



## **Ally Invest Advisors**

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[www.ally.com/invest/robo-automated-investing/](http://www.ally.com/invest/robo-automated-investing/)  
[www.ally.com/invest/wealth-management](http://www.ally.com/invest/wealth-management)

Form ADV Part 2A

Wrap Fee Program Brochure  
March 31, 2023

This wrap fee investment program brochure provides information about the qualifications and business practices of Ally Invest Advisors Inc. ("AIA"). If you have any questions about the contents of this brochure, please contact our Compliance Department at (855) 880-2559.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Additional information about AIA is available on the SEC's website at <https://www.adviserinfo.sec.gov/>.

AIA is registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended. However, such registration does not imply a certain level of skill or training, nor does it constitute an endorsement by the SEC.

Throughout this document, AIA is also referred to as the "Firm," "we," or "us." The terms "Client" or "you" refers to a person with whom AIA has established an advisory relationship.

## **Item 2 – Material Changes**

This section highlights the revisions made since the last annual amendment dated February 22, 2022:

## **Item 6 – Portfolio Manager Selection and Evaluation**

Under Risk Considerations, we enhanced the content on Socially Responsible Investing Risk to disclose that the expense ratios of the ETFs used in the ESG portfolios are materially higher than those of other portfolio fund options, and in some cases, more than double. As a result, the ESG portfolios may underperform the market as a whole or underperform the non-ESG portfolios

For future filings, this section of the brochure may address only those material changes that have occurred since AIA's last annual update. AIA may at any time update this document and either send a copy of its updated brochure or provide a summary of material changes to its brochure as well as an offer to send an electronic or hard copy form of the updated brochure. You can download this brochure from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or contact AIA by phone at (855) 880-2559 or email at [support@invest.ally.com](mailto:support@invest.ally.com) to request a copy.

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**Form ADV Part 2  
Wrap Fee Brochure**

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## Item 4 – Services, Fees and Compensation

### **Description of Our Firm**

Based in Charlotte, North Carolina, AIA is a Delaware corporation. We are wholly owned by Ally Invest Group Inc. ("Ally Invest Group"), which is wholly owned by Ally Financial Inc. Ally Financial (NYSE: ALLY) is a leading digital financial services company with a legacy that dates back to 1919. We do not have any subsidiaries or controlling interests in another reportable business entity.

As of January 31, 2023, we had approximately \$1,046,000,000 of reportable Client assets under management through discretionary account agreements.

### **Description of Services Offered**

Our primary focus is to provide discretionary advisory services to Clients. We provide two types of advisory services: (i) Robo Portfolios; and (ii) Wealth Management. Prospective Clients wishing to engage our advisory service must first enter into a written agreement with us.

Our advisory services are offered as a wrap fee program. They provide you with the opportunity to obtain professional portfolio management for an inclusive fee that is based upon your assets under our management. This means you are free to add or withdraw money from your account whenever you choose, with no additional fees.

#### *1. Robo Portfolios*

Robo Portfolios (formerly known as Managed Portfolios) are provided online. We do this exclusively through web-based solutions and informational resources and virtual interaction. The Robo Portfolios advisory service delivers discretionary portfolio management services through investment portfolios made up of exchange-traded funds ("ETFs"). Each portfolio is designed to provide Clients with an efficient way to invest in the capital markets based on each Client's individual investment time frame, risk tolerance, and liquid net worth. The portfolios are designed for long-term (i.e., one year or more) investing. To get started, we ask prospective Clients to respond to a sequence of interactive questions that are important to the development of their portfolios, such as their investment time horizon, financial goals and objectives, and net worth. We also inquire into their tolerance or appetite for risk.

In addition, we ask the Client to select either the Cash-Enhanced version with no advisory fee or the Market-Focused version with a lower cash allocation and an annual advisory fee, as described more fully below. Investors can further select from Core, Income, Socially Responsible, or Tax-Optimized models:

- The Core portfolio models track major asset benchmarks and are diversified among domestic equity, international equity, domestic fixed income and international fixed income ETFs. There are five risk models: Conservative, Moderate, Moderate Growth, Growth and Aggressive Growth.
- The Socially Responsible portfolio models are similar to the Core portfolio models, but the equity allocation utilizes ETFs that seek to track benchmarks with a greater weighting towards companies identified by the benchmark provider(s) as having positive environmental, social, and governance characteristics.
- The Tax-Optimized portfolio models are similar to the Core portfolio models but incorporate ETFs with municipal bond exposure to help enhance the after-tax yield. This portfolio type offers higher dividend yields while maintaining a more conservative risk profile.
- The Income portfolio model is designed to be a lower-risk approach to help investors who may want supplemental income for retirement or other purposes. The model seeks safety and returns covering increasing investment value. The model offers higher dividend yields while maintaining a more conservative risk profile.

## Item 4 – Services, Fees and Compensation

Following responses to a series of online multiple-choice questions, prospective Clients receive a recommended investment allocation comprised of ETFs believed to be appropriate for their situation. The recommendation is delivered for viewing over the Internet via our website.

In the Cash-Enhanced Robo Portfolios, each portfolio typically consists of less than ten ETFs and approximately 30% of the portfolio is allocated to cash. The Cash-Enhanced Robo Portfolios are not subject to an advisory fee.

Clients also have the ability to select the more fully invested Market-Focused Robo Portfolios, which offer the Core, Income, Socially Responsible and Tax-Optimized models. These models are similar to their Cash-Enhanced Robo Portfolios counterparts but with a lower cash allocation of approximately 2%. Ally Invest charges an advisory fee on the Market-Focused Robo Portfolios.

To become a Robo Portfolios Client, you must access our secure website where you will be offered our current firm brochure that describes our advisory firm, its services, potential fees, etc., as well as any material conflicts of interest that could be reasonably expected to impair the rendering of unbiased and objective advice.

### *2. Wealth Management*

The discretionary Wealth Management advisory service is provided via a relationship with a dedicated Wealth Advisor to analyze a Client's overall financial picture, construct a financial plan using a variety of investment strategies, and manage the Client's assets accordingly. The Client and the Wealth Advisor work together to understand the Client's needs and general financial goals, such as retirement, education, and consideration of tax and estate planning strategies. The construction of the Wealth Management financial plan begins with a review of the Client's complete financial picture including, but not limited to, time horizon, investment objective, goals, net worth, risk tolerance, current assets (taxable and non-taxable accounts held at Ally Invest or at other financial institutions), any reasonable investment restrictions, retirement age, beliefs, and life stages ("Profile Information") to design an investment proposal using asset allocation modeling.

The Wealth Advisor will present an investment proposal designed for the Client's financial goals utilizing long-term diversified asset allocation portfolio(s) with multiple asset and sub-asset classes. Each portfolio is comprised of ETFs. Each portfolio is designed to correspond to the Client's risk level: Conservative, Moderate, Moderate Growth, Growth and Aggressive Growth.

The Wealth Advisor will recommend one or more of the following model portfolios:

- Foundational Portfolios: strategic asset allocations with diversified exposure to stocks and bonds; designed for income yield and diversification;
- Impact Portfolios: diversified asset allocation strategies designed for purpose and impact, such as exposure to environmental, governance and social ("ESG") ETFs; and
- Thematic Portfolios: diversified asset allocations with an increased allocation in ETFs focusing on specific sectors, emerging themes and technologies.

The Wealth Advisor is able to tailor the asset class and security exposure of the Client's account by selecting from a variety of different model portfolios to address specific Client needs. In addition, the Wealth Advisor will take into account considerations such as concentrated positions, capital gains tax management, and rebalancing requests when implementing and managing the portfolios.

We utilize a Turnkey Asset Management Platform provider ("TAMP") to deliver the Wealth Management service. The TAMP provides a technology platform that features a number of services that we leverage to administer and manage Client accounts, including billing, reporting, trading, and financial planning, as well as an investment management platform offering third-party strategist portfolio model allocations. The TAMP is not affiliated with us or our affiliates, is not a sub-adviser, and does not provide personalized investment advice to our Clients.

## Item 4 – Services, Fees and Compensation

### Fees

#### Account Minimum and Calculation of Advisory Fee

##### *1. Robo Portfolios*

The minimum initial deposit for each account is \$100.00. Our compensation is based on a combined annualized asset-based fee. Our fees are billed monthly, in arrears, per the following table:

Portfolio Type	Annual Fee
Market-Focused Robo Portfolio	0.30%
Cash-Enhanced Robo Portfolio	None

Our advisory fees are calculated on a daily basis. The daily advisory fee is based on the end of day balance of your account multiplied by the Annual Fee. Fees for a calendar month are equal to the sum of the daily fees for that month.

##### *2. Wealth Management*

The minimum initial household relationship is \$100,000, consisting of one or more accounts each having at least a \$1,000 initial minimum. We charge a tiered advisory fee based on the following table:

Tier	Assets Under Management	Annual Advisory Fee
1	First \$250,000	0.85%
2	Next \$750,000, up to \$1,000,000	0.80%
3	Additional assets above \$1,000,000	0.75%

Advisory fees are calculated on a daily basis in the following manner:

- The closing balance of each applicable account is added together to determine the relevant amount of assets under management (“AUM”).
- Up to \$250,000 of AUM is multiplied by the Tier 1 daily Fee Rate (*i.e.*, 0.85% divided by 365) to obtain the Tier 1 Daily Fee.
- The amount, if any, of AUM above \$250,000 but less than or equal to \$1,000,000 is multiplied by the Tier 2 daily Fee Rate (*i.e.*, 0.80% divided by 365) to obtain the Tier 2 Daily Fee.
- The amount, if any, of AUM above \$1,000,000 is multiplied by the Tier 3 daily Fee Rate (*i.e.*, 0.75% divided by 365) to obtain the Tier 3 Daily Fee.
- The Tier 1 Daily Fee, Tier 2 Daily fee (if any), and Tier 3 Daily Fee (if any) are added together to obtain the advisory fee for the day.

If you or your household have more than one account, they will be aggregated for purposes of calculating AUM to provide you with the maximum benefit of the lower Fee Rates associated with Tiers 2 and 3, *provided*, that should you request account restrictions that are substantially different as to any two or more accounts such that they require different investment approaches or operational requirements, we are entitled to calculate AUM and fees on a per-account basis. A household consists of a Client and any other person whose primary residence the same as the Client, including any child of the Client or such other person who temporarily resides at a different address for educational reasons (e.g., a college dorm).

In the absence of a reportable market value for any asset in your account, we may seek a third-party opinion from a recognized industry source (*e.g.*, a public accounting firm).

#### Payment of Fees

Fees are billed monthly in arrears and fee payments are generally withdrawn from your account by the end of the following month. We do not accept cash, money orders, or similar forms of payment, nor do we allow for direct billing. Your first billing cycle begins once the Robo Portfolios Advisory Agreement or Wealth

## Item 4 – Services, Fees and Compensation

Management Advisory Agreement, as applicable (each, an “Advisory Agreement”), is executed and assets have been invested. Fees for partial months are prorated based on the remaining days in the reporting period in which we service the account. All fees deducted will be clearly noted on account statements that you receive from Custodian (as defined below). Please note that you share in the responsibility to verify the accuracy of fee calculations; Custodian may not necessarily verify billing accuracy for each Client.

Ally Invest Securities (“Broker”), a wholly owned subsidiary of Ally Invest Group and affiliate of AIA, serves as broker of record for each account. Broker introduces all Client accounts to its clearing and carrying firm, Apex Clearing Corporation (“Custodian”) on a fully disclosed basis. By signing the Advisory Agreement, as well as Broker’s or Custodian’s account opening documents, you authorize the withdrawal of fees from your account. Broker will withdraw these fees from your account and send them to us. In the event there is insufficient cash in your account to cover the fees or any debit balance, we will select and sell any securities held in your account to generate the needed cash. As with any other transaction in your account, you are responsible for any tax liabilities resulting from such sales.

### Other Fees

You are responsible for paying any service fees assessed by Broker or Custodian, such as individual retirement account fees, qualified retirement plan fees, and account termination fees, and such fees are not included in our advisory fee. A list of those fees is available at Broker’s website or by contacting Broker.

The annual advisory fee does not cover internal expense ratios (and other fees and charges) applicable to any ETFs held in your account. Each ETF charges its own internal advisory, brokerage and other fees and expenses. These internal fees and expenses are deducted from the ETF’s net asset value and are standard expenses that all ETF shareholders pay. Please refer to the particular ETF’s prospectus for more information.

### Fee Adjustments

We may change our standard advisory fee rates in the future. If we do so, we will provide you with written notice at least 15 days before the new fee rate becomes effective. If you do not agree to the fee change, you must notify us in writing within that 15-day period that you wish to terminate your relationship with us.

We may negotiate, reduce, or waive the advisory fee for certain Clients at our discretion. If we do so, we are not obligated to notify you or provide you with any similar adjustment.

## Termination of Services

You may terminate our advisory relationship by providing us with 30 days’ written notice. We may do the same by providing you with such notice. In either case, we will stop charging our advisory fee within three business days of sending or receiving the notice and, unless you instruct us otherwise, we will liquidate all account positions shortly before the end of those 30 days.

If we receive or develop information indicating that you no longer reside in a jurisdiction in which we or Broker are authorized to conduct business, your account may be restricted (we currently service clients only if they reside in one of the 50 states, the District of Columbia, or Puerto Rico). If the restriction is not resolved within 60 days (i.e., you do not provide us with proof of your residence in an authorized jurisdiction), we may liquidate all account positions and terminate our advisory relationship without notice to you.

### For Robo Portfolio Clients Only

If you request a full liquidation and transfer or withdrawal through our digital platform, we will stop charging our advisory fee within three business days and our advisory relationship will terminate upon completion of your request.

If you engage in a transaction that drops your account below the minimum requirement, we may liquidate all account positions and terminate our advisory relationship at any time, without notice to you.



## Item 4 – Services, Fees and Compensation

### Account Closure

Once our advisory relationship has been terminated, we will notify Broker of that fact and Broker will close your account.

### **Services Purchased Separately**

The total costs associated with a wrap fee program account may be more or less than separately purchasing brokerage and advisory services. The factors that bear upon the relative costs of our wrap fee programs include the number and timing of transactions, referral fees (if any), portfolio management and custody fees, regulatory, compliance, and administrative charges, research costs, and promotional materials, among others. These and other factors may affect the cost of obtaining these services separately from another provider.

### **Additional Client Fees**

There are no sales loads, brokerage fees, mark-ups, mark-downs, spreads paid to market makers, or brokerage termination or account surrender fees associated with our programs. Brokerage services are provided by Broker, an SEC-registered broker-dealer (member FINRA and SIPC) and affiliate of AIA, and clearing and custody services are provided by Custodian (member FINRA and SIPC).<sup>1</sup> Additional information about both of these entities and their services, as well as the benefits we receive from them is noted in further detail in Item 9 of this brochure. You may, however, incur certain separate charges imposed by Broker or Custodian, such as: wire transfer and electronic fund fees, retirement plan custodial fees, or account termination fees, in addition to certain taxes on non-retirement brokerage accounts, which are described in the fee schedule that is provided prior to account inception. A current list of these fees can be found at <https://www.ally.com/invest/>.

### **Compensation Matters**

Our associated persons are compensated primarily by a base salary. They are eligible to receive additional cash incentive compensation that is a percentage of their base salary. The incentive portion is generally based on individual performance, client satisfaction metrics, business unit performance, and performance of the firm.

You should always consider other programs offered by our affiliates or other firms, as well as whether paying separately for investment advice, brokerage, and other services is more appropriate for your personal situation.

### **General Information**

#### Third Party Agreements

In addition to the Advisory Agreement you enter into with us, our advisory services also require that you open a brokerage account with Broker. You will need to complete a brokerage account application and agree to Broker's brokerage agreement to maintain the assets and effect all transactions in the account.

Custodian, an unaffiliated broker-dealer, acts as Broker's clearing firm and holds (or custodies) the assets in your portfolios. Custodian receives compensation directly from Broker and indirectly from AIA for providing custodial services on accounts managed by AIA.

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<sup>1</sup> AIA is not, and is not required to be, a member of the Financial Industry Regulatory Authority ("FINRA") or the Securities Investor Protection Corporation ("SIPC"). Information about FINRA and SIPC may be found at <https://www.finra.org> and <https://www.sipc.org> respectively.

#### **Item 4 – Services, Fees and Compensation**

In addition to the terms and conditions of the applicable Advisory Agreement and the brokerage agreement with Broker, you will be subject to the terms and conditions of each ETF's prospectus or similar disclosure document, including any underlying fees and expense ratios described therein.

##### Interest on Cash Balances

Cash balances held in your account that are either pending investment or allocated will generally be placed by Custodian on deposit at multiple banks, including AIA affiliate Ally Bank, together with the funds of other customers of Broker in an unsegregated account. Ally Bank uses those funds for its general business purposes and thus derives financial benefit from them. Ally Bank pays interest to Custodian for the use of these funds. Custodian shares that interest with Broker, which in turn pays a portion of that interest to you. The interest on the cash balances is typically equal to or greater than the current Ally Bank Online Savings Account annual percentage yield (all rates are subject to change without notice).

##### Payment for Order Flow

Broker is compensated when it places orders on behalf of AIA that are executed by various market centers, including those executed or routed by Custodian. This industry practice is generally known as “payment for order flow” and consists of a per-share rebate when an order is executed. Broker does not share such compensation with us. We monitor Broker's execution of trades to ensure that it is fulfilling its obligation to obtain as favorable pricing as possible under prevailing market conditions.

##### Trading Error Corrections

In the event we make an error that has a financial impact on your account, we will seek to correct the error as soon as possible and in such a manner that you are not disadvantaged and bear no loss. We will evaluate each situation independently.

## **Item 5 – Account Requirements and Types of Clients**

### **Types of Clients**

We generally offer our advisory services to individuals and high net worth individuals. However, we may at our discretion offer our services to trusts, corporations, and other business entities, provided their investment guidelines permit us to do so. We reserve the right to waive or reduce certain fees based on unique individual circumstances, special arrangements, pre-existing relationships, or as we may otherwise determine. We also reserve the right to decline services to any prospective Client for any non-discriminatory reason. At a minimum, we gather information from Clients about their financial situation, investment objectives, and risk tolerance. This data is then used to determine the appropriate allocation for them.

Our advisory services generally are not available to foreign investors. Most foreign citizens with a valid Social Security number who legally reside in the United States full-time may open an account. All Clients, including United States citizens, must be living in the United States to open an account, though we make exceptions for active military personnel stationed abroad.

### **Account Requirements**

#### **Account Minimum**

##### ***1. Robo Portfolios***

The minimum initial investment requirement for accounts is \$100.00. The initial minimum amount must be met before advisory services will begin. Once the initial minimum is met and the required account paperwork is received and approved, we will manage accounts regardless of account balance until either: (1) you make a full withdrawal request to liquidate and close your account ("Termination of Services") or (2) you make a withdrawal request that would bring the account below a \$75 balance. Any disbursement (Client-initiated withdrawal or liquidation, account statement/trade confirmation fee or other service provider fee) of funds that would bring an account below \$75 will be processed as a full withdrawal and initiate Termination of Services. Furthermore, if your account goes below the initial minimum funding amount, the asset allocation of the portfolio will vary from the target asset allocation. We may make exceptions to account minimums for certain legacy Clients and reductions in balances due to fees or market movement.

##### ***2. Wealth Management***

The minimum initial investment requirement on a household level is \$100,000, which can be comprised of multiple related Client accounts. The initial minimum funding amount per account is \$1,000. Once a household has satisfied at least \$5,000 of the initial investment requirement, whether in a single account or across multiple accounts, and all required documents have been reviewed and approved, we will implement the recommended portfolio(s). If the market value of the household relationship falls below \$100,000 or any account value falls below \$1,000 and stays below the required minimum for a significant period of time, we reserve the right to terminate the advisory relationship.

You may also choose to establish a Dollar Cost Averaging ("DCA") plan. You will be required to deposit at least \$100,000 into the DCA account. We will then invest your money at regular intervals and equal amounts over a six-month period. Advisory fees will begin to accrue on invested amounts starting after the first interval.

We may negotiate, reduce, or waive these minimum investment requirements for certain Clients in our sole discretion. If we do so, we will not be obligated to provide notice or a corresponding adjustment to you or any other Client.

## Item 5 – Account Requirements and Types of Clients

### Account Opening Process

To help the government fight the funding of terrorism and money-laundering activities, federal law requires Broker to verify our Clients' identities. If Broker is not able to verify a Client's identity, whether at account opening or at any other point in the course of the advisory relationship, we will restrict the account from trading and the billing of fees until the restriction is resolved.

#### *1. Robo Portfolios*

Instructions for funding the account will be provided interactively on the website during the account opening process. Once the minimum investment level for the specified allocation is reached, the available cash will be allocated.

#### *2. Wealth Management*

Instructions for funding will be provided by the Wealth Advisor or the dedicated service team during the account opening process. Once the minimum investment level for an account is reached, the available cash will be allocated.

### Deposit of Securities to Fund Account – Liquidation

#### *1. Robo Portfolios*

We will have discretionary authority over original securities deposited to an account that are not part of the model portfolio you have selected. Unless you instruct us to transfer those securities out of the account, we will liquidate them. Typically, the securities deposited by Clients are open-ended mutual funds, ETFs, common stocks listed on a United States exchange, and fixed income securities. If you deposit Restricted Securities (as defined in Rule 144 under the Securities Act of 1933), non-standard assets, options, derivatives, or other similar securities, we will liquidate them on a best-efforts basis. The liquidations will be effected after the opening and acceptance of your account and after the eligible securities are received in good order (certain securities may require additional paperwork) at then-prevailing market prices.

The cash from the sale of the securities will be invested in the appropriate model portfolio assuming the investment minimums are met. You are responsible for seeking the advice of a tax professional prior to depositing securities that are not part of the model portfolio into your account. Liquidation of securities deposited may be subject to capital gains. You are responsible for all taxes as well as any early surrender/sales loads for mutual funds transferred to the account and subsequently liquidated for investment. No commissions will be charged on the sale of such securities. There may be additional fees charged by the sending broker-dealer for securities transfer.

#### *2. Wealth Management*

If you fund your account with ETFs transferred in from elsewhere, you will work with the Wealth Advisor to review the securities to address your specific needs and the Wealth Advisor will take into account considerations such as concentrated positions and capital gains tax management when liquidating the securities as part of the investment proposal process. A deposited ETF that is a component of the recommended model portfolio can generally be retained, subject to ... Other ETFs will be reviewed for compatibility with the portfolio based on an established list of acceptable substitutes. Clients who commit to investing assets of \$1,000,000 or more (at a household level) with Wealth Management may request bespoke research in order to determine whether a deposited ETF that is neither a component of the recommended portfolio nor on the established list of acceptable substitutes is compatible with the recommended portfolio and can therefore be retained.

All non-ETF securities and any ETFs deemed incompatible with the recommended portfolio will be liquidated. The cash generated from such liquidations will be invested in the appropriate model portfolio, assuming the investment minimums are met. You are responsible for seeking the advice of a tax professional prior to

## Item 5 – Account Requirements and Types of Clients

depositing securities that are not part of the model portfolio into your account. Liquidation of securities deposited may be subject to capital gains. You are responsible for all taxes as well as any early surrender/sales loads for mutual funds transferred to the account and subsequently liquidated for investment. No commissions will be charged on the sale of such securities. There may be additional fees charged by the sending broker-dealer for securities transfer.

## Item 6 – Portfolio Manager Selection and Evaluation

### **Investment Methodology**

#### Methodology

##### *1. Robo Portfolios*

We construct the invested (i.e., non-cash) portions of our portfolios based on Modern Portfolio Theory (“MPT”). MPT assumes that investors are risk averse, and thus an investor will only take on increased risks if they are adequately compensated with higher expected returns. We employ a disciplined investment process that seeks to construct a set of efficient portfolios for different levels of risk appetite. The strategies are diversified across a broad mix of asset classes, geographies, major market sectors, and segments.

We developed capital market forecasts of risk, return, and correlation using a combination of historical and current market data. Our first step in evaluating the broad universe of asset classes for inclusion within our optimal portfolio mix is to obtain and calculate their annual returns, volatility, and cross-correlations. We then focus on three major qualifications: (1) efficiency from a mean-variance and conditional VaR perspective, (2) constraints of the selected asset classes, and (3) investor risk profile. However, these three major qualifications are subject to certain self-imposed constraints, as the best risk/return characteristics may not always be practical or acceptable to the investor.

In determining the appropriate assets classes to be included in an optimal asset allocation, we take into account the following:

- Traditional mean-variance optimization (subject to our constraining factors)
- Mean conditional value at risks
- Probability distributions

Once an efficient frontier has been developed based upon the above criteria, we then create five broad asset allocations along the efficient frontier based on projected investor performance criteria and effective portfolio spacing.

Strategy-specific portfolios are constructed using a mix of ETFs whose underlying holdings include domestic and foreign fixed income, equity securities, and cash. Stocks, despite their high volatility, give investors exposure to economic growth and offer the opportunity for long-term capital gains. Stocks provide effective long-run inflation protection and are relatively tax efficient due to the favorable tax treatment on long-term capital gains and stock dividends. Bonds and bond-like securities are the most important income-producing asset classes for income-seeking investors. Although bonds have lower return expectations, they provide a cushion for stock-heavy portfolios during economic turbulence due to their low relative volatility and low correlation with stocks.

Independent of the investment allocations described above, a portion of the account is held in cash reserves. The Cash-Enhanced Robo Portfolios target cash of approximately 30% of the entire account value while the Market-Focused Robo Portfolios target cash of 2% of the entire account. The cash will be held as a cash credit in the account and will be used primarily as a ‘buffer’ to provide a cushion against volatility of the invested portion of the account, to facilitate the rebalancing of asset mix when appropriate, and also to facilitate the collection of management fees without requiring the liquidation of securities.

The ETFs used in portfolios are selected based upon a number of factors including: (1) reputation of issuer, (2) correlation to underlying benchmark, (3) volume/liquidity, (4) asset size/popularity, and (5) cost/expense ratio.

## Item 6 – Portfolio Manager Selection and Evaluation

### *2. Wealth Management*

The invested portions of our Wealth Management Portfolios use the same investment philosophy as the Robo Portfolios described above. Wealth Management Portfolios use broad asset class targets to define a Strategic Asset Allocation (“SAA”). The SAA is the guide for creating a diversified portfolio allocated among equities and fixed income securities, including determining the allocations at each of the 11 asset allocation mixes among five risk tiers. In addition, there are portfolio guardrails to determine the underweight and overweight limits of each sub-asset class within equities and fixed income. The SAA and the portfolio guardrails are combined with specific portfolio objectives to allow for the creation of targeted portfolio allocations within Wealth Management. For example, a broad ETF that tracks the large-cap equity market and also incorporates an ESG screen to select specific companies may be used to develop an ESG or Socially Responsible Portfolio. Alternatively, an ETF focused on a specific sub-industry may be used to develop a diversified portfolio that seeks additional exposure to the specific sub-industry.

In some instances, a Client may fund a Wealth Management account by depositing securities into the account. We may retain the securities in the account rather than immediately liquidating them as described in Item 5 (e.g., to prevent a tax liability). All such securities will be evaluated for compatibility with the recommended portfolio. Accounts that retain such securities may experience different performance than accounts that do not, including potentially lower overall performance.

You may enroll in our optional tax loss harvesting service (“TLH”), which will seek to minimize your tax liability based solely on the information available in your Wealth Management accounts. Any position that meets the TLH criteria will be liquidated and the proceeds will be used to purchase a predetermined, alternate security for that position’s asset class. We will use the TAMP to monitor the substituted position and look for opportunities to liquidate it over time while attempting to avoid triggering short-term capital gains and the wash-sale rule.

We will attempt to identify positions suitable for liquidation in that regard, balancing high capital gains against lower capital gains or losses, such that sales are made in a tax-efficient manner. Although we take your personal tax situation into account as part of the tax loss harvesting service, **we do not provide tax advice**. You should consult with a tax professional to determine whether tax loss harvesting is appropriate for you.

We make no guarantees regarding the frequency or timing of tax loss harvesting transactions. Opting into the tax loss harvesting service does not obligate us to harvest any particular loss at any particular time.

In addition, we offer a tax-sensitive allocation feature utilizing an alternate security within the model portfolio, depending on the account type (taxable, tax deferred, tax exempt). For example, taxable accounts may include the opportunity to use municipal bond exchange-traded funds (“ETFs”) in place of either government or corporate bond ETFs.

Independent of the investment allocations described above, a portion of the account is held in cash reserves. The Wealth Management Portfolios target cash of approximately 1% of the entire account. The cash will be held as a cash credit in the account and will be used primarily to facilitate the rebalancing of asset mix when appropriate and also to facilitate the collection of management fees without requiring the liquidation of securities.

### Client Tailored Services

#### *1. Robo Portfolios*

You will be asked to provide personal information to assist us in recommending a portfolio suited to your particular circumstances. While the accuracy of the data you provide is important to the investment recommendation, we are not required to verify any such data and are entitled to rely on your representations. Investment advice is limited to accounts managed by AIA and does not take into consideration accounts held elsewhere.

## Item 6 – Portfolio Manager Selection and Evaluation

You retain discretion over the initial implementation decisions and are free to accept or reject our initial recommendation. **If you decide to reject our-recommended portfolio and select a different portfolio, it is at your own risk.**

Once you have accepted a portfolio recommendation, you must open an account with Broker in order to participate in the investment program. You must authorize us to exercise discretionary trading authority over that account. Once the portfolio allocation has been selected, we will exercise our discretionary authority to execute trades for the initial allocation of the selected portfolio, including the liquidation of any securities deposited or transferred into the account, and also for ongoing rebalancing. We will monitor the accounts and may rebalance (a) for “drift,” (b) for deposits and withdrawals, (c) to free up cash to pay for advisory fees, and (d) if we make a change to the underlying investment allocations. We do not have the authority to remove funds or securities from your account and may only request the withdrawal of our advisory fees.

### *2. Wealth Management*

You will be asked to provide personal information to assist your Wealth Advisor in recommending a tailored financial plan and related portfolio(s). The Wealth Management investment proposal takes into consideration accounts managed by AIA and accounts held outside elsewhere. Therefore, it is important that you notify your Wealth Advisor of any changes to your goals and Profile Information that could affect the appropriateness of the investment proposal. While the accuracy of the data provided by the Client is important to the investment recommendation, AIA is not required to verify any such data and is expressly authorized to rely on the Client's representations.

Once you have accepted the investment proposal, you must open an account with Broker in order to participate in the Wealth Management service. You must authorize us to exercise discretionary trading authority over that account. Once you have accepted the investment proposal, we will exercise our discretionary authority to execute trades for the initial allocation of the selected portfolio, including the liquidation of any securities deposited or transferred into the account, and also for ongoing rebalancing. We will monitor the accounts and may rebalance (a) for “drift,” (b) for deposits and withdrawals, (c) to free up cash to pay for advisory fees, and (d) if we make a change to the underlying investment allocations. We do not have the authority to remove funds or securities from your account and may only request the withdrawal of our advisory fees.

## Taxes

### *1. Robo Portfolios*

While we do not take your personal tax situation into consideration when managing the Robo Portfolios, we may offer tax-advantaged products that you can select. We do not provide tax advice. You may be subject to capital gains or losses as part of AIA investment management. We do not monitor for wash sales in your account. We recommend that you consult with your personal tax professional before engaging in any tax strategy.

### *2. Wealth Management*

AIA and your Wealth Advisor will utilize information concerning your personal tax situation when creating the investment proposal. We do not provide tax advice. You may be subject to capital gains or losses as part of AIA investment management. We do not monitor for wash sales in your account. We recommend that you consult with your personal tax professional before engaging in any tax strategy, including tax loss harvesting.

## Portfolio Selection and Evaluation Performance

Performance reports are available to you by accessing our service platform. You will retain access to the platform as long as your account remains open with us. This access also gives you the ability to generate various reports to gauge account progress. Our online performance reports are calculated using a time-weighted methodology. The methodology is programmed into our portfolio administration systems and, to ensure accuracy, periodic back-testing is conducted by our supervisory staff or qualified third parties. Time-weighted reporting



## Item 6 – Portfolio Manager Selection and Evaluation

compounds daily portfolio-level returns from the time the account was originally funded to the present. Reports are intended to inform Clients about investment performance on both an absolute basis and as compared to a known benchmark. We believe these are appropriate methods to evaluate portfolio performance since they are not sensitive to any contributions or withdrawals that Clients may make regarding an account. We do not validate performance reports created by systems external to ours and cannot attest to whether they are calculated on a uniform and consistent basis.

Performance reports are for informational purposes only and are not intended to replace statements or confirmations, which are the official account records provided by Custodian. You will receive electronic account statements prepared by Custodian on at least a quarterly basis. We do not create account statements for Clients, and we urge you to carefully review statements you receive from Custodian for accuracy.

### Risk Considerations

We do not warrant or guarantee any particular level of account performance or that an account will be profitable over time. Past performance is no guarantee of future results.

Except as may otherwise be provided by law, we are not liable for: (i) any loss an account may suffer by reason of an investment decision made or other action taken or omitted in good faith by us with that degree of care, skill, prudence, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; (ii) any loss arising from our following of any directions by you or your attorney-in-fact; or (iii) any act or failure to act by a service provider maintaining an investment account.

Federal and state securities laws impose liability under certain circumstances on persons who act in good faith and, therefore, nothing contained in this document or any Advisory Agreement is intended to act as a waiver of any rights that you may have under federal and state securities laws.

Our investment portfolios are designed to produce the appropriate potential return for the given level of risk. However, we cannot guarantee that an investment objective or planning goal will be achieved. As an investor, you must be able to bear the risk of loss that is associated with your account, which may include the loss of some or all principal invested. The following paragraphs offer examples of such risk.

#### Company Risk

When investing in securities, there is always a certain level of company- or industry-specific risk that is inherent in each company or issuer. For example, there is the risk that a company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as *unsystematic risk* and can be reduced or mitigated through diversification.

#### Concentration Risk

There is risk associated with having too much invested in a particular sector or type of holding. Concentration risk may be further compounded by factors such as asset correlation or performance, and may be compounded by certain securities, or types of securities, being held in various investment vehicles in a portfolio.

#### Financial Risk

Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### Fundamental Analysis

The challenges involving fundamental analysis include situations where information obtained may be incorrect or the analysis may not provide an accurate estimate of future earnings, which may be the basis for a security's

## Item 6 – Portfolio Manager Selection and Evaluation

value. If a security's price adjusts rapidly in response to new information, fundamental analysis may result in unfavorable performance.

### Inflation Risk

When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

### Management Risk

An investment with a firm varies with the success and failure of its investment strategies, research, analysis and determination of its portfolio. If an investment strategy were not to produce expected returns, the value of the investment would decrease.

### Market Risk

When the stock market as a whole, or an industry as a whole, falls in value, it can cause the prices of individual stock prices to fall indiscriminately. This is also called *systemic* or *systematic* risk.

### Passive Investing

A portfolio that employs a passive, "efficient markets" approach (generally representative of index investing) has the potential risk at times to generate lower-than-expected returns for the broader allocation than might be the case for a more narrowly focused asset class, and the return on each type of asset may deviate from the average return for the asset class. We believe this variance from the expected return is generally low under normal market conditions when a portfolio is made up of diverse, low-correlated or non-correlated assets.

### Performance of Underlying Managers

We select ETFs based on a variety of criteria. However, we depend on the manager of such investment vehicles to select individual investments in accordance with their stated investment strategy. Should a manager deviate from such norms, or do a poor job of selecting investments, a given investment might underperform or face enhanced risk.

### Research Data

When research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by the selected vendors, rating services, market data, and the issuers themselves. Therefore, while we make efforts to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided, which could affect the advice regarding, or investment management of, an account.

### ETF-Specific Risks

Our asset selection process seeks to identify ETFs that exhibit high liquidity, low expenses, and low tracking error. Our selection process does not guarantee the quality of a particular ETF or that it will (1) be profitable, (2) properly track any comparable index, (3) trade in a liquid fashion, or (4) trade at or above its publicly posted net asset value. We reserve the right to change the selection of ETFs we recommend at any time. Changes in our selection of ETFs may result in the sale of existing holdings and could subject you to additional tax liability.

The risk of owning ETFs reflects the risks of their underlying securities (e.g., alternative investments, stocks, bonds, etc.). ETFs also carry additional expenses based on their share of operating expenses and certain brokerage fees (often referred to as "expense ratios"), which may result in the potential duplication of certain fees.

## Item 6 – Portfolio Manager Selection and Evaluation

### Tax-Loss Harvesting Risks

The optional TLH has potential risks. The value of the TLH will vary depending on the Client's personal financial circumstances. Although we take your personal tax situation into account as part of the TLH, **we do not provide tax advice**. You should consult with a tax professional to determine whether TLH is appropriate for you.

We assume no responsibility to you for the tax consequences of any transaction, including any capital gains or wash sales that may result from the TLH strategy.

There is no guarantee that TLH will reduce, defer or eliminate the tax liability generated by a client's investment portfolio in any given tax year.

Accounts utilizing TLH may experience different performance than accounts that do not, including potentially lower overall performance.

### Use of Algorithms

We incorporate computer-based technology to make investment recommendations and in the portfolio management processes, primarily through the use of algorithms designed to optimize various elements of investment management. Accounts are continuously monitored by advisory personnel to ensure the investments held correctly reflect the selected model portfolio. You should be aware that this type of portfolio management is based on a pre-set investment allocation that could rebalance your account and not take certain market conditions into consideration. Such trading may occur on a more frequent basis than you might expect and may not address prolonged changes in market conditions. Understand that changes to the algorithmic code could also have material effects on our portfolio recommendations and investment management. In the event of extraordinary market conditions, we may halt trading or take other temporary measures meant to protect your financial interests.

### Alternative Investments

Strategies involving "alternative" investments generally include those which do not fall into equity, fixed income or cash equivalents. Such investments would include "real assets" such as real estate and commodities, and alternative strategies such as absolute return strategies and various other hedge fund-type strategies: global macro, managed futures, long/short equity, multi-strategy, event driven, private equity, etc. The goal of these alternative strategies is to provide for diversification in order to lower portfolio volatility and enhance long-term returns. The alternative investments we recommend are managed through ETFs and are not direct holdings. We do not directly invest in any hedge funds, managed futures, private equity funds, real estate investment trusts, or any other type of alternative investment.

### Equity (Stock) Market Risk

Common stocks are susceptible to general stock market fluctuations and to volatile increases or decreases in value as market confidence in, and perceptions of, the company that issued the stock change. An investor who holds common stock, or common stock equivalents, of any given company would generally be exposed to greater risk than if the investor held preferred stock or debt obligations of the company. Common stocks are often holdings within mutual funds and ETFs.

### Cash Drag Risk (Cash-Enhanced Robo Portfolios)

The allocation of cash within your portfolio has an impact on portfolio performance. As the allocation to cash increases, the volatility of the entire portfolio is reduced. In times when invested assets are increasing in value, a portfolio with a higher allocation to cash will generally experience returns that lag those of a more fully invested portfolio. Conversely, when invested assets are declining in value, a portfolio with a higher allocation to cash will generally experience a less significant decline than a more fully invested portfolio.

## Item 6 – Portfolio Manager Selection and Evaluation

### Monte Carlo Methodology Risks

Monte Carlo Simulation Tools project how your financial plan may perform over a range of various market outcomes, based upon the composition of your portfolio, your investment time horizon, and any contributions. These tools also allow you to simulate the impact of any changes to these variables on your portfolio, so that you can make more informed decisions about your goals. It is important to note that these tools rely upon assumptions of capital market returns to provide hypothetical projections, do not reflect actual results, and are not a guarantee of future results. Results may vary with each use and over time.

### Fixed Income Risks

Various forms of fixed income instruments, such as bonds, money market or bond funds, or certain ETFs containing these holdings, may be affected by various forms of risk, including:

- Credit Risk – The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as funds or ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.
- Duration Risk – Duration is a measure of a bond’s volatility expressed in years, to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.
- Interest Rate Risk – The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- Liquidity Risk – The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income instruments are generally liquid (i.e., bonds), there are risks that may occur such as when an issue trading in a given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.
- Reinvestment Risk – With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

### Index Investing

Index investing has the potential to be affected by “active risk” (or “tracking error risk”), defined as the risk of deviation from a stated benchmark. If a portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” index fund or ETF that may not as closely align to the stated benchmark as intended. In these instances, a portfolio manager may choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

### Socially Responsible Investing Risk

An ETF’s environmental, social and governance (“ESG”) investment strategy limits the types and number of investment opportunities available to the ETF. The expense ratios of the ETFs used in the ESG portfolios are materially higher than those of other portfolio fund options, and in some cases, more than double. As a result, the ESG portfolios may underperform the market as a whole or underperform the non-ESG portfolios. In addition, companies selected by the index provider may not exhibit positive or favorable ESG characteristics.

## Item 6 – Portfolio Manager Selection and Evaluation

### Wealth Management Thematic and Foundational Income Portfolios Investing Risk

The expense ratios of the ETFs used in the Thematic and Foundational Income portfolios are materially higher than those of other Wealth Management portfolio fund options. As a result, the Thematic and Foundational Income portfolios may underperform the market as a whole or underperform the other Wealth Management portfolios.

### Qualified Dividend Income (“QDI”) Ratios

While many ETFs are known for their potential tax-efficiency and higher QDI percentages, those qualities may be negatively affected depending on the nature of the ETF’s underlying assets or how they are managed. For example, dividends paid by companies held for less than 61 of the 121 days surrounding the ex-dividend date are considered “non-qualified” under certain tax code provisions. Such holding period applies both to the ETF itself and to any company held by the ETF in its portfolio. Also, some or all of the income generated by certain asset classes, including commodities, currencies, REITs, and fixed income instruments, may be treated as non-qualified. An ETF’s QDI ratio should be considered when tax-efficiency is an important aspect of the Client’s portfolio.

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

AIA does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation) or engage in side-by-side management.

## Item 7 – Client Information Provided to Portfolio Managers

### *1. Robo Portfolios*

We manage all Robo Portfolios directly; there are no non-AIA portfolio managers with whom we share your information. You should consider revisiting previously entered data to update your information if a material event has occurred, so that we can review and potentially adjust your portfolio.

### *2. Wealth Management*

We utilize a TAMP (described in Item 4) to deliver the Wealth Management service. We provide Client Profile Information to the TAMP for the administration of Client accounts, including billing, reporting, trading and financial planning. The information is provided initially when the Client agrees to become a Wealth Management Client and throughout the Wealth Management relationship when the Client's Profile Information is updated. We rely on Client information in the creation of the investment recommendations for the Wealth Management service. It is therefore important and your responsibility to notify your Wealth Advisor of any changes to your goals and Profile Information that could affect the appropriateness of the investment proposal. While the accuracy of the data you provide is important to the investment recommendation, we are not required to verify any such data and are entitled to rely on your representations.

## **Item 8 – Client Contact with Portfolio Managers**

We provide all Clients with continuous access to their account information and documents via our website. Clients also receive periodic e-mail communications describing account information, product features, and portfolio performance.

Wealth Management Clients are free to contact their Wealth Advisor and dedicated service team at any time during normal business hours via telephone, email or mail. Generally, the issuers or sponsors of the investments and the TAMP are not available to answer questions or discuss specific investment issues.

## **Item 9 – Additional Information**

### **Disciplinary Information**

Neither AIA nor any member of its management has been involved in a material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding that would reflect poorly upon AIA's advisory business or the integrity of AIA.

### **Other Financial Industry Activities and Affiliations**

AIA's policies require AIA and its associates to conduct business activities in a manner that avoids or appropriately mitigates conflicts of interest, including those among AIA, its associates, and its Clients, and with any other party, that may be contrary to law. We will provide disclosure to each Client prior to and throughout the term of an engagement regarding any conflicts of interest that might reasonably compromise our impartiality or independence.

Broker, Ally Invest Group, Ally Bank, and Ally Financial provide services to support us per an intercompany agreement. These services may include brokerage services, customer technical support, marketing functions, operational support, and other types of services. Management persons of AIA may also serve as management persons of Broker and Ally Invest Group.

All members of AIA management are registered or associated persons of Broker.

Broker is a FINRA member and introducing broker-dealer to Custodian, which carries Broker's accounts, including AIA accounts, on a fully disclosed basis. Broker effects AIA's Client trades through various market centers, which are then cleared by Custodian. Accordingly, Clients are required to open their accounts at Broker.

In addition to Broker, we are also affiliated with Ally Invest Forex LLC ("AIFX"), a member of the National Futures Association. AIA, Broker, and AIFX are all wholly owned subsidiaries of Ally Invest Group. Ally Invest Group and Ally Bank are wholly owned subsidiaries of Ally Financial. Additional information about these relationships and potential conflicts of interest are described in other sections of this brochure.

As noted in Item 4 - Interest on Cash Balances, our affiliates benefit from the assets held in accounts that we manage. For more information, please see the Interest on Cash Balances and Payment for Order Flow sections, above, or visit our disclosures page at <https://www.ally.com/invest/disclosures>.

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

We have adopted a Code of Ethics that establishes policies for ethical conduct for all our personnel, and accept the obligation not only to comply with all applicable laws and regulations but also to act in an ethical and professionally responsible manner in all professional services and activities. Our policies include prohibitions against insider trading, circulation of industry rumors, and certain political contributions, among others. We periodically review and amends our Code of Ethics to ensure they remain current and require all personnel to annually attest to their understanding of, and adherence to, the Code of Ethics. A copy of our Code of Ethics is available upon request.

### **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

No associate of AIA is authorized to recommend or effect for a Client any transaction involving a security in which AIA or a "related person" (e.g., associate, an immediate family member, etc.) of AIA has a material financial interest, such as in the capacity of an underwriter or advisor to an issuer of securities, etc.

Associates are prohibited from borrowing from or lending to any Client unless the Client is an approved financial institution.



## Item 9 – Additional Information

### Advisory Firm/Personnel Purchases of Same Securities Recommended to Clients and Conflicts of Interest

For the purpose of performance tracking, we invest our own funds in our own managed portfolios. We do not trade for our own account (i.e., proprietary account trading) for the purpose of generating revenue, tax harvesting, etc. Our related persons may buy or sell securities that are the same as, similar to, or different from, those recommended to Clients for their accounts. A recommendation made to one Client may be different in nature or in timing from a recommendation made to a different Client, as Clients often have different objectives and risk tolerances.

At no time will we or any of our related persons receive preferential treatment over a Client. In an effort to reduce or eliminate certain conflicts of interest involving personal trading (e.g., trading ahead of a Client's order, etc.), our policy restricts or prohibits related parties' transactions in specific securities. However, the restriction does not apply to (i) securities in the S&P 500 Index or other large cap issuers with a market capitalization or net assets of at least \$5 billion, or (ii) de minimis transactions, meaning a purchase or sale of a security involving no more than \$10,000. Any exceptions or trading pre-clearance must be approved by our Chief Compliance Officer in advance of the transaction in a related person's account. We maintain personal securities transaction records per applicable regulations.

### **Review of Accounts**

It is your ongoing responsibility to promptly update us when there is a material change to your situation or investment objective, so we can evaluate and potentially revise previous portfolio recommendations.

We provide all Clients with continuous access to their account information and documents via our website. Clients also receive periodic e-mail communications describing account information, product features, and portfolio performance.

#### *1. Robo Portfolios*

Our advice is rendered through our digital platform (online and mobile) and is designed to be operated by the Clients themselves. We periodically review the ETFs used for Client portfolios via our Investment Committee. The Investment Committee is comprised of AIA's president and certain other AIA and parent company personnel who approve any modifications to the ETFs chosen for the portfolios or any newly created portfolios.

Non-periodic reviews may be performed by assigned staff or our programmed systems in response to material market, economic, or political events, or by changes in a Client's financial situation (e.g., changes in employment, relocation, an inheritance, etc.). You should consider revisiting previously entered data to update your information if a material event has occurred so that we can review and potentially adjust your portfolio.

#### *2. Wealth Management*

At a minimum, your Wealth Advisor will schedule a meeting with you once per year to review the investment proposal. During the meeting, the Wealth Advisor reviews the performance of your investment proposal and discusses any changes to your goals and Profile Information that may impact your investment proposal. In addition, accounts are reviewed on a periodic basis to determine if market movements or other Client Profile Information changes necessitate an account review and potential update to the investment proposal. You should notify your Wealth Advisor of any changes to your goals and Profile Information that could affect the appropriateness of the investment proposal. Clients may request an additional review at any time.

### **Client Referrals and Other Compensation**

#### Economic Benefit from External Sources and Potential Conflicts of Interest

As a fiduciary, AIA endeavors to put the interests of its Clients first, and it is important to mention that any benefit received by AIA through a market center does not depend on the amount of brokerage transactions directed to that market center. In addition, we believe that the selection of Broker and Custodian is in the best

## Item 9 – Additional Information

interests of our Clients since the selection is primarily supported by the scope, quality, and cost of services provided as a whole.

We may participate in promotional campaigns involving affiliates. These events may be delivered to Clients in the form of emails, ads on the [www.ally.com](http://www.ally.com) website, or through other channels. These promotions may include reduced or waived fee arrangements for AIA, and they may also include cross-company promotions. A Client may be required to maintain certain asset levels in order to be eligible to receive such an incentive.

### Wealth Advisor Compensation

Each Wealth Advisor's compensation is comprised of base pay and incentive payments. The base pay is a majority of the Wealth Advisor's total compensation. Incentive payments are tied to several factors, including success at attracting new assets, client satisfaction, and other key behaviors. AIA has implemented training to mitigate any potential conflict of interest to help ensure the Wealth Management service is appropriate for prospective clients.

AIA compensates the TAMP for its services and a portion of that compensation is based on assets under management.

### **Custody**

Your assets are maintained in an account in your name at Custodian, with Broker serving as the broker-dealer of record. Custodian also provides settlement and clearing services with respect to trades booked to the account. Accordingly, your assets are not physically maintained by AIA. Broker also processes Client checks and deposits them into Client accounts. In keeping with this arrangement and its custody policies, we:

- Restrict our associates from serving as trustee or having general power of attorney over a Client account;
- Prohibit our associates from having authority to directly withdraw securities or cash assets from a Client account. Advisory fees are only withdrawn from an account through the engagement of a qualified custodian maintaining Client account assets and with prior written Client approval (termed "constructive custody");
- Ensure that Broker maintains strict policies and procedures relating to check handling and processing;
- Do not accept or forward Client securities (e.g., stock certificates) erroneously delivered or received by AIA;
- Will not collect advance fees of \$1,200 or more for services that are to be performed six months or more into the future; and
- Do not permit our associates to ask for or receive Client account access information (e.g., online 401(k), brokerage, or bank account passwords).

Clients are provided with transaction confirmations and summary account statements by Custodian. Statements are provided on at least a quarterly basis. We do not create account statements for Clients and will not serve as the sole recipient of any Client account statement. You are urged to carefully review and compare your account statements with any performance report provided by us.

### **Investment Discretion**

We manage Client accounts on a discretionary basis. Similar to a limited power of attorney, discretionary authority allows us to implement previously determined investment strategies and subsequent trading decisions, such as the purchase or sale of a security, without requiring your specific authorization for each transaction. You grant us this authority by executing an Advisory Agreement, as well as Custodian's limited power of attorney form or clause, which may be part of the account opening documents. Custodian limits our authority over your account to the placement of trade orders and the deduction of any applicable advisory fee. You retain the right to terminate our account authority, but doing so will result in a termination of the Advisory Agreement. We will then inform Broker that the Advisory Agreement has been terminated and Broker will close your account.

## Item 9 – Additional Information

### Account Restrictions

You may impose reasonable investment restrictions upon your account by requesting that we reallocate to an alternative fund or fund family in place of the currently selected one. We will not accept Client requests for restrictions that are inconsistent with our stated investment strategy or philosophy or that are inconsistent with the nature or operation of the applicable advisory service, whether Robo Portfolios or Wealth Management. Any restrictions requested by Clients are subject to our acceptance at our sole discretion. Please note: accounts with Client-requested restrictions may experience different performance than accounts without such restrictions, including potentially lower overall performance.

### **Voting Client Securities**

Clients may periodically receive “proxies” or other similar solicitations sent directly from Custodian or a transfer agent. Regardless of whether we receive a duplicate copy of these or any other correspondence relating to, e.g., the voting of Client securities, class action litigation, corporate actions, etc., we do not forward them to Clients.

We do not vote proxies on behalf of Clients, nor do we offer guidance on how to vote proxies. In addition, we do not offer guidance on any claims or potential claims in bankruptcy proceedings, class action securities litigation, or any other litigation or proceeding relating to securities held at any time in a Client account including, without limitation, filing proofs of claim or other documents related to such proceedings. We do not investigate, initiate, supervise, or monitor class actions or other litigation involving Client assets.

You maintain exclusive responsibility for directing the manner in which proxies are voted, as well as making all other elections relative to mergers, acquisitions, tender offers, or other legal matters or events pertaining to your holdings. You should consider contacting the issuer or their legal counsel for any specific questions regarding a proxy solicitation or corporate action.

### **Financial Information**

We do not take physical custody of Client accounts, nor do we require or solicit prepayment of more than \$1,200 in fees per Client for services to be performed six months or more in advance. Neither we nor any member of our management serve as general partner for a partnership or trustee for a trust in which our advisory Clients are either partners or beneficiaries. Therefore, due to the nature of our advisory services, an audited balance sheet is not required nor included in this disclosure.

AIA and its management do not have a financial condition likely to impair the ability to meet contractual commitments to our advisory Clients, nor has AIA or its management been the subject of a bankruptcy petition at any time in the past ten years.