



Wrap Fee Program Brochure  
(Part 2A Appendix 1 of Form ADV)

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**December 5, 2023**

This Wrap Fee Program Brochure ("Brochure") provides information about the qualifications and business practices of Envestnet Embedded Advisory, Inc. If you have any questions about the contents of this Brochure, please contact us at 312-827-2800. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Envestnet Embedded Advisory, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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



## Item 2 – Material Changes

This Item discusses only material changes that were made to the Brochure since it was last updated on December 5th, 2023.

- Item 4 (Services, Fees, and Compensation)
  - o This section has been updated to include additional details regarding Custodian’s Cash Sweep program, their interest sharing arrangement on the FDIC insured bank account option, and the conflict selecting this option created for EEA.
- Item 6 (Methods of Analysis, Investment Strategies, and Risk of Loss)
  - o This section has been updated to include additional details regarding the available thematic tilts and the percentage of portfolio assets assigned to the thematically tilted portion of the portfolio. The selection process for the stocks included in the thematic portion of the portfolio has also been amended.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year, which ends in December each year. We will further provide other disclosure information as necessary, at any time, without charge.



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## Item 4 – Services, Fees and Compensation

### Firm Description

Envestnet Embedded Advisory, Inc. (“EEA”, “we”, “us”, or “our”) is an investment adviser with its principal place of business in Chicago, Illinois. EEA operates as a wholly-owned subsidiary of Envestnet, Inc. (“Envestnet”), a publicly held company founded in 1999 and whose stock is traded on the New York Stock Exchange under the ticker symbol ENV.

EEA provides a digital investment advisory service (the “Program”) available only through an interactive web-based application (the “App”) that has been designed to be accessible within other applications, such as mobile banking and consumer apps. This allows EEA to “embed” our services into the websites and mobile applications of independent third parties (each, an “Embedder”), so that investment advisory services can be delivered directly to individuals seeking discretionary investment advice.

Before participating in the Program, clients should be aware of the differences and limitations of our digital services when compared to other types of investment advisory services. As a digital offering, our services will not be provided directly in person to clients. EEA will utilize the App to collect information about clients for the purpose of providing the Program’s service. This includes the recommendation of an investment portfolio, which is fully automated based on responses to a questionnaire (“the Questionnaire”) available through the App. The Questionnaire only considers personal financial information that is relevant to a general financial goal of building wealth. All client interactions with EEA, both initial and ongoing, will need to be conducted primarily through the App. While our engagement with clients will be conducted digitally and leverage automation, the investment decisions for the portfolios available through the Program will be made by our team of investment professionals.

For more information about the limitations of our Program, please see Item 5 below. Clients seeking our services should also understand that our investment advisory services under the Program are discretionary, meaning that investment and trading decisions will be made solely by EEA on behalf of our clients. The Program is not appropriate for clients that wish to consider and approve each potential security purchase and sale before a trade is placed or investors that wish to trade individual securities on a “self-directed” basis.

The investment advisory service provided by EEA via the Program is considered a wrap fee program. This means that a single fee will be charged for the investment advisory services provided by EEA and the brokerage, clearing, and custodial services provided by DriveWealth, LLC (“Custodian”), an unaffiliated broker-dealer who will serve as the custodian for client assets. In order to establish a relationship with EEA, clients will be required to enter into an investment management agreement with EEA. In addition, all clients will be obligated to enter into a separate agreement with Custodian and open a brokerage account (“Account”) with Custodian. The services provided by EEA and the Custodian are described in further detail below.



## Program Description

The Program manages client Accounts on a discretionary basis in accordance with asset allocation strategies with investment objectives that are based on time horizon and risk tolerance. EEA has designed these strategies to help clients meet their long-term investment goals (generally three years and longer). There are three strategies available through the Program: conservative, moderate, and aggressive. A team of EEA's investment professionals (the "Investment Team") is responsible for the design, construction and ongoing maintenance of model portfolios (each a "Model Portfolio"), each of which is based on a corresponding strategy. The Model Portfolios seek to provide a diversified mix of equity and fixed income asset class exposures through exchange traded funds ("ETFs") and individual company stocks. The ETFs selected for a Model Portfolio will be passive ETFs that track the performance of a benchmark. While the allocation to ETFs will generally serve to balance a Model Portfolio's asset class exposure, the stock allocation will be used to "tilt" the Model Portfolio toward an investment theme that reflects a client's indicated interest(s).

Before clients participate in the Program, EEA will recommend a Model Portfolio that is appropriate for each client's investment profile resulting from client's responses to the Questionnaire. EEA's Investment Team is responsible for the development and oversight of the Questionnaire, which leverages automation to select an asset allocation that aligns with a client's investment time horizon and risk tolerance. The Questionnaire also seeks information from clients regarding their financial situation, such as liquidity needs, to determine if the scope of the Program is appropriate for a client. While various questions are asked by the Questionnaire, clients should be aware that portfolio recommendations are based primarily on investment time horizon and risk tolerance as indicated by a client during the onboarding process. EEA will not independently verify the accuracy of clients' answers in response to the Questionnaire. Once the recommended portfolio is approved by a client, EEA's Investment Team will manage the client's Account in accordance with the parameters of the portfolio.

When selecting a portfolio, clients are also given the ability to select an investment theme based on their interests. The option to select an investment theme is at the client's discretion, and EEA does not recommend themes to any client. The selection of an investment theme will not change the desired risk profile (conservative, moderate or aggressive) of a client's portfolio. EEA will have discretion to invest the portfolio's stock allocation in companies that are relevant to a particular theme. The availability of investment themes is subject to change. For more information about the ability to include an investment theme, please see "Thematic Investing" under Item 6 below.

If clients have questions about EEA's investment advice, or questions about the App, they may contact a service team available via chat or email. Clients may also update their responses to the Questionnaire at any time once an Account has been established. Any changes a client makes to the Questionnaire could result in a new investment recommendation, or EEA may decide the Program is no longer appropriate for a client.

## Fees and Compensation

Clients that participate in the wrap fee program will be charged an annual asset-based fee of 50 basis points on the value of the total assets in their Accounts (the "Program Fee"). The Program Fee will not be charged on your cash balances. As mentioned above, this is a single fee for the investment advisory services provided by EEA and the brokerage, clearing, and custodial services provided by



the Custodian. The Program Fee is not negotiable. EEA will retain a proportional amount of the fee for our services based on our agreement with the Custodian. The costs of the Custodian's services provided in relation to the Program are negotiated by EEA.

The Program Fee will be automatically deducted from the cash balance held in a client's Account and paid monthly in arrears based on an Account's average assets under management over the course of each month. Account valuations are calculated using prices obtained from the Custodian. In the event there is insufficient cash to cover the fee deduction, EEA will sell securities held in the client's Account to raise cash. The amount of the Program Fee will be calculated as a percentage of total assets, excluding cash, held in a client's Account. If advisory services have been provided for less than one month, the Program Fee will be pro-rated based on the number of days the client Account was open during the month.

The Program Fee does not include management fees and other internal operating expenses charged by ETFs, mutual funds and other pooled investment vehicles held in a client's Account. Such costs are deducted from the net asset value of the fund and are disclosed in each fund's prospectus. Clients will also be responsible for any fees imposed by the Custodian that are not for the brokerage, clearing, and custodial services paid for by the wrap fee. These fees include, but are not limited to, withdrawal and administrative request fees, transfer fees, and miscellaneous charges related returned checks, stop payment notices, paper trade confirms and Account statements, and requests for tax documents. More detail on these fees can be found in Exhibit A attached to this Brochure. In addition, the Custodian will retain an equal amount of the interest earned on uninvested cash balance, which has the effect of reducing the yield clients receive on their cash balance. More details on this arrangement and its material conflicts of interest can be found in the Cash Sweep Program section below.

The Custodian will also pass through certain regulatory fees that are charged on a per transaction basis. EEA is responsible for paying these charges, which creates a financial incentive for us to not trade in client Accounts.

The total cost of services paid for via the wrap fee may be more or less than the cost of purchasing investment advisory and brokerage, clearing, and custodial services separately. When evaluating the relative cost of the Program, clients should consider factors such as the cost of the services provided separately, expected trading activity, commission rates, and value of discretionary advisory services being provided, which includes access to professional investment advice for the selection, monitoring, and periodic rebalancing of investments on behalf of clients. In addition, the securities that can be purchased through the Program could be obtained for less cost through a self-directed brokerage account that does not charge trade commissions or provide advisory services. In this case, however, an investor would be fully responsible for making investment and trading decisions for the account.

EEA will compensate the Custodian for providing its services. The fee made payable to the Custodian is tiered based on the total aggregated value of assets held in client Accounts and does not include cash. The rate for each tier decreases as total assets increase. The Program Fee, however, is not tiered. This creates an incentive for EEA to increase assets held in client Accounts so that we retain a higher portion of the Program Fee.



## Brokerage Practices

Clients that participate in the Program will be required to direct EEA to send all transactions for execution to the Custodian. It is important to note that not all advisers require their clients to direct brokerage through a specified broker-dealer. Directing EEA to use a particular broker-dealer to execute transactions for client Accounts may result in higher transaction costs for clients and the arrangement may result in less favorable net prices on securities trades than would be the case if EEA was able to shop around and select alternate broker-dealers to execute trades. EEA has engaged the Custodian to provide execution and clearing services to our clients based on several factors including, but not limited to, experience, pricing, financial strength, reputation, execution capabilities, quality of service, and ability to integrate with EEA's digital program. The Custodian also provides access to fractional share trading capabilities that allow EEA to lower the Account minimum requirement for its services and provide clients with access to portfolio diversification by investing smaller amounts across a wide range of holdings. EEA will periodically evaluate the execution performance and the costs of the Custodian to determine whether its services remain suitable for the Program.

Our affiliate, Envestnet Financial Technologies, Inc., ("EFT") has entered into an agreement with the Custodian and is compensated for building out technology solutions developed by EFT that enable the embedding of investment advisory, educational and planning services with the Custodian's web-based platform. This creates a conflict of interest due to the directed brokerage arrangement described above. The compensation received by EFT does not influence our investment decision making, and it is not related to any investment products we recommend to clients.

EEA will remit all transactions to the Custodian for execution. The Custodian will exercise its discretion in determining where to route EEA client orders based on a number of factors including the size of the order, the opportunity for price improvement and the quality of order executions. In exchange for routing certain customer equity orders to exchanges, electronic communication networks, or other broker-dealers during normal business hours, the Custodian may receive compensation in the form of monetary rebates from the execution venues. The amount rebated varies depending on the Custodian's agreement reached with each market venue. EEA does not receive any payments in connection with such arrangements.

The client Accounts under the Program are managed by EEA on a discretionary basis, meaning trading decisions are made by EEA pursuant to the discretionary authority granted by clients. The decision to trade in a client Account may result from a client-related action, such as a request for a withdrawal or the deposit of additional funds. EEA will seek to process these types of requests the same day if they are received during market hours. However, the timing of orders will be ultimately subject to EEA's trading policies. If clients want to control the precise timing of their orders or expect funds to be available for same day withdrawal, they should not engage the Program's services. The advisory accounts offered through the Program are intended for longer term investing and are not designed to act similarly to a brokerage account, or to meet short term cash-flow needs.

### *Order Aggregation*

Although each client Account is individually managed, EEA often purchases and/or sells the same securities for multiple Accounts at the same time on a discretionary basis. In these instances, EEA aggregates contemporaneous transactions in the same securities for clients. EEA aggregates trades at



regular intervals throughout the day and considers all trades in a particular interval to be contemporaneous. When it does so, participating Accounts are allocated the resulting securities or proceeds on an average price basis and the associated transaction expenses are allocated on a pro-rata basis. EEA believes combining orders in this way often is, over time, advantageous to all participants. However, the average price resulting from any particular aggregated transaction could be less advantageous to a particular client than if the client had been the only Account in the transaction or had completed its transaction in the security before the other participants.

#### *Trade Errors*

On occasion, EEA will make an error when placing a securities transaction on behalf of a client Account. In accordance with its fiduciary obligation to each client, EEA will seek to correct any trade errors it makes promptly, fairly, and consistently. Errors may be corrected by either the purchase or sale of a security as originally intended, or in the form of monetary reimbursement to the applicable client Account. EEA will not correct a trade error it makes in a manner which favors one client at the expense of another client. EEA will not profit or benefit from the correction of a trade error. Brokerage commissions from client transactions will not be used to correct trade errors EEA makes or to compensate broker-dealers for erroneous trades.

#### **Investment Discretion**

Clients that participate in the Program are required to grant full discretionary investment authority to EEA for the management of their Account assets. This authority allows EEA to determine the identity and amount of securities to be bought or sold, as well as the timing of executions for such transactions. Clients may seek to impose reasonable restrictions on the management of their Accounts by requesting that certain securities be excluded from their Account(s). Clients are able to determine the securities held in the account by reviewing the Custodial statements. If a restriction is desired, requests can be made or modified at any time and are subject to EEA's consent. It is important to note that by applying restrictions to an Account, it may limit EEA's ability to pursue a client's investment objective. For example, once a restriction has been established, EEA will allocate the assets that would otherwise be invested in the restricted security across the remaining positions in a client's Account. This will result in deviations from the Model Portfolio and the Account may not perform as expected. For the avoidance of doubt, the restriction of a security cannot be applied to the underlying holdings in an ETF or other pooled investment vehicle, and EEA will not monitor the ETF or other pooled investment vehicle for compliance with a client's restriction.

#### **Cash Sweep Program**

By establishing an Account with Custodian, clients provide their consent to have uninvested cash balances held in their Account automatically invested into a cash sweep program made available by the Custodian. Under the Program, EEA is responsible for selecting the vehicle for the cash sweep program ("Sweep Program"), which is a brokerage service provided by the Custodian that automatically transfers clients' uninvested cash into either money market mutual funds ("Money Market Funds") or interest-paying FDIC insured bank accounts. EEA's selection of the cash sweep vehicle applies to all clients participating in the Program and clients should be aware that there are sweep vehicles other than the one purchased under the Program that offer higher yields.





Custodian has made two Sweep Program options available for EEA to select from: a money market fund and an FDIC insured bank account. EEA selected the FDIC insured bank account for clients participating in the Program. Accordingly, eligible free credit balances (*e.g.* settled cash) and uninvested cash balances (such as from securities transactions, dividends, interest payments, or deposits) in a client's Account are deposited into a deposit account at certain banks participating in the Sweep Program. Interest rates will vary based on the amount clients have on deposit with the bank and prevailing market conditions. The funds in the bank accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 in deposits per depositor per ownership category.

The compensation and other fees received in connection with the Sweep Program and a description of how it works is described in detail in Custodian's [Cash Management Program Disclosure](#).

#### *Conflict*

EEA's policy is to maintain a maximum of 5% cash in client portfolios, to cover fees and facilitate trading. In the bank sweep program selected by EEA, the bank where your cash is held shares 50% of the interest from your cash sweep with Custodian, and clients receive the other 50%. This has the effect of reducing the yield clients receive on uninvested cash balances held in their accounts. The 50% of the interest shared by the banks with Custodian is intended to offset the custodial fees and costs that would otherwise be charged to EEA for your account. In addition, Custodian provides financial incentives to EEA if it selects the FDIC insured bank account as the sweep account option in the form of waived activity-based fees (*e.g.* allocation fees and account opening/maintenance fees), that Custodian would otherwise charge to EEA. Selecting the FDIC insured bank account as the sweep account option thus lowers the fees EEA must pay to Custodian.

This arrangement creates a material conflict of interest for EEA as it receives important and significant financial benefits (in the form of waived activity-based fees that would otherwise be charged to EEA by Custodian) if it selects the FDIC insured bank account (instead of a money market fund) as the sweep account vehicle. Also, the longer such deposits are held, the greater the economic benefit to EEA in the form of waived activity-based fees that would otherwise be charged to EEA by Custodian. Both EEA and Custodian receive greater economic benefit with respect to amounts in the FDIC insured bank account option than with respect to money market funds.

Although the conflict remains under the sweep option described, EEA mitigates these conflicts by disclosing them to you, such as in this brochure. Additionally, EEA does not charge the Program Fee on the cash held in the sweep program. This conflict also is mitigated by the fact that EEA has a strong incentive to generate favorable returns for clients by investing rather than holding a larger cash position. Uninvested cash balances can often create a drag on clients' total return which, in turn, diminishes the advisory fees for the portfolio/advisory services that EEA earns, which are assessed as a percentage of a clients' assets under management.

#### **Fractional Shares**

The Program enables EEA to invest in fractional shares, which is facilitated by the Custodian. This allows EEA to purchase securities when clients do not have sufficient funds to purchase a full share



of a security. The use of fractional shares provides certain benefits, such as lowering account minimum requirements and providing opportunities for broader diversification. However, fractional share investing comes with unique risks and limitations when compared to whole share investing. Fractional shares are non-transferable and, in the event a client wishes to transfer Account assets to another financial institution, the fractional share positions may need to be sold for cash proceeds to be transferred instead, which may be a taxable event. In addition, any dividends payable to a fractional share position must be greater than \$0.01 in order to be received. As a result, an Account with a relatively low balance could perform differently from other Accounts that are managed in accordance with the same Model Portfolio. This could also limit a low-balanced Account from realizing income objectives that may be important to the investment strategy pursued by ETFs held in a client Account.

### **Services Provided by Affiliates**

EEA provides, through its affiliates, an asset management platform, technology, operational and administrative support services to clients. The affiliates may assist EEA with a variety of processing and maintenance duties, including client initiation and set up, support related to trading and processing, billing services, custodial reconciliation, and the computation and preparation of client reports. Through these affiliations, EEA receives an economic benefit by obtaining such services at below market cost. EEA is ultimately responsible for all aspects of the Program.

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

EEA provides discretionary investment advisory services primarily to retail investors. A minimum Account size of \$500 is required to form or maintain an advisory relationship. Additionally, a maximum of \$10,000 may be deposited by the investor at any one time. In order to establish an Account, clients must enter into an agreement with Custodian, which will clear and settle trades and serve as the custodian for client assets. In addition, EEA or its designee will check to verify that a client's name does not appear on the Treasury Department's Office of Foreign Assets Control ("OFAC") "Specially Designated Nationals and Blocked Persons" list (sometimes called the "OFAC List"). EEA or its designee will also perform other checks to detect and prevent money laundering. If a client is identified through any of these checks, EEA or its designee will take action as deemed necessary, which could include the denial of an Account being opened and/or the suspension of money or asset movement.

When evaluating whether to engage our services, clients should be aware of the differences and limitations of our services when compared to other types of investment advisory services. As mentioned above, the advisory services will be provided as a digital investment advisory program. This means that clients must be comfortable with the use of online resources and be able to engage with us on an electronic basis. Clients must also agree to receive Account information and documentation through the App and EEA's electronic communications (e.g. email) and be willing to consent to the use of electronic signatures.

Before opening an Account and utilizing the Program's services, clients must have access to the App. This requires an internet connection which will be necessary for the ongoing delivery of investment advisory services. While engagement with clients will be through the App, we do not guarantee that access to the Internet while utilizing our services will be available. As noted above, the App is available through various Embedder websites or applications. While this facilitates access to the App, the



Embedder is not responsible for the App or any of EEA's services, and any questions related to the App should be directed solely to EEA. Clients can terminate their relationship with EEA at any time, for any reason, upon notification through the App.

The Program involves features that are automated and generally do not involve direct human interaction. This includes the recommendation of appropriate investment portfolios based on client responses to the Questionnaire presented through the App. The investment recommendations are determined by scoring methodology that does not consider information apart from the data that is collected. A client's investment time horizon and risk tolerance are the primary considerations for the scoring methodology in recommending a portfolio. Once a client selects a portfolio, the strategy of the selected portfolio will continue to apply until a change to the client's financial situation or investment objective results in a new recommendation or a different selection by the client. This means that the Program will not automatically adjust to changes in a client's information over time as the client ages or approaches the end of his or her indicated investment time horizon, and EEA relies on clients to update the answers to their Questionnaire and risk if such changes occur.

Clients will not be assigned a financial professional for the management of their Account(s) but will instead be provided with access to a team of representatives via the App's chat function. Individuals on this team are available to answer questions about the Program but do not manage client Accounts or otherwise provide investment advice. When seeking additional information about the Program, clients are encouraged to utilize EEA's online resources for details, such as the "Frequently Asked Questions" section of the App. As an alternative to the chat functionality within the App, clients may also communicate with EEA by emailing us at [EmbeddedAdvisory@envestnet.com](mailto:EmbeddedAdvisory@envestnet.com)

Clients should be aware that the advisory services available through the Program are limited in that clients' Accounts are managed in accordance with one of EEA's Model Portfolios. Due to the limited design of the Program, clients should not expect our services to accommodate a wide range of financial goals or to serve as a comprehensive financial plan. The advice provided is limited in scope and only appropriate for meeting a general goal of building long-term wealth. It is not designed to achieve other goals such as saving for retirement or earning investment income, and is not to be used for short-term investing. The Model Portfolios recommended by EEA are focused solely on a limited range of investment products, which includes only ETFs and stocks. These portfolios may also involve thematic investing, which may not be appropriate for every investor (see "Risks" under Item 6 below).

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

EEA does not select or recommend portfolio managers for clients and will instead act as the sole portfolio manager for the Program.

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

As noted above in Item 4, the Investment Team is responsible for (i) the design, construction and ongoing discretionary management of Model Portfolios that follow asset allocation strategies with investment objectives that are based on time horizon and risk tolerance and (ii) managing client Accounts in accordance with the Model Portfolios they select. The Investment Team utilizes shared resources for due diligence research applications and asset allocation modeling of a division of EEA's affiliate Envestnet Asset Management, Inc. ("Envestnet | PMC").



Strategic asset allocations are derived from EEA's capital market assumptions, which are the expected returns, standard deviations, and correlations that represent the long-term risk/return forecasts for numerous asset classes. The goal of the Model Portfolios is to create diversified portfolios that provide appropriate risk exposures and appropriately track a blended benchmark representing the global markets of equity and fixed income. The neutral broad asset class exposures (i.e., domestic equity, international equity, fixed income, and cash) are defined by an optimized global market portfolio that consists primarily of highly liquid, low-cost, third-party ETFs. The Investment Team has discretion to select sub-styles within the broad asset classes, and make tactical biases to the broad asset classes and sub-styles, as long as portfolio risk parameters are maintained.

The following strategies are currently available through the Program:

- **Conservative.** Seeks to provide portfolio stability with modest portfolio appreciation by investing primarily in fixed-income securities. This strategy is designed for clients with a need for lower volatility, as well as some desire for modest growth from the stock portion of their portfolio.
- **Moderate.** Includes both equity and fixed-income securities, with a greater weighting to equities. It is designed for clients with a need for both portfolio appreciation and relative stability. Clients should have a mid to long-term investment time horizon and be willing to take on some risk in pursuit of better returns.
- **Aggressive.** Seeks to provide portfolio appreciation by investing primarily in equity securities. Only a relatively small portion of the portfolio is invested in fixed income securities for diversification purposes. The strategy is designed for clients with a relatively long-term investment time horizon as well as the resources to withstand market volatility.

The Investment Team reviews the characteristics of each Model Portfolio to ensure conformity with a strategy's objectives and constraints. On a quarterly basis, the Model Portfolio asset allocations are reviewed and adjusted as necessary based on market conditions and the team's ongoing research. As a result of this quarterly review, the Investment Team will trigger a rebalance. The Investment team updates the capital market assumptions annually and may make adjustments to strategic asset allocations. Any changes to the Model Portfolios allocation will be incorporated into the quarterly rebalance. Client Accounts are rebalanced by identifying differences between client Account allocations and associated model target allocations, also known as drift. Any resulting trades will be generated automatically to align client Accounts with the Model Portfolio based on defined drift parameters, which are subject to change at EEA's discretion. In addition to the quarterly rebalance, EEA will rebalance client Accounts when a client makes a contribution or withdrawal that results in positions exceeding defined drift parameters, or when a client has requested a reasonable restriction to be applied to the Account to which it has agreed.

Rebalancing could have tax implications for taxable Accounts. For example, a client could incur tax liabilities as a result of gains realized on the sale of securities being traded for rebalancing purposes. EEA does not apply tax-optimization techniques when managing client assets and does not provide any tax planning advice or services.

Due to the long-term investment design of the strategies offered by the Program, short-term changes to the Model Portfolios or client Account asset allocations in response to market volatility are not



expected. However, EEA may, in its discretion, consider an ad hoc rebalance of the Model Portfolios and of client Accounts depending on the Investment Team's viewpoint.

### **Thematic Investing**

Thematic investing is centered on allocating money based on a specific niche or emphasis, which can help personalize a portfolio. It's our belief that linking together an investor's interests with investments has the potential to support investor engagement, promoting a longer-term investment mind-set, thus reducing the likelihood of selling securities just before cyclical troughs.

EEA does not make recommendations on whether an investment theme is suitable for a particular client. Thematic investing is an optional component of the Program and, if chosen by the client, will not serve as the primary objective of the investment strategy. Thematic investing introduces additional risks that clients should consider when opting to include a thematic tilt in their portfolio, and these are outlined in detail in the below Risks section.

EEA enables clients to select optional investment themes through the Program, which are used to tilt a recommended portfolio toward a client's personal interests. The selected themes represent opportunities for investors to incorporate holdings that reflect their personal interests and have not been chosen based on an expectation of increased market returns.

The available thematic tilts are as follows:

Portfolio/Theme	Description
<b>Technology</b>	
Robotics & AI	Seeks to invest in companies involved in the adoption and use of robotics and artificial intelligence. Robotics is defined as technology dealing with the design, construction, and operation of robots in automation. Artificial intelligence ("AI") is defined as the theory and development of computer systems able to perform tasks that normally require human intelligence, such as visual perception, speech recognition, decision-making, and translation between languages.
Cloud Computing	Seeks to invest in companies involved in cloud computing services, including servers, databases, software, analytics, and intelligence delivered via the internet.
Social Media	Seeks to invest in companies involved in social media, as defined by websites and applications that enable users to create and share content or to participate in social networking.
<b>Activities</b>	



Exercise	Seeks to invest in companies that provide products and services related to exercise, as defined by activities requiring physical effort, carried out to sustain or improve health and fitness.
Relaxation & Entertainment	Seeks to invest in companies that provide products and services related to relaxing and entertainment.
Travel	Seeks to invest in companies that provide products and services related to travel.
<b>People and Planet</b>	
Climate	Seeks to invest in companies focused on fighting climate change and avoids exposure to the fossil fuel industry. Also avoids companies involved in incidents with negative environmental, social, or governance implications.
Diversity	Seeks to invest in companies that create products and services that promote financial inclusion, as well as companies with strong board diversity, diversity programs, and anti-discrimination policies. Also avoids companies involved in incidents with negative environmental, social, or governance implications.
Community	Seeks to invest in companies that create education and affordable housing solutions. Avoids companies involved in predatory lending, the gambling and tobacco industries, and companies that produce riot control weapons. Also avoids companies involved in incidents with negative environmental, social, or governance implications.

The portion of the asset allocation used to purchase thematic stocks varies by strategy:

	Conservative	Moderate	Aggressive
Individual Thematic Stocks (5 stocks) – Domestic Equity	1-8%	2-11%	4-13%

The thematic stock allocation is proportional relative to the overall equity allocation of a Model Portfolio, which ensures appropriate risk exposure. As a result, a conservative strategy has less exposure to thematic stocks than an aggressive strategy.

The starting universe of stocks for potential inclusion in each theme is the CRSP Total Cap Index. To be eligible for portfolio inclusion, certain minimum market capitalization, trading volume, and price criteria, as determined by the Investment Team, must be met. Stocks that meet these criteria are then ranked based on either a keyword methodology or, for the sustainable investing themes (discussed



in more detail below), by an environmental, social, and governance ("ESG") score calculated by EEA and derived from third-party data. The keyword ranking involves an algorithmic process that counts the number of times a keyword associated with each theme appears in the Form 10-K filings of U.S. issuers. For the Social Media theme, a sector/industry filter is also applied, limiting the selection pool to the Communication Services sector and Interactive Media and Services Industry. Additionally, for the Travel and Relaxation & Entertainment themes, a limit of two companies per industry is applied. The Investment Team then conducts a qualitative review of the top ranked stocks to ensure they are reasonable for portfolio inclusion for the respective theme.

There are three sustainable themes made available through the Program: Climate, Diversity, and Community. In selecting stocks that meet a sustainable theme, the Investment Team seeks to identify companies that exhibit stronger ESG characteristics relative to a broad peer group or index. To achieve this objective, the Investment Team relies on data provided by a third-party research firm. A limit of two companies per sector is applied to the sustainable investing themes.

Stocks that are deemed eligible for a Model Portfolio's thematic stock allocation will be equally weighted. This means each company will be allocated the same target weight regardless of other factors, such as market capitalization.

## Risks

Investing in securities involves risk of loss (including loss of principal) that each client should be prepared to bear. Typical investment risks include market risk typified by a drop in a security's price due to company-specific events (such as an earnings disappointment or a downgrade in the rating of a bond) or general market activity (such as occurs in a "bear" market when stock values fall in general). Stock markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. The following risks, in alphabetical order, are considered material to the investment strategies and methods of analysis used by EEA.

*Capital Market Assumptions Risk:* EEA's approach to estimating capital markets assumptions and constructing asset allocation models for the Program is based on certain general assumptions that, if wrong, could negatively impact our portfolio construction process and result in a portfolio that is less than optimal based on a client's investment profile. The risk score of a portfolio uses values derived from our capital markets assumptions. If these values are incorrect, then there is a risk that a client may be invested in a portfolio that does not align with their risk tolerance. The assumptions leverage the use of forecasts and historical data to determine expected returns. However, there is no guarantee of future results based on this information and there can be no assurance that the asset classes in a portfolio will achieve these returns in the future.

*Credit Risk:* Fixed income securities are subject to the risk of non-payment of scheduled principal and interest. Changes in economic conditions or other circumstances may reduce the capacity of the party obligated to make principal and interest payments on such instruments and may lead to defaults. Such non-payments and defaults may reduce the value of, or income distributions from, a client portfolio.

*Cybersecurity Risks:* The proliferation of business technologies, while empowering, also makes EEA and its affiliates susceptible to operational, information security, and related risks. Cyber risks arise



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

EEA collects, uses, transmits and stores confidential financial information such as bank account numbers, social security numbers, non-public personally identifiable information, and portfolio holdings. The measures we take to provide security for collection, use, storage, processing and transmission of confidential end user information may not be totally effective in protecting against data security breaches by third parties. In addition, the technologies and practices of Embedders and third-party suppliers may not meet all of the requirements we include in our contracts; we may also not have the ability to effectively monitor the implementation of their security measures.

Embedders build and host their own web applications, which have integrated with our Program through our application programming interfaces (“APIs”). Additional risks associated with security and preventive controls could reside in the Embedders’ system. Thus, any inadequacies in Embedders’ security technologies and practices may create cybersecurity and privacy risks for EEA and may only become apparent after a security breach has occurred.

*Digital Investment Advice Risk:* Providing investment advice through a digital platform is limited in nature and relies on the use of automation. The limited nature of the Program means that the design of our services may not be appropriate to meet the investment needs of all investors, and clients should carefully consider the limitations discussed in Item 5 above when determining whether our Program is right for them. The use of automation when providing investment advisory services carries the risk of producing unintended and inconsistent results. In particular, the Program relies on a scoring methodology to support the Questionnaire used to recommend an investment portfolio. The scoring methodology uses limited inputs to recommend a portfolio, which will be limited to the range of Model Portfolios available through the Program. The accuracy of the information collected by the Questionnaire will not be verified by EEA, and recommendations do not involve human input. Due to the inherent limitations that exist in the automation, there is a risk that the investment advice produced by the scoring methodology may be inconsistent with a client’s investment objective.

*Equity Market Risk:* A long-term investment approach cannot guarantee a profit. Economic, market, political, and company-specific conditions and events will cause the value of equity securities, and the portfolio that owns them, to rise or fall. Stock markets tend to move in cycles, with periods of rising prices and periods of falling prices.





***Sustainable Investing Risks:*** Incorporating ESG characteristics into the investment process carries the risk that the ESG investments may underperform as compared to non-ESG focused strategies. The ESG considerations may reduce the investment universe or result in different exposures from strategies that do not use such criteria. There is no guarantee that ESG investment strategies will work and each client should evaluate their ability to invest long-term. In addition, EEA utilizes third party ESG research and ratings providers for portfolio management purposes. The scores, ratings, and assessments are subjective by nature, and may not be accurate, complete, or reflect the beliefs of some investors. Any delay in the remittance of ESG information or changes in scoring methodology may cause a portfolio to hold companies that do not align with the ESG methodology. Finally, while EEA attempts to update the investments in a timely manner, it cannot guarantee that the strategies will reflect the latest ESG information.

***ETF Risk:*** Investing in an exchange-traded fund (ETF) exposes a client portfolio to all of the risks of that ETF's investments and subjects it to a pro rata portion of the ETF's fees and expenses. As a result, the cost of investing in ETF shares may exceed the cost of investing directly in its underlying investments. ETF shares trade on an exchange at a market price which may vary from the ETF's net asset value. ETFs may be purchased at prices that exceed the net asset value of their underlying investments and may be sold at prices below such net asset value. Because the market price of ETF shares depends on market demand, the market price of an ETF may be more volatile than the underlying portfolio of securities the ETF is designed to track. EEA may not be able to liquidate ETF holdings at the time and price desired, which may affect performance. The principal risks of investing in an ETF are disclosed in the fund's prospectus. For more information on the principal risks of investing in an ETF, clients should refer to the prospectus for each fund used by the Program.

***Foreign and Emerging Markets Risk:*** The value of a client portfolio may be adversely affected by changes in currency exchange rates and political and economic developments across multiple borders. In emerging or less developed countries, these risks can be more significant than in major markets in developed countries. Generally, investment markets in emerging countries are smaller, less liquid and more volatile, and as a result, the value of a portfolio investing in emerging markets may be more volatile. Emerging market investments often are subject to speculative trading, which typically contributes to volatility. Emerging market countries also may have relatively unstable governments and economies. Trading in foreign and emerging markets usually involves higher expenses than trading in the U.S. A client portfolio investing in these markets may have difficulties enforcing its legal or contractual rights in a foreign country. Depositary receipts are subject to many of the risks associated with investing directly in foreign securities, including political and economic risks.

***Interest Rate Risk:*** As interest rates rise, the value of a client portfolio invested primarily in fixed-income securities or similar instruments is likely to decline. Securities with longer maturities are more sensitive to changes in interest rates than securities with shorter maturities, making them more volatile. Fixed income securities with longer maturities will therefore be more volatile than other fixed income securities with shorter maturities. Conversely, fixed income securities with shorter maturities will be less volatile but generally provide lower returns than fixed income securities with longer maturities.

***Liquidity Risk:*** Under certain market conditions, the liquidity of portfolio positions may be reduced. Under these circumstances, EEA may be forced to dispose of securities at reduced prices, thereby



adversely affecting its performance. If other investors are seeking to dispose of the same securities at the same time, EEA may be unable to sell or prevent losses.

***Rebalancing Risk:*** Rebalancing is performed with the goal to maintain the security weights of a client's Account so that they align with the Model Portfolio and prevent deviations from the client's risk profile (conservative, moderate or aggressive). Rebalancing will only occur when positions exceed defined drift parameters, which are subject to change at EEA's discretion. This means that clients should expect to see variances between their Account and the Model Portfolio and trading of the Account may be infrequent if positions do not meet rebalancing requirements. Rebalancing could have a negative effect on the performance of an Account. For example, if outperforming positions are sold and with proceeds reinvested in underperforming positions, this could reduce the return potential for the Account. The rebalancing process is also automated and will not take market conditions into consideration.

***Thematic Investing Risk:*** Investing in thematic stocks exposes clients to concentration risk, which refers to the risk of increased volatility that may occur from having a large portion of holdings in a particular investment, asset class or market segment relative to the client's overall portfolio. There is also a risk that a client's Account could perform differently than other Accounts with similar asset allocations but different thematic tilts. Certain themes available through the Program involve a stock selection process that relies on a keyword screening method, which could produce erroneous results due to keywords having multiple meanings. The method is applied to one specific type of document filed by public companies and may not capture the contents of the entire public database in which the documents are stored. All themes are subjective by nature and are generally not defined by any common global classification standard. The thematic stock allocation of a portfolio is designed to accommodate a client's interest while maintaining appropriate risk exposure. While there is no return objective for the thematic stock allocation, the performance of thematic stocks will have an impact on the overall performance of the portfolio which will contribute to tracking error risk.

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

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

EEA does not charge any performance-based fees (i.e. fees based on a share of capital gains on, or capital appreciation of, client assets). Consequently, EEA does not engage in side-by-side management of Accounts that are charged a performance-based fee and Accounts that are charged another type of fee (such as an asset-based fee). However, Accounts that are managed in the same investment style (e.g., risk profile) are not always managed the same way due to a client's overall investment objective, asset size, thematic tilt, and Account restrictions. The allocation of investment opportunities is further described in "Brokerage Practices" under Item 4.

EEA provides investment advisory and investment management services for many clients and may give advice and take action with respect to one client that differs from advice given or the timing or nature of action taken with respect to another client. It is EEA's policy not to favor or disfavor any



client or class of clients in the allocation of investment opportunities. To the extent practicable, all investment opportunities will be allocated among clients over time on a fair and equitable basis.

### **Voting Client Securities (Proxy Voting)**

EEA does not vote proxies on behalf of clients. Clients will be given the right to vote proxies relating to securities held in their Account and will receive proxy statements directly from the Custodian. EEA does not give advice on any proxy voting solicitation.

### **Item 7 – Client Information Provided to Investment Managers**

Clients must disclose certain personal identification (such as name, address, Social Security number, date of birth, assets and income) disclosed to us so we can provide investment advice and service their Accounts. EEA only shares client personal information and Account data pursuant to EEA's current Privacy Policy and EEA does not sell or otherwise provide personally identifiable information about current or former clients to third parties. In providing services to client Accounts, EEA may use third-party service providers, who are contractually bound to respect and protect the privacy of client information.

EEA also receives information about a client's stated investment objective, time horizon, risk tolerance, investment restrictions, investor risk rating and other financial characteristics. The client's investor risk rating is based on client's stated responses in the Account opening process and classifies the client as a conservative, moderate, or aggressive type of investor.

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

For questions about the management of an Account, clients are encouraged to direct questions to EEA via the App's chat function. Alternatively, clients may also contact EEA by email. EEA personnel who are knowledgeable about the client's Account and its management will be made reasonably available for consultation.

### **Item 9 – Additional Information**

#### **Disciplinary Information**

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

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

EEA is under common control with the following entities that are engaged in the securities or investment advisory business. Certain members of executive management of EEA also serve as executive management of these entities. Although the members of EEA's executive management are fully engaged and committed to the success of EEA, the affairs of EEA do not receive the undivided attention of executive management. The entities with which EEA is under common control, each a Registered Investment Adviser, include:

**Commented [DD1]:** Should we use this as the first time we disclose Envestnet's BD? We'd have to amend Part 1 as well. It makes sense to add now rather than update again in two weeks or so. We also need to take off Josh Mayer/Pete and add Josh Warren (as applicable.)



Envestnet Asset Management, Inc. ("EAM")  
One North Wacker Drive, Suite 1925  
Chicago, IL 60606  
Firm CRD #111694

Envestnet Portfolio Solutions, Inc. ("EPS")  
One North Wacker Drive, Suite 1925  
Chicago, IL 60606  
Firm CRD #109662

Envestnet Retirement Solutions, LLC ("ERS")  
One North Wacker Drive, Suite 1925  
Chicago, IL 60606  
Firm CRD #171570

FDX Advisors, Inc. ("FDX")  
One North Wacker Drive, Suite 1925  
Chicago, IL 60606  
Firm CRD # 104601

QRG Capital Management, Inc. ("QRG")  
One North Wacker Drive, Suite 1925  
Chicago, IL 60606  
Firm CRD # 305277

**Mailing Address for all affiliates:**  
1000 Chesterbrook Blvd., Suite 250  
Berwyn, PA 19312

FDX Advisors, Inc. ("FDX")

All of the above affiliates are wholly-owned subsidiaries of Envestnet, whose principal business address is 1000 Chesterbrook Boulevard, Suite 250, Berwyn, PA 19312.

These affiliations create a potential conflict of interest because certain members of EEA's executive management have an incentive to promote the use of investment products managed by the affiliated entities through the Program. EEA mitigates this conflict by excluding such products when constructing the Model Portfolios.

FIDx Markets LLC\*  
Firm CRD# 322769  
1000 Chesterbrook Boulevard, Suite 135  
Berwyn, PA 19312

Ategenos Capital LLC\*  
Firm CRD# 326708  
801 Cassatt Road, Suite 211  
Berwyn, PA 19312

*\*Envestnet, Inc. holds a controlling interest in both FIDx Markets and Ategenos Capital.*

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

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

EEA's Code of Ethics subjects Covered Persons to standards of business conduct and imposes a requirement to acknowledge written receipt of the code and amendments thereto, and to report violations of the code. Covered Persons are also required to pre-clear trades before directly or indirectly acquiring beneficial ownership in a limited number of securities, namely in (i) Envestnet, Inc. and (ii) a limited offering such as private placements, hedge funds, private equity funds and limited liability company interests. In addition, certain persons called "Access Persons" must pre-clear trades of additional securities before directly or indirectly acquiring beneficial ownership in (i)



an initial public offering, (ii) any exchange traded equity or fixed income security (excluding securities issued by the U.S. Federal Government or other foreign federal issuance), and (iii) any other securities placed on a restriction list by the Legal Department. When a pre-clearance request is submitted by an Access Person, a determination will be made as to the appropriateness of the transaction. If the trade appears unlikely to affect the market for the security, is clearly unrelated to the business of the Firm, and poses no conflict of interest with client trades, Compliance or authorized designee may grant approval. Access Persons also are required to provide periodic reports regarding their personal securities activities, including initial and annual holdings reports and quarterly transactions reports. They are also required to provide confirmations (or have their brokers promptly submit duplicate confirmations) of all personal securities transactions to the Compliance Department and are required to obtain written approval before they may invest in a limited offering (such as a private placement) or an initial public offering.

EEA employees or related persons may buy or sell securities for themselves that are purchased or sold for clients in their Accounts. This practice may create a situation where such persons are in a position to materially benefit from the sale or purchase of those securities. Investment decisions for EEA personnel may not be made at the same time or in the same manner as those made for clients. Personal securities transactions by persons identified as Access Persons with EEA are subject to EEA's Code of Ethics. The Code of Ethics includes various reporting, disclosure and approval requirements, described in the summary below. EEA designed these requirements to prevent or mitigate actual or potential conflicts of interest with clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment.

In accordance with SEC rules governing investment advisors, EEA requires prompt reports of all securities transactions by Access Persons identified in the Code of Ethics as "Reportable Securities" transactions. EEA further requires that for all brokerage account relationships of such individuals be disclosed, that EEA receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all Access Persons. Employees classified under the Code of Ethics as Covered Persons are required to disclose all brokerage account relationships when the employee, or a related person living in the same household, retains ownership of all shares of securities issued by Envestnet, Inc. Transactions in certain securities such as U.S. government securities, bankers acceptances, bank certificates of deposit, and commercial paper and shares of unaffiliated mutual funds are excluded from the reporting requirements.

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

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



## Conflicts of Interest

The following are relationships that create conflicts of interest for EEA. In order to mitigate the conflicts, EEA does not permit employees to be compensated based on the purchase of any specific security for clients. Employees are instead compensated with a base salary plus incentives that is based on overall department and EEA level goals, as well as an individual's contribution in achieving them.

EEA shares facilities with affiliates and relies on Envestnet and other affiliates for various administrative support, including information technology, human resources, business continuity, legal, compliance, finance, enterprise risk management, internal audit and general administrative support. EEA seeks to mitigate the conflicts of interest by ensuring its investment advice is in clients' best interest. It does this by its governance structure and by maintaining policies and procedures that include, but not limited to, trading, portfolio management, and compliance program reviews.

EEA's financial professionals receive a salary and a discretionary bonus based on their individual performance and the success of the firm. This is a conflict of interest because our financial professionals have an incentive to encourage a retail investor to increase the assets in a retail investor's Accounts.

Envestnet, Inc. has a controlling interest and occupies board of director positions in Fiduciary Exchange LLC ("FIDx"). FIDx facilitates a program that integrates insurance solutions into the wealth management process. FIDx Markets LLC ("FIDx Markets"), a FINRA member broker-dealer and wholly owned subsidiary of FIDx, offers an outsourced insurance desk service for those advisers requiring a licensed and registered sales team for assistance with their clients' annuity transactions. Advisors enter into direct agreements with FIDx Markets, separate from the agreements in place with Envestnet, Inc. or its affiliates. Although a related entity, EEA does not engage in the distribution, revenue, or annuity sales processes of FIDx Markets.

Envestnet, Inc. has a controlling interest in Ategenos Capital LLC ("Ategenos"). Ategenos offers registered investment advisory services specializing in providing multi-asset class investment solutions and concierge-level advisor service. Ategenos acts as a Model Provider on the Envestnet Platform through EEA's affiliate, Envestnet Financial Technologies, Inc.

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

Mr. Thomas Sipp, EVP, Envestnet Business Lines, is one of the founders of Magis Capital Partners, LLC ("Magis"). Magis identifies and cultivates technology-driven, disruptive opportunities in the FinTech sectors of Wealth Management, Retirement, Insurance and Lending. EEA's parent company, Envestnet, Inc. and Magis are currently co-invested in four service providers, Fiduciary Exchange, LLC, Advisor Credit Exchange, LLC, Trucent LLC, and HealthPilot Technologies, LLC. (the "Magis Exchanges"). As a founder of Magis and investor in Magis private funds invested in the Magis Exchanges, Mr. Sipp has a financial incentive to promote the use of the Magis Exchanges to Advisors using the Envestnet Platform.



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

Through a holding company subsidiary, BlackRock, Inc. ("BlackRock") owns a non-controlling interest in EEA's parent company, Envestnet, Inc. Funds managed by BlackRock also invest in EEA's publicly traded parent company, Envestnet, Inc. (NYSE: ENV). EEA and its affiliates are engaged with BlackRock in several strategic initiatives to better integrate BlackRock's respective financial wellness technologies and jointly offer these services to clients. EEA and BlackRock may, from time to time, participate in joint marketing and financial professional educational events. EEA may also utilize pooled investment vehicles (such as ETFs or mutual funds) issued, advised and/or distributed by BlackRock in its investment strategies. BlackRock's products are subject to the same standards and research process as any other third-party manager, issuer or "product provider" when being considered for inclusion in the Model Portfolios.

In addition to BlackRock, from time to time, third-party Funds, such as Funds affiliated with the Vanguard Group, Inc. ("Vanguard") and JP Morgan Chase & Co. ("JPMC"), become beneficial owners of 5% or more of EEA's publicly traded parent company, Envestnet, Inc., through the aggregation of holdings in their affiliated pooled investment vehicles (such as ETFs or mutual funds) for whom they act as investment adviser or investment manager. These third-party pooled investment vehicles are also subject to the same standards and research process as any other third-party investment vehicle when being considered for inclusion in the Model Portfolios. EEA does not make recommendations or exercise discretion as a fiduciary in selecting an investment in EEA's publicly traded parent company, Envestnet.

Given the interrelationships among EEA and its affiliates, there may be other or different potential conflicts of interest that arise in the future that are not included in this section.

### **Review of Accounts**

EEA will review client Accounts to ensure they remain appropriately invested based on a client's investment objective. In addition, on a quarterly basis, each Model Portfolio will be rebalanced back to its strategic asset allocation and clients' Accounts will be correspondingly adjusted. As a result, positions in a client's Account that exceed defined drift parameters will be identified and trades will be placed to align the Account with the Model Portfolio. EEA also monitors client Accounts for cash flow activity (i.e. deposits and withdrawals) to determine if rebalancing is needed. If cash flows result in positions that exceed defined drift parameters, trades will be placed in a client's Account to raise cash or invest excess cash. In addition, any dividends received will be paid in cash and reinvested into a client's account in accordance with the rebalancing process.

Clients receive statements from the Custodian at least quarterly providing a detailed list of holdings with valuations and Account activity as well as confirmations of all securities transactions. Clients may also view Account activity through the App's dashboard and are encouraged to compare this information with statements received from the Custodian. Please contact EEA if you do not receive a quarterly statement or confirmation.



Clients should notify EEA immediately if there are changes to their financial situation or stated investment objectives. EEA will contact clients on an annual basis to determine if there have been any changes to this information or if the client wishes to impose any reasonable investment restrictions on the management of the assets in the Account. EEA or its designee will also notify clients at least quarterly that they should contact EEA with any changes to such information. It is important to note that EEA will not change a client's portfolio selection unless the client provides updated information and has agreed to change the portfolio selection as recommended.

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

EEA does not receive any economic benefits (such as sales awards or other prizes) from third parties for providing investment advice or other advisory services.

EEA has entered into a referral agreement with The Central Trust Bank ("Central") which provides for referrals by Central to EEA. EEA will pay Central cash compensation for the referral if a client enters into an ongoing asset management services agreement with EEA. The terms of this arrangement, including a description of Central's compensation arrangement with EEA, will be provided to clients at the time a referral has been made.

#### **Financial Information**

Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. EEA has no financial commitments that impair its ability to meet its contractual and fiduciary commitments to clients and has not been the subject of any bankruptcy proceeding.





## Exhibit A

### DriveWealth Standard Fees As of March, 31, 2023

#### WITHDRAWAL/ ADMINISTRATIVE REQUEST FEES

ACH Transfer (outgoing)	\$0.15
E-check (USD)	\$3.00
Outgoing U.S. Wire Transfer	\$25.00
Outgoing Non-U.S. Wire Transfer	\$35.00
Failed ACH Transfer	\$20.00 per failed transfer

#### TRANSFER FEES

ACAT Incoming	Free
ACAT Out (USA)	\$50.00 per Account
ACAT Out (Non-U.S.)	\$50.00 per Account
DTC Deliveries/ Receives	\$35.00 per position
DWAC Transfer	\$150.00 per position
DRS Transfer Incoming and Outgoing	\$150.00 per position

#### MISCELLANEOUS FEES

Returned E-Checks	\$20.00 per check
Check Stop Payments	\$25.00 per check
Returned Wire Transfers	\$25.00 per wire
Third Party Returned Wire Transfer	\$65.00 per domestic attempted third-party wire return
(Note: DriveWealth does not accept third-party wires)	\$85.00 per international attempted third-party wire return
Tax Document Request (Fax and Regular Mail)	\$25.00 per request
1099 Request for Exempt Accounts	\$50.00 per request
Broker Assisted Trades (Phone Order)	\$10.00 per transaction
Physical Copy of Trade Confirmations	\$3.00 per confirmation
Physical Copy of Monthly Account Statements	\$5.00 per statement

All fees subject to change.