Risk Disclosures for Interactive Brokers Asset Management Asset Allocation Portfolios

You have elected to invest in an Asset Allocation portfolio managed by Interactive Brokers Asset Management (thereafter, "IBKRAM"), the trade name of Covestor Limited. Please read and acknowledge the following disclosure of the potential risks of investing in these portfolios.

Overview

Asset Allocation portfolios are proprietary investment portfolios designed and managed by IBKRAM. Each Asset Allocation portfolio seeks, as its investment objective, to achieve growth as well as stability by combining different asset classes. IBKRAM tries to combine different asset classes in each portfolio to provide income, growth and stability during different economic conditions while taking into account the various asset classes' historical performance.

IBKRAM offers three different types of Asset Allocation portfolios, which clients may invest in, based on their responses to a risk questionnaire. Depending on the risk score IBKRAM assigns to them based on their answers to a risk questionnaire, clients will be able to invest in a **Conservative**, **Moderate** or **Aggressive** Asset Allocation portfolio. Furthermore, these three types of portfolios are managed differently depending on whether a client wants to invest a retirement savings type account (IRA accounts) or a non-retirement investment account.

The Asset Allocation portfolios generally invest in 10-12 Exchange Traded Funds ("ETFs"), and in certain situations one or more of the Smart Beta portfolios, also managed by IBKRAM. IBKRAM generally selects the ETFs in each Asset Allocation Portfolio to best represent the target asset class while having relatively low management fees and being relatively liquid. Additional information on the research undertaken and method used to select the investments for these portfolios is available on each portfolio page. You may review the disclosures associated with investing in our Smart Beta portfolios which could be a component of your Asset Allocation portfolio investment on the Forms & Agreements page on the IBKRAM website.

To provide and manage these portfolios, IBKRAM initially funds and trades a fixed amount of its funds in separate proprietary brokerage accounts associated with each Asset Allocation portfolio. After the initial investments, IBKRAM reserves the discretion to add additional funds to these firm-owned accounts in order to more efficiently manage these portfolios. IBKRAM then replicates the trading in these proprietary brokerage accounts in the accounts of clients investing in each specific Asset Allocation portfolio. IBKRAM rebalances the Asset Allocation portfolios on a quarterly basis to their target allocations. The exact quarterly rebalance date is randomized.

Quarterly rebalancing trades will result in transactions in many or all of the ETFs and stocks in which the Asset Allocation portfolios (and your account) invest in. Whenever IBKRAM buys and sells securities in the Asset Allocation portfolios, you will incur transaction costs, such as commissions payable to Interactive Brokers LLC (IBKRAM's affiliated broker-dealer), which is a conflict of interest.
The higher turnover associated with quarterly rebalancing trades could result in bid-ask spread expenses, higher transaction costs, and dividends being disqualified from qualified dividend treatment. IBKRAM

tries to mitigate this disadvantage with low basket trading commissions and quarterly versus more frequent rebalancings.

You will need to report some (or all) of these trades on your tax forms. IBKRAM cannot provide tax advice or prepare tax documents for you. Please consult an accountant or tax attorney to determine the tax-related obligations associated with investing in these portfolios. Please note that Interactive Brokers LLC provides certain tools to assist you with your tax filings, but these tools may only be able to support a limited number of trades.

As with any other portfolio on its platform, IBKRAM only allows you to invest in an Asset Allocation portfolio if it is suitable for you in light of your financial situation and investment objectives that you described to IBKRAM in response to our risk questionnaire.

You may restrict the stocks traded in your account at any time and IBKRAM will honor these restrictions when replicating the trading in any Asset Allocation portfolio you invest in. Please be aware that imposing restrictions on future investments and selling any existing holdings in your Asset Allocation portfolio may affect the performance of your account and lead to your account performing differently, better or worse than the IBKRAM account underlying the portfolio.

At least annually, IBKRAM or your own wealth manager (if you have authorized your wealth manager to invest on your behalf with IBKRAM) will contact you to determine whether there have been any changes in your financial situation or investment objectives and whether you want to impose new or revise existing restrictions on the trading in your account. Also, at least quarterly, IBKRAM will ask you in writing to contact us if there have been any changes in your financial situation or investment objectives or you wish to impose any restrictions on the trading in your account.

You should keep IBKRAM informed of any changes in your financial situation or investment objectives and should periodically review and update your answers to IBKRAM's risk questionnaire and the list of securities you specified should not be traded in your IBKRAM account.

You will receive periodic statements and trade confirmations setting forth all transactions in your account, all contributions and withdrawals, all fees and expenses charged, and the value of your account at the beginning and end of the period, including any fractional share holdings and transactions.

IBKRAM's client service representatives are available to discuss and explain investment decisions made for your Asset Allocation portfolio investments and may be contacted by telephone at 1-866-825-3005 and by email at support@ibkram.com.

In the future, IBKRAM may construct and offer to its Clients other Asset Allocation portfolios than those offered at this time.

You can find additional information on IBKRAM's Asset Allocation portfolio construction process, actual trading results, and other disclosures on the IBKRAM website at http://ibkram.com.

Principal Risks of Investing in the Asset Allocation Portfolios and the Stock Market Generally

As with any investment, there are a number of general risks associated with investing in an Asset Allocation portfolio. These include the following:

- You may lose all or part of your investment in the portfolios, or your investment may not perform as well as other investments or may fluctuate significantly due to short-term or long-term market movements;
- There is no assurance that these portfolios and strategies will meet their investment objectives, work as intended or perform as well as other investment strategies;
- Asset Allocation portfolios may not be suitable for all investors; and
- Past performance is no guarantee of future results, and any actual returns could differ from historical returns.

Investments in these portfolios are subject to the risks discussed here and in IBKRAM's Informational Brochure (Form ADV Part 2 filing) on the Forms & Agreements page on the IBKRAM website. Any of these risks may adversely affect the portfolios' yield, total return, and ability to meet their investment objectives.

We provide a summary of the principal risks of investing in these Asset Allocation portfolios below.

ETF market risks **-** ETFs, in which these portfolios invest, are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. ETF managers may use different strategies to achieve this goal, but, in general, they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

ETF tracking error risk - Tracking errors refer to the disparity in performance between an ETF and its underlying index, market benchmark or assets the ETF is designed to track. Tracking errors can arise due to factors such as: (a) the impact of transaction fees and expenses incurred by the ETF but not the underlying assets held or index tracked; (b) changes in the composition of the underlying index/assets; (c) market supply and demand for the ETF or the underlying securities held by the ETF, which could lead to the ETF shares trading at a discount or premium to the actual net asset value of the securities held by the ETF; (d) the ETF's holding of uninvested cash; (e) differences in the timing of the accrual or valuation of distributions; (f) tax gains or losses, and (g) the ETF manager's replication strategy. Because they hold and track other instruments, ETFs generally have higher liquidity and valuation risk than other securities. Also, ETF tracking error risk could be higher during times of increased market volatility and uncertainty or other unusual market conditions.

ETF liquidity risk - Market Makers are exchange members that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more Market Makers , there is no assurance that active trading will be maintained. In the event that the Market Makers default or cease to fulfill their role, investors may not be able to buy or sell the product. IBKRAM attempts to reduce this risk by selecting ETFs with more liquidity.

Costs associated with investing in ETFs through IBKRAM - In addition to advisory fees you pay to IBKRAM for the management of the Asset Allocation portfolios and commissions you pay to Interactive Brokers LLC for transactions in your IBKRAM account, you will be charged other fees and expenses by the issuer of an ETF you own in your IBKRAM account. This means that you will pay more for ETFs you invest in through the Asset Allocation portfolios than if you purchased these ETFs directly. ETFs typically include certain embedded expenses that reduce the fund's net asset value and indirectly the performance of your portfolio investing in ETFs. The embedded expenses of an ETF include ETF management fees, custodian fees, brokerage commissions, and legal and accounting fees. These expenses may change from time to time at the sole discretion of the ETF issuer. Please note that IBKRAM does not benefit either directly or indirectly from these fees. IBKRAM will disclose certain information regarding the costs associated with owning the ETFs in the Asset Allocation portfolios. IBKRAM generally invests in ETFs with lower expenses.

Market risk – The price of any security or the value of entire asset classes could decline for reasons outside of IBKRAM's control, such as changes in the economy, interest rates, regulatory changes, political and social events. A high allocation to a specific asset class will negatively affect the performance of a portfolio when that class underperforms in comparison to other asset classes while a low allocation to a given asset class may underperform the market when that asset class outperforms other asset classes. Through their investment in one or more of the Smart Beta portfolios, the Asset Allocation portfolios invest in stocks and therefore bear the risks of the general stock market. In particular, the portfolios:

- Entail greater risk of loss and volatility than some other asset classes, such as bonds;
- Are primarily composed of US stocks, so may be particularly affected by certain changes in the US economy that do not affect the global economy; and
- Include large-, medium-, and small-capitalization stocks, each of which carries its own risks and may gain or lose value in a different proportion than the stock market overall.

IBKRAM tries to mitigate the market risk associated with investments in the Asset Allocation portfolios by designing them as mixtures of equities and fixed income investments with the objective of providing income, growth and stability during different economic conditions while taking into account the various asset classes' historical performance.

Interest rate risk associated with bond ETFs - The portfolios will invest in bond or fixed income ETFs. These ETFs are exposed to interest rate risk, which is the risk that underlying bond prices will decline because of rising interest rates. An increase in interest rates may cause the value of bond or fixed income ETFs held by the portfolios to decline, which could lead to heightened volatility in the fixed-income markets, and adversely affect the liquidity of fixed-income ETFs. The current historically low interest rate environment exacerbates the risks associated with rising interest rates.

Credit risk associated with corporate bonds ETFs - The portfolios will invest in corporate bond ETFs. These ETFs are exposed to the risk that the corporations issuing the debt or other counterparties may be unable or unwilling to make timely interest and/or principal payments when due or honor any of their other obligations. This could negatively affect the debt issuer's credit rating or the market's perception of that debt issuer's ability to make payments, which could in turn negatively affect the value of these portfolios' investments in the corporate ETFs. The degree of credit risk associated with the corporate bond ETFs depends on the financial condition of the issuers of the underlying instruments and the terms of the underlying bonds the ETFs invest in.

Tax and other risks associated with municipal bond ETFs **-** The portfolios will invest in municipal bond ETFs. These ETFs are exposed to the risk that all or a portion of the tax-exempt income from municipal bonds held will be declared taxable, potentially retroactively, due to changes in tax laws or adverse interpretations by the Internal Revenue Service or state or local tax authorities. Municipal bonds could also be adversely affected by changes in the rights of municipal bond holders, including those in connection with the insolvency of the issuing municipality. Municipal bonds used to finance and backed by current or anticipated revenues from a specific project or asset could be adversely affected by the inability to collect revenues from that project or asset.

New portfolio risk **–** IBKRAM started trading the first set of Asset Allocation portfolios in November 2017. Therefore, these portfolios have no operating or actual performance history before November 2017. Clients investing in these portfolios bear the risk that IBKRAM may not be successful in implementing its investment strategy.

Sector and concentration risks – A portfolio may carry higher risk to the extent it is significantly composed of assets in a particular sector, issuer, group of issuers, country, group of countries, region, market, industry, or asset class. In managing these portfolios, IBKRAM attempts to avoid excessive concentration in individual sectors of the market, but may not be successful.

Regulatory risk **-** The portfolios are subject to the risk that a change in US law and related regulations will impact the way IBKRAM manages these portfolios, increase the particular costs of their operation and/or change the competitive landscape. This may result in IBKRAM deciding to cease offering these portfolios.

Asset Allocation Portfolio investment limitations **-** In accordance with applicable regulatory requirements, IBKRAM will not allow clients to make any initial, additional or recurring investments in an Asset Allocation portfolio 3 business days prior to the date of a quarterly rebalance. If you request such a transaction during this period, it will sent for execution on the first trading day after the rebalance. You may redeem some or all of your investment in any Asset Allocation portfolio at any time. But, if you have a cash (rather than a margin) brokerage account and engage in redemptions less than 3 business days after the quarterly rebalance, Interactive Brokers LLC may require you to pay for purchases in your account on the date of each trade for the next 90 days.

To avoid price swings around market open and close, client requests to invest in or redeem any investments in the Asset Allocation portfolios will be processed in the order in which they are received between 9:35 am and 3:50 pm ET.

Not a bank deposit **-** Your investment in one of the Asset Allocation portfolios is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Conflict of interest risks and disclosures **-** As explained above, IBKRAM trades its own funds alongside the assets of the clients who invest in the Asset Allocation portfolios in order to effectuate its trade mirroring procedures. To avoid the potential for front-running, orders in IBKRAM-owned accounts are combined with orders in client accounts and submitted for execution to Interactive Brokers LLC in one or multiple trades. Executions are then allocated pro rata with participating accounts receiving the same average price per share and sharing transaction costs equally. These safeguards are described in the Investment Management Agreement you have signed and are intended to ensure IBKRAM adheres to its fiduciary duty to clients, and avoids or mitigates any conflicts of interest.

Management fees and commissions

In constructing the Asset Allocation portfolios, after reviewing available ETFs to identify the most appropriate ones to represent each asset class, IBKRAM has also attempted to select ETFs that have lower expenses and more liquidity. IBKRAM may provide more information on the expenses and liquidity for each ETF used in the Asset Allocation portfolios and the reason IBKRAM selected a specific ETF for one of these portfolio in the future. In the meantime, if you have questions about the inclusion of a specific ETF in one of the Asset Allocation portfolios or its expenses or liquidity, please email or call us directly.

IBKRAM will charge clients investing in any of the Asset Allocation portfolios an annual management fee of 9 basis points (0.09%) of the gross market value of the assets invested in each Asset Allocation portfolio. Unlike other robo advisor portfolio offerings which charge a single wrap fee which includes management fees and brokerage commissions, this management or advisory fee does not include the commissions associated with the trading in these portfolios.

Interactive Brokers LLC will charge you commissions on all trades in your account. Interactive Brokers LLC has agreed to modify its standard tiered commissions structure for Asset Allocation portfolio clients in a manner we believe will facilitate efficient investing in these portfolios. Under this commission structure, you will pay, for example, estimated annual brokerage fees (commissions, exchange, regulatory and clearing fees) of 2-3 basis points of the investment amount (or $20-$30) on a $100,000 investment in an Asset Allocation portfolio. The brokerage fees will vary depending on the amount you choose to invest in a portfolio and the specific Asset Allocation portfolio you invest in.

Please also note that, under certain circumstances, Interactive Brokers LLC will charge you a minimum monthly commission charge of up to $10. Specifically, whenever the overall monthly commissions paid by all IBKRAM client accounts do not amount to at least $10 in commissions per account per month, Interactive Brokers LLC will collectively charge IBKRAM clients any difference between the actual commissions and the $10 minimum, on a pro rata basis. You may find additional information on Interactive Brokers LLC's commissions on the IBKRAM and Interactive Brokers LLC websites.

In addition to the advisory fees you pay to IBKRAM and the commissions you pay to Interactive Brokers LLC, you will be charged other fees and expenses by third parties - for instance, the issuer of an ETF will charge you management fees. This means that you will pay more than if you purchased the ETFs in these portfolios directly. ETFs typically include certain embedded expenses that reduce the fund's net asset value, and indirectly the performance of your portfolio investing in ETFs. The embedded expenses of an ETF include ETF management fees, custodian fees, brokerage commissions, and legal and accounting fees. These expenses may change from time to time at the sole discretion of the ETF issuer. Please note that IBKRAM does not benefit either directly or indirectly from these fees.

Fractional share trading and related cross-agency trades

IBKRAM is able to offer the Asset Allocation portfolios and the extensive diversification they are designed to achieve for even relatively small investments by offering IBKRAM clients the ability to trade fractional shares of the ETFs and stocks that the portfolios invest in. You will receive payments or value commensurate to your fractional ownership in the case of stock dividends, stock splits, mergers or other mandatory corporate actions (including cash dividends).

ETFs and stocks cannot be traded in fractions on public exchanges, so Interactive Brokers LLC, IBKRAM's affiliated broker-dealer, facilitates trading in Asset Allocation Portfolios brokering all fractional share orders on behalf of IBKRAM clients against one or more liquidity providers. These liquidity providers will sell or buy fractional shares that IBKRAM clients would not otherwise be able to trade in the open market. These trades will occur either at the execution price the liquidity provider gets on the market for stocks it sells to IBKRAM clients or, if the fractional shares are provided from the provider's inventory, at the National Best Bid or Offer at the time of the order.

There is a potential conflict of interest in connection with these fractional transactions as Interactive Brokers LLC will act as broker for both IBKRAM clients and the liquidity provider counterparty to these transactions that you have consented to in the Investment Management Agreement. You may revoke your written consent to such transactions at any time by written notice to IBKRAM or Interactive Brokers LLC, as discussed in our Investment Management Agreement, but you will no longer be able to invest in these portfolios as they rely on fractional share investments.

IBKRAM has determined that the benefits of offering fractional shares outweigh the negative effects of investing in them, but you should be aware of their unique features, risks and costs.

Please note that you own the shares held in your IBKRAM account, including fractional shares acquired as a result of your investment in an Asset Allocation Portfolio. No aspect of IBKRAM's management or operation of the Asset Allocation portfolios should be deemed as an attempt by IBKRAM to restrict in any way any rights you would otherwise have over the securities and funds in your account, including any fractional share holdings.

ETFs and stocks cannot be traded in fractions on public exchanges and fractional shares are typically unrecognized and illiquid outside of the IBKRAM platform. So, if you want to liquidate your Asset Allocation portfolio investments, you will need to fully redeem your investment in which case Interactive Brokers LLC will sell any fractional shares to the liquidity provider and any whole shares to the market. If you want to transfer your Asset Allocation portfolio holdings to another brokerage firm, you will first need to sell your fractional shares to the liquidity provider through Interactive Brokers LLC. You will incur commissions on all of these trades.

Please note that Interactive Brokers LLC cannot facilitate customers voting proxies on fractional share holdings, does not provide a mechanism to make voluntary elections on your fractional holdings, and cannot provide you with any shareholder documentation for any holdings of less than one share.