumstances, clients will transfer incompatible mutual funds into their TD Ameritrade Investing Account: i) If a client deposits an incompatible mutual fund into a newly funded TD Ameritrade Investing Account, we will not start charging our advisory fee until the incompatible asset is removed from the account; ii) If a client deposits an incompatible mutual fund into an existing TD Ameritrade Investing Account, we will provide a fee credit for the amount of time the incompatible mutual fund was held in the TD Ameritrade Investing Account. For example, if an existing client deposits an incompatible mutual fund into his/her account on the 15th of the month and the fund remains in the account through the 31st of the month, TDAIM will credit back the fees for the days the incompatible fund was in the account. In addition, if the incompatible fund remains in the account through a new quarterly billing cycle, we will not bill advisory fees until the incompatible fund is removed from the account. When the incompatible fund is removed from the account, we will reinitiate billing on a pro rata basis from the day the incompatible asset was removed from the account until the end of the current billing quarter. iii) If the TD Ameritrade Investing Account is restricted (for example estate, divorce, court order, etc.) and holds mutual fund shares that charge 12b-1 or other service related fees, TDAIM will provide a fee credit from the time we are notified of the restriction. For example, if TDAIM is notified of the restriction on the 15th of the month, we will provide a fee credit from the 15th of the month to the end of the current billing quarter and will stop billing advisory fees on the account going forward until the restriction is resolved.

TDAIM may in its discretion accept ETFs owned by the client into his or her TD Ameritrade Investing Accounts using the Core ETF Portfolio and Essential Portfolio services if the ETFs are compatible with his or her strategy. The limitations on compatible ETFs contained in this paragraph apply to both initial and subsequent contributions. We will assume discretion as to the compatible ETFs, and the client acknowledges that all or a portion of the contributed ETFs may be redeemed, either initially or during the course of management of his or her strategy.

To the extent that the client deposits securities other than ones compatible with their strategy into their TD Ameritrade Investing Account, TDAIM will not assume discretion as to such securities. The client must either sell or transfer the incompatible securities promptly. Transactions regarding any incompatible securities or other assets to fund the client's TD Ameritrade Investing Account are the client's decision and are not based upon recommendations from us. If the securities are sold, TD Ameritrade will generally charge commissions and the sale will generally be on an unsolicited basis. Clients also have the option to grant TD Ameritrade time and price discretion to liquidate incompatible securities. Any sale of securities or other assets to fund the client's TD Ameritrade Investing Account may result in expenses, fees, or other charges (such as contingent deferred sales charges) as well as tax liabilities. The client is responsible for seeking the advice of a tax professional prior to selling any securities or other assets, and the client will be unable to invest in a strategy until the incompatible securities are removed from their TD Ameritrade Investing Account.



Clients are entitled to impose reasonable restrictions on TDAIM's management of their portfolios pursuant to Investment Company Act Rule 3a-4. Any management restriction they may wish to impose is subject to our review and approval.

The base TDAIM investment strategy is the recommendation of diversified asset allocation portfolios across a broad range of asset classes. TDAIM has no influence or control over the mix of securities held by any mutual fund or ETF in which client portfolios may be invested. Therefore, restrictions such as no nuclear energy, gambling, tobacco, or firearm securities will not be honored.

TDAIM generally honors the following restrictions:

- No margin
- No options
- No futures (in ETF Portfolios)
- No leverage
- No shorting
- Cash position amount (limit the cash position or invest less in the mutual funds and ETFs and more in cash, other than long-term market timing)
- Delay investing

With the TDAIM portfolios, clients may be able to restrict the purchase of a particular fund or fund family provided such restriction is not inconsistent with our investment strategy or is not fundamentally inconsistent with the nature or operation of our service. If we honor the restriction, assets will be invested in a manner that is appropriate given your restriction. The funds designated for restriction by client will be replaced with alternatives selected by us. Accounts with imposed management restrictions may experience different performance from accounts without restrictions, possibly producing lower overall results.

Use of the TD Ameritrade brokerage service is a condition to implementing the discretionary portfolios investment advice provided through TDAIM. We feature TD Ameritrade as a broker to use in making securities transactions, and TD Ameritrade provides separate, dedicated brokerage accounts to facilitate tracking of client positions in TDAIM-related securities.

TD Ameritrade, Inc. and TD Ameritrade Investment Management, LLC are both wholly owned subsidiaries of TD Ameritrade Holding Corporation, which is a wholly owned subsidiary of The Charles Schwab Corporation. The discretionary transactions will be executed during daily trading windows on an individual account basis. TD Ameritrade currently charges no commissions in connection with the discretionary transactions in clients' associated TD Ameritrade accounts.

TD Ameritrade will charge a Regulatory Fee on certain transactions. Please see the description of Regulatory Fees under *Fees and Compensation, iii. Selective Portfolios Using Exchange Traded Fund Investments*.

## Voting Client Securities

TDAIM does not have authority over and specifically disclaims responsibility for voting proxies for securities in client accounts. Since we do not have proxy voting authority over securities in client accounts, we are not required to, and do not have, policies and procedures in place to govern the voting of proxies.

## Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.