



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

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## **December 6, 2024**

This Brochure provides information about the qualifications and business practices of Envestnet Portfolio Solutions, Inc. ("EPS"). Also, doing business as Envestnet PMC and Envestnet Capital Management. If you have any questions about the contents of this Brochure, please contact us at 312-827-2800. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

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



## Item 2 – Material Changes

This Item discusses only specific material changes that are made to this Brochure and provides clients with a summary of such changes. EPS last filed an update to our Brochure on September 3, 2024.

Envestnet, Inc., the parent company of EPS was acquired by affiliates of vehicles managed or advised by Bain Capital Private Equity, LP, a private equity firm, and certain minority co-investors on November 25, 2024 (the “Transaction”). EPS does not anticipate any material changes to its day-to-day advisory business to result from the Transaction, and the same management team and professionals are expected to remain in place.

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

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

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



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#### Item 4 – Advisory Business

EPS is an investment management firm, registered as an investment adviser with the SEC since 1993, that provides investment management and investment advisory services through independent investment advisor firms (“Advisors”) for use with Advisors’ clients (each a “Client”). EPS also serves institutional clients such as pension or profit-sharing plans, trusts, estates, and corporations and provides advisory and research services directly to Advisors. As of December 31, 2023, EPS had \$ 40.5 billion in assets under management.

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

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

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



### *The Programs*

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

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

For Clients participating in the SMA program, the Client's Advisor is recommending an actively managed or index-ed investment portfolio managed by a roster of independent asset managers (each a "Sub-Manager") with a variety of disciplines who have been granted discretion. A separately managed account is a portfolio of individually owned securities that can be tailored to fit the Client's investing preferences. EPS will assist Advisor in identifying individual asset managers and investment vehicles that correspond to the proposed asset classes and styles or Advisor may independently identify asset managers. EPS retains the Sub-Managers for portfolio management services in connection with the SMA program through separate agreements entered into between EPS and the Sub-Manager on terms and conditions that deems appropriate. For many Sub-Managers, EPS has entered into a licensing agreement with the Sub-Manager, whereby the asset manager, acting as a "Model Provider," constructs an asset allocation and selects the underlying investments for each portfolio on a non-discretionary basis. EPS implements the investment selections, performs overlay management and trade order placement duties pursuant to the investment directions of the Model Provider's investment strategy (each a "Third Party Model"). In implementing the investment selections of a Model Provider for a Third-Party Model, EPS is adhering to the investment strategy selected for Client as instructed by Advisor and is not independently selecting the underlying investments nor exercising discretion as a "fiduciary" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Clients may also select individual Funds through the SMA program.

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

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



Client's Advisor may also offer a version of the UMA, whereby Advisor does not exercise investment discretion in the selection of the asset allocation or the specific, underlying investment vehicles and investment strategies used in each sleeve of the UMA portfolio ("Client-Directed UMA"). In the Client Directed UMA, the Advisor will provide Client with recommendations regarding the appropriate asset allocation and the underlying investment vehicles or investment strategies to meet the Client's objectives, but the Client is directing the investments and changes made to Client's UMA portfolio and is ultimately responsible for the selection of the appropriate asset allocation and the underlying investment vehicles or investment strategies. As described above, EPS provides overlay management services for UMA accounts and places trade orders based on the directions of the investment strategies contained in the UMA portfolio.

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

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

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

EPS maintains a policy of strongly encouraging Sub-Managers and Model Providers to keep a minimum of 2% cash in the portfolios as a buffer to compensate for market fluctuation and supplement proceeds from Sell orders needed to cover Buy orders. The foregoing also applies to EPS's proprietary strategies as well.

### **Customized PMC Services**

EPS provides Advisors PMC Custom Case Design Service whereby EPS assists the Advisor in creating a custom portfolio designed generally for households with a minimum of \$250K of investable assets where the Advisor has full discretion of investments within a UMA or a series of SMAs. The Advisor utilizes the PMC Custom Case Design Service to provide Client a customized portfolio design recommendation that accesses multiple asset managers and funds, representing various asset classes, which fits the Client's investment profile and risk tolerance, as determined by the Advisor. EPS provides overlay management services for UMA accounts and places trade orders based on the investment strategies contained in the UMA portfolio.

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



In Investnet's Private Wealth Consulting Services ("PWC Service") the Client's Advisor is recommending a custom MMA portfolio created and managed by EPS that access multiple asset managers and Funds representing various asset classes. EPS allocates the portfolios across investment asset classes and complementary asset managers to create a blend that fits the target investment profile and risk tolerance, while the Advisor maintains full discretion of investments. EPS includes Funds in the PWC Service to complete the asset class exposure of the asset managers utilized. Because EPS does not have to share management fees with Fund families but does share management fees with third party Mod. Providers, EPS has an economic incentive to choose Funds rather than third party Model Providers' strategist within the MMA.

For portions of the PMC MMAs, PMC Custom Case Design Service, and some of the PMC MMAs created within the PWC Service, PMC may also utilize proprietary strategies or a proprietary ActivePassive™ ETFs (see paragraph entitled "ETFs" below for more information). Because PMC is also managing the portion of assets utilizing a PMC proprietary strategy, PMC has an economic incentive to recommend its proprietary strategies. Further, a portion of these assets may be invested in the ActivePassive™ ETFs where appropriate, in conjunction with using multiple asset managers and other Funds that comprise these portfolios. Since EPS' affiliate EAM serves as the investment advisor to the ActivePassive™ ETFs and receives fees for the ActivePassive™ ETFs and fees as the portfolio manager, EPS waives the portfolio management fee that EPS normally charges for managing the portfolio on assets invested in ActivePassive™ ETFs. EPS will still recognize ancillary benefits in investing assets in ActivePassive™ ETFs.

### ***ActivePassive Portfolios***

In the ActivePassive Portfolios, EPS acts as a sub-advisor and provides discretionary investment advisory services under which EPS selects investments for Clients consisting of a series of third party index mutual funds or ETFs, as well as one or more actively managed funds from the ActivePassive™ ETFs. EPS periodically monitors Client portfolios and when deemed appropriate makes changes in both asset allocations as well as specific mutual fund selections. EPS does not act as a qualified custodian for the Funds or other assets owned by each Client. The ActivePassive™ ETFs are a proprietary ETFs of EAM and as the investment advisor to the ActivePassive™ ETFs, EAM receives a management fee based on assets invested in the ActivePassive™ ETFs. If ActivePassive™ ETFs are used within the ActivePassive Portfolios, EPS does not separately charge a fee for its management of assets invested in the ActivePassive™ ETFs but may charge a portfolio management fee for assets invested in third-party Funds.

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

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

The PMC Paradigm Portfolios are a series of FSPs that, depending on the assets in the account, may include mutual funds and ETFs. EPS chooses the different asset allocations, investment strategies and Funds for each of the Paradigm Models. The models managed for the smaller asset accounts may only consist of liquid alternative mutual funds and ETFs.

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

Many of the asset managers in the SMA Program and the Third-Party Fund Strategist Program described above are accessed through the use of Third Party Models, whereby the asset manager, acting as a "Model Provider", constructs an asset allocation and selects the underlying investments for each portfolio on a non-discretionary basis. EPS performs overlay management of the Third-Party Models by placing trade orders, periodically





updating, and rebalancing each Third-Party Model pursuant to the direction of the Model Provider. Investment selections are determined by the Model Provider. In implementing the investment selections of a Model Provider for a Third-Party Model, EPS is adhering to the investment strategy selected for Client as instructed by Advisor and is not independently selecting the underlying investments nor exercising discretion as a “fiduciary” within the meaning of ERISA. EPS may, from time to time, replace existing Model Providers or hire others to create Third Party Models and cannot guarantee the continued availability of Third-Party Models created by particular Model Providers.

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

### ***Tax and Values Overlay Services***

EPS also provides Tax and Values Overlay Services. Tax Overlay Services seeks to consider tax implications that may detract from the Client’s after-tax returns. Values Overlay Services seek to reflect a Client’s own personal values by excluding investments linked to companies that derive revenues from specific business areas or companies that are involved in controversial business activities (e.g., negative environmental impacts, human rights violations, corruption). If selected by the Client, EPS will provide Tax Overlay Services, Values t Overlay Services, or both, to an account or sleeve.

The end goal of Tax Overlay Services is to improve the after-tax return for the Client while staying as consistent as possible with the risk/return characteristics provided by the model portfolios. Tax Overlay Services are available only to U.S. clients, though EPS may provide similar services for non-U.S. clients upon agreement with a program’s sponsor. EPS does not provide tax planning advice or services. Clients should discuss any questions with or request further information from their Advisor or tax consultant in using the Tax Overlay Services.

The end goal of Values Overlay Services is to align a portfolio with the personal values of the Client, while staying as consistent as possible with the risk/return characteristics provided by the Third-Party Models.

The Advisor establishes account fees for the programs offered to clients and in some cases may negotiate these fees with certain of Advisor’s Clients. EPS Tax and Values Overlay Services may be available at a lower overall cost in some of Advisor’s programs as compared to its other programs. In addition, lower fees for comparable services may be available from other sources.

In providing Values Overlay Services, EPS is dependent upon information provided by third-party data providers. EPS does not independently verify or guarantee the accuracy, timeliness, or comprehensiveness of such information. The assessments and screens made by third parties are based on data that relates to a company’s involvement in a particular product or ESG-related topic, and such data may not cover all of a company’s services and practices. The overlay restrictions will only be applied in cases where the information is available, which is limited to a specific universe of securities covered by the third-party data research providers.

Client may impose additional reasonable restrictions on the management of Client’s accounts, including the ability to restrict accounts from purchasing or holding certain securities that client believes are not aligned with client’s selected impact category restrictions, or securities that were not considered and screened out





through the data provider overlay process that were not considered in the data provider screening process. In the event Client identifies additional securities in a portfolio that Client desires to be screened but were not identified by the third-party data research providers, Client's remedy shall be limited to adding such securities to Client's investment restrictions on a go-forward basis, and an instruction to Client's Advisor to sell or otherwise dispose of such securities. Reasonable restrictions on the management of an account include, but shall not be limited to, the designation of particular securities that should not be purchased for the account, or that should be sold if held in the account.

At the discretion of EPS, Values Overlay category criteria may change. EPS will periodically review the criteria and consider whether or not revisions may be appropriate. EPS is not affiliated with third-party data providers.

In providing Values Overlay services, EPS will allow client's account to deviate from client's selected investment strategy, based on the additional reasonable restriction instructions provided by the Client. With the Values Overlay Services, Client's account(s) may not own all holdings that are part of their selected investment model, and as a consequence, Client's account may experience significant performance differences from the selected investment strategy. If Client chooses an overlay, EPS makes no guarantee that the account's performance will be within any range of the selected investment strategy or the strategy's benchmark.

EPS may manage Client's account using tools and processes which may result in client's trades being executed at a different time or in a different manner than other EPS trades, including the potential to not participate in EPS's standard trade rotation processes (if such trades would have been otherwise eligible to participate).

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

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

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

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

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

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



## **ETFs**

EAM serves as the investment adviser to the following newly launched proprietary ETFs: ActivePassive™ Core Bond ETF, ActivePassive™ Intermediate Municipal Bond ETF, ActivePassive™ International Equity ETF, and ActivePassive™ U.S. Equity ETF (collectively, the “ActivePassive™ ETFs”). Additional information available at [www.activepassive.com](http://www.activepassive.com).

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

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

## ***Customized Strategies and Direct Indexing Portfolios***

Certain Sub-Managers offer highly customized strategies and direct indexing portfolios. The customized strategies typically require additional input from the Adviser or Client. This input may include account level security or sector-based restrictions or tilts, or customizations based on a client’s specific tax, ESG or sustainable preferences. It may also include modifications to asset allocations in a multi-asset solution or include tilts away from or toward certain investment styles as part of the client account construction. While these portfolios are available within the SMA Program, Clients and Advisors should review and monitor these custom portfolios to ensure they are consistent with Client’s risk profile and investment objectives, as Sub-Managers build and trade these customized client models away from the EPS Platform and EPS does not have visibility into the holdings and performance of custom portfolios. EPS may perform periodic due diligence reviews of certain Sub-Managers who maintain custom portfolios; however, use of such portfolios are at the recommendation of Client’s Advisor and EPS does not undertake supervisory responsibility for the custom portfolios or Sub-Manager’s compliance practices.

## ***Customized Asset Allocation Program***

Firms may engage with EPS to create a customized asset allocation program (“Enterprise Program”) that is available to only their advisors. EPS will manage asset allocations based on the firm’s direction for investment strategy and available investment universe. The Enterprise Programs are fully discretionary asset allocation programs that access multiple third party Model Providers, mutual funds and/or ETFs offering a series of model portfolios positioned at various points along the risk/return spectrum. Once the Client’s assets are invested, EPS may add, remove or replace third party Model Providers, mutual funds and/or ETF at its discretion. Because EPS does not have to share management fees with Fund families but does share management fees with third party Model Providers, EPS has an economic incentive to choose Funds rather than third party Model Providers’ strategist within the Enterprise programs utilizing the Multi Manager Account (MMA) framework.

## ***Wrap Fee Programs***

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

EPS may provide asset management services as a non-discretionary sub-adviser for unaffiliated RIA program sponsors. Under these arrangements, EPS provides model portfolio recommendations to third party platforms.



Ultimately, the discretionary responsibility for the asset allocation and securities selection remains with the unaffiliated RIA program sponsors. The unaffiliated RIA program sponsors maintain responsibility for executing all security transactions in connection with such determinations, which means the portfolios may materially diverge from the model portfolio communicated by EPS. EPS receives a fee from the RIA sponsors for the services provided in these programs.

### ***Institutional Clients***

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

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

### **Item 5 – Fees and Compensation**

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

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

EPS does not require a Client to utilize a particular executing broker-dealer or custodian and currently has relationships with many executing broker-dealers and custodians that provide brokerage, clearing and custody services to Clients in the Programs. The choice of which custodian to utilize is determined by Client in consultation with their Advisor. An Advisor that does not have a direct custodian relationship may utilize EPS’s contractual custodial arrangement and fee schedule in servicing Client’s account. Accounts leveraging the EPS arrangement with Pershing Advisory Solutions will be charged a range of .04 bps to .25 bps for custody, calculated on a tiered basis<sup>1</sup>, with a portion of that fee retained by EPS for additional administrative support services. For those firms that rely on EPS’s agreement with Fidelity Brokerage Services for custodial services,

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

<sup>1</sup> Linear - the custodial fee is the rate listed at the highest asset tier based on the billable account value.



the fee range is from .05 bps to .28 bps, calculated on a linear basis<sup>2</sup>, which is paid directly to Fidelity with no fees retained by EPS. The actual fee charged within the ranges noted depends on assets invested, program type, and possible householding discounts for clients with multiple accounts at the same custodian. Additionally, Client's Advisor may ask EPS to exclude certain assets from the fee calculations, and custodial minimums may also apply based on custodian and the dollar value of aggregate assets in an account(s). Please consult with your Advisor for details on the custodial fees assessed to your account.

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

\*\*\*See next page for Fee Schedule\*\*\*



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

<b>Program/Portfolio</b>	<b>Fees *, **, ***</b>
Equity SMA Portfolios	0.52%-1.25%
Fixed Income SMA Portfolios	0.40%-0.89%
Third Party Fund Strategist	0.18%-1.13%
Unified Managed Accounts (UMA)****	0.24%-1.32%
Strategist UMA (MMA)*****	0.34%-0.79%
Quantitative Portfolios*****	0.30%-0.64%
Fixed Income Quantitative Portfolios*****	0.25%-0.55%
PMC Fund Strategist Portfolios	0.08%-0.85%
PMC Strategist UMA and PMC MMA	0.30%-0.61%

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

\*\* Fees are calculated on a per account basis. The fee charged depends on the manager(s) selected. Sub-Managers and Model Providers have lower or higher fees. The maximum fee stated above is indicative of accounts on the platform where basis points are charged on assets and is the current maximum for accounts using Envestnet as of the date of this disclosure brochure. However, depending on the Sub-Manager, Model Provider, or Overlay Service selected by the advisor and/or billing arrangement agreed to between Envestnet and the client, the maximum could be exceeded.

\*\*\* When Tax Overlay or Values Overlay Services are utilized there is an additional fee of 0.02% - 0.10%.

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

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

\*\*\*\*\*The Quantitative Portfolios are offered through EPS's affiliate, QRG Capital Management ("QRG"). Please refer to QRG's Form ADV Part 2A Brochure for additional information.

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

For the majority of EPS's Advisor relationships, the Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of quarter. The Program Fee



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

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

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

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

### ***Termination***

The client agreement terms and conditions for each Program contain termination provisions. An agreement for an EPS Program may be canceled at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly Program Fee, based upon the number of days remaining in the quarter after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind, otherwise certain commissions and/or fees may be charged by the broker-dealer liquidating security positions.

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

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

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the Program to a





particular Client include the size of the account, the type of account (*i.e.*, equity or fixed income), the size of the assets devoted to a particular strategy and the managers selected.

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

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

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

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

The Program Fees for the investment strategy of a Sub-Manager, Model Provider or an EPS proprietary strategy can vary depending on the Advisor's negotiated fee schedule with EPS and the program and configuration(s) selected by the Advisor. For example, certain programs like the RIA Marketplace have waived fees (see the section "Premier Partnership Program" in Item 10 below). That strategy may be available at a lower fee if selected by the Advisor as part of the Premier Partnership Program, than if the Advisor selects the investment strategy outside of the Premier Partnership Program.

EPS charges Sub-Managers and Model Providers for the installation and the maintenance/administration of the Third-Party Models or investment strategy on the EPS technology platform. Fees for the installation are generally \$7,200 per Model, and the maintenance fees range from \$1,200-\$1,750 per Model or investment strategy per quarter. Certain programs, specifically the Strategist UMA and the Manager OC Services, have higher installation and maintenance fees (typically \$100,000 annually).





EPS conducts additional due diligence and provides portfolio level technology designed to track the investments for those Sub-Managers that are offering customized versions of their separately managed account products on the EPS Platform. The customized strategies, often called “custom SMAs” or “direct indexing” investment strategies, typically require additional input from the Adviser or Client. Sub-Managers build and trade these customized client models away from the EPS Platform and therefore EPS requires such Sub-Managers to adhere to a specifically designed due diligence process and utilize EPS’s portfolio level questionnaire technology, which affords them the ability to collect client investment preferences. Please note that the EPS due diligence is in addition to the due diligence Advisors conduct on these managers and models.

EPS charges due diligence fees for Sub-Managers offering custom SMAs or direct indexing investment strategies at the following rates: \$60,000 annually for up to 1,000 accounts, assessed on a quarterly basis, 1,000 to 2,000 accounts: \$90,000 per year; assessed on a quarterly basis and over 2,000 accounts: \$120,000 per year; assessed on a quarterly basis. EPS also charges Sub-Managers an annualized 2 basis point fee for the use of the portfolio level technology.

As described in Item 4 above, the ActivePassive Portfolios, consist entirely or predominately of the ActivePassive™ ETFs. EAM serves as the investment adviser to the ActivePassive™ ETFs and is paid an advisory fee based on the assets invested in the ActivePassive™ ETFs (as detailed in the funds’ prospectus). EAM or its advisory affiliates (i.e., EPS) do not separately impose a charge for the ongoing portfolio management of assets invested in the ActivePassive™ ETFs through the ActivePassive Portfolios. Advisor, or Client in consultation with Advisor, may choose to construct a UMA portfolio in which an ActivePassive Portfolio, the ActivePassive™ ETFs is utilized as one of the sleeves contained in a multi-sleeve UMA portfolio. In such instances, because EPS is performing a separate overlay service in managing the entire UMA portfolio, a portion of EPS’s fee will be based on the assets in the UMA portfolio sleeve that are following the ActivePassive Portfolios, or the ActivePassive™ ETFs. As with the PMC MMA program described in Item 4, for any program where EPS is exercising its grant of investment discretion to select the ActivePassive™ ETFs for a portfolio, EPS waives the portfolio management fee on the assets invested in the ActivePassive™ ETFs that EPS normally charges for managing that portfolio to mitigate the conflict of interest.

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

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

EPS strives to choose the lowest-priced share class available for all EPS proprietary strategies, such as the PMC Strategies. EPS does not negotiate share class availability on behalf of entities or their Clients, nor does EPS



take responsibility for the management and review of Client accounts for share class usage. Clients should consult with their Advisor for share-class specific guidance. The availability of mutual funds, ETFs, and other products in a Program, including applicable share classes, is determined by the Advisor.

In addition to the redemption fees previously described, a Client may incur redemption fees when the portfolio manager to an investment strategy divests from certain Funds prior to the expiration of the minimum holding period of the Funds. Some mutual funds also assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

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

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

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

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

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

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

## **Item 7 – Types of Clients**

As described above under Programs, EPS provides portfolio management services to individuals, high net worth individuals, Advisors, banks, trusts, corporate pension and profit-sharing plans, Taft-Hartley plans,



charitable institutions, foundations, endowments, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs and SICAVs, and other U.S. and international institutions.

The Programs are made available by EPS through each Client's independent Advisor, and in certain limited instances, directly to the Client. Participation in each of the Programs may carry a minimum account size for any particular portfolio and strategy selected. Generally mutual fund or ETF asset allocation portfolios will require \$10,000 - \$50,000 account size minimums. Separately managed accounts for equity strategies will generally require \$100,000 account size minimums and \$250,000 account size minimums for fixed income strategies. Multi-sleeve portfolios will generally require \$150,000 account size minimums. The Market Series QP portfolios have account minimums starting at \$60,000 and the Factor Enhanced QP portfolios have account minimums starting at \$100,000. Minimum account sizes may be lowered at the discretion of the portfolio manager at the request of the Advisor. Accounts funded below the recommended minimums can impact the account performance, and clients should discuss any questions with or request further information from their Advisor in such situations before funding the account.

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

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

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

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

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

EPS's investment management and research team ("PMC") Research team offers Advisors quantitative and/or qualitative analysis of investment strategies or Funds, assigning one of three research statuses: Available, Approved-Quantitative or Approved-Qualitative. The PMC team updates the research status of strategies and Funds on a quarterly basis, including those that are added to or removed from the Approved List. In addition, PMC provides recommendations to Advisors of possible replacements for those strategies and Funds that fall off the Approved List each quarter. Research and possible substitutions for demoted or terminated strategies and Funds include, at a high level, PMC's ongoing monitoring and updated viewpoints of the products available on the EPS Platform.

PMC's platform-level research content does not include in-depth research notes on any specific managers, specific Fund share classes, nor any other materials, content, or services. In designating the PMC research status of a Fund or investment strategy, the PMC Research team is providing a professional service to the Advisor. The use of an "Approved" designation does not constitute a recommendation by EPS of any particular Fund or Investment Strategy to a Client or an assessment that such Fund or Investment Strategy is suitable for a particular Client. It is the Advisor's decision to recommend a Fund or investment strategy to a particular Client.

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

- ***Available***

Investment Strategies and Funds designated as Available have either undergone no investment due diligence assessment by PMC or have not met PMC's qualifications for an approval. All mutual fund, SMAs, strategist portfolios, and ETFs added initially to the EPS Platform are assigned the "Available" research status. Client's Advisor is responsible for determining that it has sufficient information about Available Investment Strategies, Third Party Models and Funds to select or recommend them to their Clients and is solely responsible for such selections or recommendations.

- ***Approved-Quantitative***

These Investment Strategies and Funds have undergone PMC's quantitative due diligence process and are actively monitored, via a quantitative process only, on an ongoing basis. This process measures risk and return for each product, and ranks it against its investment style peers, and is updated each quarter. Investment Strategies and Funds that fall below certain thresholds as a result of this process are removed from the "Approved-Quantitative" list. We do not use this methodology to approve proprietary PMC portfolios.

- ***Approved-Qualitative***

These Investment Strategies and Funds have undergone PMC's due diligence process and are actively monitored by both PMC's quantitative and qualitative processes, on an ongoing basis. The due diligence process uses periodic reviews to monitor third-party money managers, who also have been vetted by PMC's team of experienced research analysts. The process includes statistical analysis, site visits, and qualitative assessments of managers' ability to execute their strategies.

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

### ***Sustainable Investment Strategies***

Various Sustainable Investment Strategies are available on the EPS Platform for Advisors to build portfolios that align with Client values and interests. Sustainable investing refers to an investment philosophy that combines an intent to generate positive environmental and social impact alongside a financial return. Sustainable investing incorporates any of the following approaches: values alignment, ESG integration and thematic impact.

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

**ESG Due Diligence.** For the ESG investment strategies researched and monitored by the PMC Research team, PMC incorporates an additional layer of analysis within the research and due diligence process.

This analysis involves a systematic process that evaluates a manager's governance and oversight of ESG, ESG integration approach, reporting on impact, and engagement on ESG issues. Through this process, the PMC Research team determines whether these investment strategies meet PMC standards to be identified as ESG focused.

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

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

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

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

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

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

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

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

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

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

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

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

PMC may make exceptions for Investment Strategies, Funds and Third-Party Models on the Approved list. For these exceptions, EPS analysts use qualitative and quantitative tools to make a determination that the Investment Strategies and Third-Party Models otherwise warrants to be added to, or to remain on the Approved list. For example, an Investment Strategy may not have a track record of sufficient length, but the portfolio manager's proven track record may enable the Investment Strategy to be added to the Approved list. EPS's PMC Investment Policy Committee approves or rejects all exceptions and can remove Investment Strategies, Funds and Third-Party Models from the Approved list at its sole discretion. If an Investment





Committee member or a PMC analyst is conflicted, the individual is required to disclose the conflict of interest and recuse from the decision-making process.

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

Any due diligence completed by EPS or designee should be used in conjunction with the Advisor's existing research and as a supplement to any existing due diligence that the Advisor may already have in place. The use of an "Approved" designation does not constitute a recommendation by EPS of any particular Fund or Investment Strategy to a Client or an assessment that such Fund or Investment Strategy is suitable for a particular Client.

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

### ***Investment Strategies***

EPS provides Advisors with access to a large variety of Investment Strategies as a core tenet of its capability. While many different Investment Strategies can be selected, EPS provides Advisors with the ability to utilize the EPS Platform to assess portfolios holistically and across multiple programs, custodians, and registrations, allowing the Advisor to make a household assessment of their Client's needs. This analysis capability allows Advisors to consider multiple options for Investment Strategies and Funds as they seek to match their Client's needs with the features and benefits of each program. For a description of the EPS Programs, please refer to Item 4.

### ***Risks***

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

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

Certain types of Investment Strategies and Funds have particular types of risk. Strategies that invest in international securities involve special additional risks, including currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks. Strategies that invest in small capitalized companies involve risks, including relatively low trading volumes, a greater degree of change in earnings and greater short-term volatility. Smaller companies typically have a

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

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

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

Risks that may be associated with liquid alternative investments include leverage, shorting, security valuation, and nightly reconciliation. Risks that may be associated with liquid alternative investments include: (1) Leverage - Leverage may enhance a fund's returns in up markets but exacerbate returns in a bad market. Some firms with leverage inherent in their portfolios may experience "margin calls" in the event of liquidity dry-ups or if certain counterparties cannot provide the leverage needed; (2) Shorting - Certain securities may be difficult to sell short at the price that the manager would wish to execute a trade. A short position has the possibility of an infinite loss if a security continues to go up in price and the manager does not cover; (3) Security valuation - Certain securities held in alternative Funds, such as derivatives or thinly traded stocks, bonds or swaps may not have a market in which the money manager can trade it quickly to raise cash in case of fund redemptions. High bid/ask spreads or the lack of another buyer/seller to take the opposite position of a thinly traded security could cause inaccurate estimates in underlying security valuation by the administrator; and (4) Nightly reconciliation - The use of thinly traded securities, shorting and leverage may make it difficult for some alternative funds, based on their investment strategy, to provide accurate nightly NAVs for the mutual fund.

### ***Liquidity Risk***

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

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

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



***ESG and Sustainable Risks***

Incorporating ESG characteristics into the investment process carries the risk that the Sustainable and ESG portfolios may underperform as compared to non-impact or non-ESG focused strategies. The Sustainable and ESG considerations may reduce the investment universe or result in different exposures from funds or strategies that do not use such criteria. There is no guarantee that impact investment strategies will work under all market conditions, and each investor should evaluate their ability to invest long-term.

In addition, EPS utilizes several ESG research and ratings providers for portfolio management and reporting purposes. The scores, ratings, and assessments are subjective by nature, and may or may not be accurate, complete, or reflect the beliefs of some investors. EPS depends on the information provided by third-party vendors. Any delay in the remittance of ESG information or sudden change in scores may cause the portfolio to hold companies that do not align with the impact methodology. While EPS attempts to update the portfolios in a timely manner, it cannot guarantee that the strategies will reflect the latest ESG information.

***Tax-Managed Investing Risk***

Market conditions may limit the ability to generate tax losses or to generate dividend income taxed at favorable tax rates. A tax-managed strategy may cause a client portfolio to hold a security in order to achieve more favorable tax treatment or to sell a security in order to create tax losses. The ability to utilize various tax-management techniques may be curtailed or eliminated in the future by tax legislation or regulation. The pre-tax performance of a tax-managed accounts may be lower than the performance of similar advisory accounts portfolios that are not tax-managed. Please note, while a retail account subscribes to a tax-managed overlay strategy, the overlay strategy may not be able to succeed in reducing the amount of taxable income and capital gains to which an advisory account may become subject. The benefit of tax-managed investing to an individual investor is dependent upon the tax liability of an investor, which considers the level of prevailing tax rates. Over time, the ability of a Client in a tax-managed strategy to harvest losses may decrease and gains may build up in a securities portfolio. Tax-managed investing does not equate to comprehensive tax advice, is limited in scope, and not designed to eliminate taxes in an account. Mandates or the use of limits to restrict the amount of gains realized on a Client's total tax bill may severely restrict trading in the account and could result in substantial deviations from the investment allocation. Tax overlay screens and limits should only be imposed after Client has consulted with Client's tax advisor. EPS does not provide tax planning advice or services.

***Tracking Error Risk***

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

***Cybersecurity Risks***

The proliferation of business technologies, while empowering, has also made EPS and its affiliates susceptible to operational, information security, and related risks. Cyber risks arise from deliberate attacks or incidental events originating from external or internal sources. Cyberattacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating client or firm level assets or sensitive information; corrupting data, equipment, or systems; and causing operational disruption. Cyberattacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Beside hackers, customers trying to gain unauthorized access to databases through legitimate service solutions also pose a threat. Unauthorized access to IT systems or databases could result in the theft, publication, deletion or modification of confidential company or client information. Cyber incidents can disrupt business operations, potentially resulting in financial losses,



interfering with the ability to calculate asset prices, impeding trading and transactions, damaging equipment and systems, and violating applicable privacy and other laws; resulting in private litigation, regulatory fines, penalties, reputational damage, reimbursement or other compensation and compliance costs. An actual or perceived data security breach of our security may also require notification under applicable data privacy regulations.

EPS, and its customers through which EPS's solutions are made available to end users collect, use, transmit and store confidential financial information such as bank account numbers, social security numbers, non-public personally identifiable information, and portfolio holdings. The measures EPS takes 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.

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

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

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

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

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

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

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

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

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



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

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

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

The Advisor may configure the Advisor Directed Models program so that neither Advisor nor EPS will exercise investment discretion in relation to the Client’s investment model portfolio (a “Non-Discretionary Advisor Directed Models Program”). In a Non-Discretionary Advisor Directed Models Program, the Client has the ability to choose his/her own model portfolios from among a group of designated investment vehicles with help from an Advisor. The Advisor’s financial representative will review investment model strategies with the Client to determine if the use of a particular investment strategy and associated investment vehicle are appropriate for the Client and in the Client’s best interest. Client will then approve any subsequent changes to the investment model.

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

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

### ***Reporting Services***

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

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

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

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



### ***Other Affiliations***

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

Envestnet Asset Management, Inc. ("EAM")  
*Firm CRD# 111694*

Envestnet Retirement Solutions, LLC ("ERS")  
*Firm CRD# 171570*

FDX Advisors, Inc. ("FDX")  
*Firm CRD# 104601*

QRG Capital Management, Inc.  
*Firm CRD# 305277*

Envestnet Securities Inc.  
*Firm CRD# 325803*  
*\*Registered Broker Dealer*

**Principal Office Address (except ESI):**  
150 North Riverside Plaza, Suite 2050  
Chicago, IL 60606

**Mailing Address (for all):**  
1000 Chesterbrook Boulevard, Suite 250  
Berwyn, PA 19312

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

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

Ategenos Capital LLC\*  
*Firm CRD# 326708*  
1000 Chesterbrook Boulevard, Suite 102  
Berwyn, PA 19312

FIDx Group, LLC\*  
1000 Chesterbrook Boulevard, Suite 135  
Berwyn, PA 19312  
*Registered Insurance Agency*

*\*Envestnet, Inc. indirectly holds a greater than 25% financial interest in FIDx Markets, FIDx Group, and Ategenos Capital.*

Envestnet, Inc., the parent company of EPS is owned by affiliates of vehicles managed or advised by Bain Capital Private Equity, LP, a private equity firm and certain minority co-investors. Reverence Capital, BlackRock (BLK.N), Fidelity Investments, Franklin Templeton (BEN.N), and State Street Global Advisors (STT.N) own indirect, minority interests.

EAM serves as the investment adviser to the following proprietary ETFs: ActivePassive™ Core Bond ETF, ActivePassive™ Intermediate Municipal Bond ETF, ActivePassive™ International Equity ETF, and ActivePassive™ U.S. Equity ETF (collectively, the "ActivePassive™ ETFs"). Additional information available at [www.activepassive.com](http://www.activepassive.com).



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

The following are relationships that may introduce conflict:

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

Given the interrelationships among EPS 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.

EPS provides research services and enhanced due diligence to Advisors for a premium subscription fee and has historically made certain basic components of this research broadly available to Advisors using the EPS Platform without a subscription ("Open Research"). EPS charges a subscription fee of \$2,500 annually per CUSIP to Fund issuers that desire to maintain the Open Research availability of their fund product(s) to help offset the costs required in supporting the products on the EPS Platform. This program creates a conflict of interest because it generates an incentive for EPS to treat Funds subscribing to Open Research more favorably. To mitigate and manage this conflict and to ensure that EPS's research is not influenced based on whether a Fund issuer is subscribing to Open Research availability, EPS maintains a consistent research methodology in its assessments, prohibits its research team from factoring the Open Research availability status into the research process, and separates the research team from the Open Research subscription process. All Funds on the EPS Platform undergo research reviews and receive an approved or available status regardless of whether a Fund issuer subscribes to Open Research availability and the Open Research status does not affect an Advisor's ability to access and select any Fund on the EPS Platform.

Envestnet, Inc. has a greater than 25% financial 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 on the EPS Platform. 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 EPS. Although a related entity, EPS does not engage in the distribution, revenue, or annuity sales processes of FIDx Markets. FIDx Group LLC ("FIDx Group"), a wholly owned subsidiary of FIDx, is an insurance agency that offers comprehensive insurance solutions to Registered Investment Advisers, separate from the agreements in place with EPS. Although a related entity, EPS does not engage in the distribution, revenue, or insurance sales processes of FIDx Group.

Envestnet Inc. has a greater than 25% financial 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 EPS Platform.

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

Envestnet, Inc. is an investor in three service providers, Fiduciary Exchange, LLC, Advisor Credit Exchange, LLC, and HealthPilot Technologies, LLC. (the "Exchanges"). Mr. Thomas Sipp, EVP, Envestnet Business



Lines, is an investor in private funds invested in the Exchanges, and therefore, EPS and Mr. Sipp, have a financial incentive to promote the use of the Exchanges to Advisors using the EPS Platform.

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

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

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

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

### ***Conferences***

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

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

### ***Premier Partnership Program***

EPS's affiliate, EAM has entered into a relationship with certain investment managers under which EAM provides technology, research and marketing services as well as unique opportunities to develop co-managed products and services through its wealth management and technology platforms (the "Premier Partnership Program"). The investment managers participating in the program with Envestnet are BlackRock Investment Management, LLC, SSGA Fund Management, Inc., Fidelity Institutional Wealth Adviser, LLC, and the affiliated registered investment advisors of Franklin Templeton listed below (each a "Premier Partner").

While the Premier Partnership Program offers participants various subscription services, waived fees, support features and sales data, EAM also markets certain investment advisory services provided by the Premier Partners to Advisors using the Envestnet platforms for which it is compensated (the "Premier Partner Managed Accounts Program Assets"). As such, EAM is deemed to provide "endorsements" of the Premier Partners within the meaning of Rule 206(4)-1 under the Advisers Act, which governs the marketing activity of SEC-registered investment advisers.



Premier Partners pay compensation to EAM and not to EPS or other Envestnet affiliates. However, this arrangement creates conflicts of interest as it creates an incentive for EAM to treat the Premier Partners more favorably than other asset managers on the Envestnet platforms, and to avoid providing advice or otherwise taking actions not advantageous to the Premier Partners and their investment strategies. In particular, it generates an incentive for EAM to treat the Premier Partners more favorably in EAM's research evaluations of these investment managers as compared to other investment managers available on the Envestnet Platform. The payments by the Premier Partners also create an incentive for EAM to recommend the Premier Partner investment strategies and services over other asset managers and select these asset managers' strategies in populating sleeves in EAM's proprietary portfolios and when creating custom solutions in consultation with Advisors.

EAM manages these conflicts of interest in a number of ways. EAM applies the same quantitative and qualitative criteria in evaluating the Premier Partners and their investment strategies as it does to other asset managers with models and strategies on the Envestnet Platform. In addition, EAM ensures that its research personnel evaluating the Premier Partners and other investment managers limit their relationship to fulfilling their due diligence oversight duties and are not engaged in the marketing, sales activities, fee negotiations, or relationship management of the Premier Partners. And lastly, the decision to invest in any particular investment strategy that is part of the Premier Partnership Program for a client account is determined by the Client's Advisor in conjunction with the Client and not by EAM.

Certain of the Premier Partner parent companies are publicly traded companies and these securities can be contained in financial indexes. EAM's affiliate, QRG Capital Management, Inc. ("QRG") constructs portfolios using a subset of the designated financial index to track that index, employing optimization techniques to align the portfolio's risk characteristics with those of the index benchmark and EAM leverages these QRG portfolios. The quantitative process utilizes a portfolio optimizer which is consistent in its methodology. Neither QRG, EPS nor EAM receive compensation in connection with any particular security held in an investment strategy.

In addition, EAM may utilize a Premier Partner Fund in its proprietary strategies and in the ActivePassive™ ETFs. EAM is not compensated for the inclusion of any Premier Partner Fund in its discretionarily managed investment strategies or the ActivePassive™ ETFs and the determination to use such Funds is made independently of the Premier Partnership Program.

Premier Partner Managed Accounts Program Assets consist of assets invested pursuant to the Premier Partner's investment models/strategies utilized in:

- UMA-eligible Premier Partner SMAs customized or optimized by EAM on Premier Partner's behalf;
- Standalone SMAs customized or optimized by EAM on Premier Partner's behalf;
- Premier Partners Strategist UMA models;
- Outsourced Consulting models created by Premier Partner for individual client use;
- Premier Partner FSP in the RIA Marketplace, a program where the components of the Program Fee, such as EAM's implementation and platform fees, are waived;
- Premier Partner FSPs utilized in EAM's Trust Exchange, a program designed to efficiently enable Advisors to establish and service trust accounts managed on the Envestnet Platform;
- Assets in new accounts invested in Premier Partner FSPs utilizing interval funds;
- Assets in new accounts invested in Premier Partners' option investment strategies (including strategies managed by SpiderRock Advisors, LLC).





Depending on the fees negotiated with each Premier Partner, EAM is compensated by the Premier Partner for participation in the Premier Partnership Program through the combination of (i) a base annual fee that can be up to \$4.5 million, in addition to either (ii) a fee of up to 5 basis points on Premier Partnership Program Assets or a tiered flat fee of up to \$2 million for every \$4 billion in Premier Partnership Program Assets or \$1 million for every \$2 billion in Premier Partnership Program Assets.

EPS discloses the conflicts of interest associated with the Premier Partner relationships in this Brochure so that the Advisers are fully informed of the nature, scope and extent of these conflicts and can take them into consideration when making recommendations, selecting investments, and otherwise providing advice to their Clients.

Affiliates of Franklin Templeton participating as Premier Partners are: Franklin Advisers, Inc. ClearBridge Investments, LLC, ClearBridge Investments (North America) Pty Limited, Franklin Managed Options Strategies, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC, Franklin Templeton Investment Management Limited, Franklin Templeton Investments Corp., Franklin Templeton Private Portfolio Group, LLC, Martin Currie Inc., O'Shaughnessy Asset Management, LLC, Putnam Investment Management, LLC, Royce & Associates, LP, Templeton Asset Management Ltd., Templeton Global Advisors Limited, Templeton Investment Counsel, LLC, Western Asset Management Company, LLC.

#### **Item 11 – Code of Ethics**

EPS 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 U.S. Securities and Exchange Commission ("SEC") Rule 204A-1 under the Investment Advisers Act of 1940, as amended, which imposes certain code of ethics obligations on investment advisers registered with the SEC.

EPS's code of ethics subjects Covered Persons to standards of business conduct and imposes a requirement to acknowledge written receipt of the code and amendments thereto, and to report violations of the code. Covered Persons are also required to pre-clear trades before directly or indirectly acquiring beneficial ownership in a limited number of securities, namely in 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.

EPS employees or related persons may have accounts with investment managers that are available to Clients as part of the Programs. In addition, EPS employees or related persons may personally buy or sell securities that Clients also own in their accounts. Investment decisions for EPS personnel may not be made at the same time or in the same manner as those made for Clients. EPS or a related person of EPS may purchase or sell securities that are recommended or purchased or sold for Clients. Personal securities transactions by persons identified as Access Persons with EPS are subject to EPS's Code of Ethics. The Code of Ethics includes various reporting, disclosure, and approval requirements, described in the summary below. EPS designed these



requirements to prevent or mitigate actual or potential conflicts of interest with Clients. The Code of Ethics applies not only to transactions by the individual, but also to transactions for accounts in which such person or the person's spouse, minor children or other dependents residing in the same household have an interest. Compliance with the Code of Ethics is a condition of employment at Envestnet.

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

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

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

## **Item 12 - Brokerage Practices**

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

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

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



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

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

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

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

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

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

On an annualized-basis, the number of stepped-out trades facilitated by ITD via the Mega block feature can vary materially from Advisor to Advisor on a dollar-weighted percentage (typically ranging from 1% - 64%) dependent on the Investment Strategy or Third-Party Model chosen by the Advisor and the securities held in the particular model(s). For firm specific step out reporting please contact EPS.

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



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

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

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

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

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

### ***Block Trading***

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

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

In addition, the following conditions must apply:

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

### ***Trade Allocations***

Sub-Managers and Advisors performing trade order placement, trading rotation and allocation are solely responsible for these functions. These Sub-Managers and Advisors have their own allocation policy and direct how partial executions are allocated. EPS has no input or supervisory responsibility for these practices. Certain Third-Party Model Providers, as disclosed in their Form ADV, may have a rotation policy that segregates their investment model updates from their directly managed accounts. If EPS determines that such trade rotation policy does not equitably treat Clients in accordance with Model Provider's reported performance, EPS may restrict the availability of the Model or impose additional requirements, as necessary.

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

#### *Separately Managed Accounts*

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

#### *Model-Based*

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

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

### ***Errors***

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

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

### ***Soft Dollars***

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

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

### **Item 13 – Review of Accounts**

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

Clients receive statements from the custodian at least quarterly providing a detailed list of holdings with valuations and account activity as well as confirmations of all securities transactions. In addition, depending



on the Advisor, Clients may also receive a quarterly performance report prepared by EPS showing the allocation of the assets in the account as well as the performance of the account during the previous quarter.

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

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

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

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

EPS will receive a referral fee from iconik for certain clients who subscribe to iconik's proxy voting service. Please refer to Item 17, Voting Clients Securities, for additional information on the eligible services available through iconik.

#### **Item 15 – Custody**

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

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

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

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

For the SMA, UMA, PMC MMA and Third-Party Strategist Programs, Clients are required to grant discretionary investment authority to EPS for the management of those assets pursuant to the Investment Strategy or Third-Party Models selected by Advisor and/or Client.

EPS does not assume a fiduciary or investment advisory role in (i) assets that an Advisor manages directly using EPS's technology solely as an account management system, (ii) assets that the Advisor has under management outside of EPS, or (iii) securities transferred into an EPS Program to be liquidated in order for EPS to commence discretionary management of the assets in one of our Programs. In addition, in implementing the investment selections of a Model Provider for a Third-Party Model, Envestnet is adhering to the investment strategy





selected for Client as instructed by Advisor and is not independently selecting the underlying investments nor exercising discretion as a “fiduciary” within the meaning of ERISA. For Client assets that are invested under a Program, such discretion is to be exercised in a manner consistent with the stated investment objectives of the Investment Strategy or Third-Party Model selected. Advisors to Clients should notify EPS if such investment objectives have changed so that EPS may work with the Advisor to make appropriate changes within the Client portfolio.

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

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

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

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

Proxies must be cast in the best interests of the Client and/or shareholder. Since EPS is not in a direct relationship with Clients, and because EPS is not able to control when or how proxies are delegated to it, EPS relies on the Client’s Advisor to know how a Client desires to vote its shares and to ensure that the delegation of proxy voting is in the Client’s best interest. When delegating proxy authority to EPS, the Advisor is responsible for ensuring Client accounts at custodians are set to vote in the Client’s best interest.

When delegating proxy authority to EPS, votes are generally cast in accordance with either Glass Lewis Investment Manager (“Standard”) or Glass Lewis ESG (“ESG”) recommendations, as indicated on the custodial paperwork. If Glass Lewis & Co. LLC (“Glass Lewis”) does not provide a recommendation, EPS will vote in accordance with management recommendations. EPS does not take an independent position on any proxy ballot and is not able to ‘customize’ votes, including but not limited to, views on topic, entity, or ballot. Glass Lewis is a neutral third party that issues recommendations based on its own internal guidelines.

Generally, EPS votes Client shares via ProxyEdge, an electronic voting platform provided by Broadridge Financial Solutions Inc. Additionally, ProxyEdge retains a record of proxy votes for each Client. EPS also utilizes [www.proxyvote.com](http://www.proxyvote.com), to process votes for paper proxies, as well as through Mediant, a third-party proxy voting processor. However, Mediant accounts for the minority of voting processed by EPS.

Glass Lewis does not consider specific client circumstances when providing EPS with its voting recommendations. Further, EPS is not able to cast votes outside of Standard or ESG recommendations, nor can EPS accommodate individual or ballot specific requests. EPS conducts general due diligence on the proxy advisor, Glass Lewis, including periodic random sampling of proxies voted by EPS to ensure that proxies are voted in accordance with EPS policies.





### **How EPS Votes Proxies**

For proxies delegated to EPS, the client or Advisor can elect to vote in accordance with Glass Lewis recommendations via different ProxyEdge Identifiers. Whether the accounts vote Standard or ESG will depend on the Product Identifier chosen by Client or Advisor at the time that the custodial paperwork is completed. Custodians vary in how proxy voting is delegated, and it is recommended that Client work with Client's Advisor to determine how best to vote its proxies.

- In UMA and MMA accounts, votes are cast at the account level and differences in proxy voting across sleeves within the UMA or MMA is not supported. Generally, EPS is considered the manager for a UMA if the account is traded by EPS, and all proxies within the UMA will be voted either Standard or ESG, but if you or your Advisor believes it is in your best interest to vote the UMA differently, the option to move proxy voting away from EPS is an option.
- Sub-Managers exercising discretion over Client's account will vote proxies if voting authority is assigned at the time the custodial paperwork is completed. EPS is not able to advise if or how a third-party Sub-Manager has set up proxy voting on their strategies. Advisor can contact the Sub-Manager to determine how proxies are voted.
- Proxy voting authority should not be delegated to EPS unless EPS is providing overlay management trading on the strategy/account (e.g., EPS proprietary strategies and Third-Party Models).

Clients have the option to subscribe to iconik Securities, Inc. ("iconik"), a third-party proxy voting vendor, which submits investors proxy ballots, based on the Client's voting preferences. Clients interested in this customized option should discuss this with their Advisors. EPS will receive a referral fee from iconik for certain clients who subscribe to iconik's proxy voting service. EPS may elect to pay for the iconik proxy voting service for certain PWC clients who maintain high account minimum engagements through the EPS platform.

Client has the right to revoke EPS's proxy voting authority at any time. In the event EPS's method of proxy voting does not satisfy the Client's preferences, Client or Advisor must redirect the applicable Custodian from sending EPS the proxies and vote the proxies away from EPS.

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

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

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

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

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



## COVERED SERVICE PROVIDER DISCLOSURE REPORT FOR ERISA PLANS

December 6, 2024

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

INFORMATION	WHERE TO FIND IT
Description of EPS services.	<p>EPS provides a technology platform for investment advisors to efficiently connect with a vast array of independent separate account managers and investment model providers (collectively “SMA Managers”). EPS also offers its proprietary investment portfolios and provides technology, administrative and reporting services.</p> <p>See EPS Form ADV Part 2A brochure, specifically Item 4 (Advisory Business); Item 8 (Methods of Analysis, Investment Strategies and Risk of Loss), and Item 17 (Voting Client Securities).</p>
Statement concerning services EPS will provide as an ERISA fiduciary and registered investment adviser.	<p>EPS is acting as a “fiduciary” under the Employee Retirement Income Security Act of 1974 (“ERISA”) and an “investment adviser” (as defined in Section 3(21)(A)(ii) of ERISA) with respect to the performance of services listed in Items 4 (Advisory Business). In implementing the investment selections of a Model Provider for a Third-Party Model, Envestnet is adhering to the investment strategy selected for Client as instructed by Advisor and is not independently selecting the underlying investments nor exercising discretion as a “fiduciary” within the meaning of ERISA.</p>
Direct compensation EPS Receives from your Account.	<p>The fees that EPS receives for its services are derived from the total fees that are agreed to in the advisory agreement.</p> <p>EPS pays the SMA Manager or Third-Party Model Provider for its services from the fee it collects. EPS will retain a portion of the fees charged for making the strategies available and for administering them in the Program.</p> <p>See EPS Form ADV Part 2A brochure, specifically Item 5 (Fees and Compensation).</p>
Indirect compensation that EPS will receive from non-affiliates in connection with services to your Account.	<p>When EPS or EAM sponsor a conference, it will solicit contributions from Vendors to defer the costs associated with the conference. Depending upon Vendor participation, EPS or EAM may receive contributions in excess of the costs associated with the event.</p> <p>EPS does not otherwise receive indirect compensation, such as brokerage commissions, sales charges, or referral fees, in connection with your account.</p>
Compensation EPS will receive if you terminate EPS’ management of your account.	<p>EPS does not charge a fee in connection with the termination of EPS’s management of your account.</p>