



an Interactive Brokers Group company

There are many reasons to consider Covestor Smart Beta Portfolios:

Robust Investment Process

We construct our portfolios with the systematic application of thoroughly back-tested rules to avoid the human biases of over- and under-reaction with the goal of achieving alpha (i.e., outperforming passive benchmarks over an extended period of time).

Easy to Buy and Sell

Clients can buy and sell their investments in these portfolios as easily as they buy and sell stocks, with a delay during the three days preceding quarterly rebalancings. Unlike ETFs and mutual funds, clients own the individual positions in the Portfolios through whole or fractional shares.

Low Trade Costs

Covestor clients who invest in these portfolios benefit from Interactive Brokers' cost-effective trading platform (commissions of \$.0035/share with a basket minimum capped at 5 bps of trade value), and low management fees of 8 bps (or 0.08%).

Small Investments with Large Diversification

With our innovative use of fractional shares, our clients can buy a diversified basket of stocks with limited investment capital. The minimum investment amount is \$5,000.

Balanced Portfolios

All of our portfolios are set to rebalance automatically on a regular basis.

See how some key characteristics of investing in our Smart Beta Portfolios compare to buying shares of ETFs or active mutual funds, including funds that we believe have similar investment strategies. Examples presented below include ETFs and mutual funds that have significant assets under management, are liquid and have exposure to factors like dividends, value and growth.

	Index ETFs	Smart ETFs	Active Mutual Funds	Covestor
Cost of Ownership* (competing products**)	IWD: 0.21% IWF: 0.20%	RSP: 0.40% PRF: 0.39% SDY: 0.35% SPLV: 0.25%	VDIGX: 0.33% VQNPX: 0.34%	BRMCOV™: 0.08% VALCOV™: 0.08% GROCOV™: 0.08% DIVCOV™: 0.08% QALCOV™: 0.08%
Active Management	Not applicable. The investment objective of an index ETF is to track the performance of a specified index.	No. The goal is to adhere to a stated objective, i.e. portfolio composition where weights are related to stock characteristics like dividend yield.	Yes. Manager or team makes objective and subjective decisions on portfolio composition.	Partial. Uses a set of back-tested rules and filters aimed at providing higher risk-adjusted returns than typical cap-weighted indices. Composition and quarterly rebalancings are overseen by management.
Alpha Expectations	Not applicable. The investment	Yes, through efficient exposures to varied	Yes, through active stock picking.	Yes, through efficient exposures to varied

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	objective of an index ETF is to track the performance of a specified index.	sources of equity risk premiums.		sources of equity risk premiums and use of value-added filters.
Portfolio Transparency	Disclose positions daily; intra-day changes not visible.	Disclose positions daily; intra-day changes not visible.	Disclose only quarterly, with lag.	Invested clients have real-time access to view positions and trades.
Trading & Pricing	Intra-day pricing		Mutual fund shares priced once/day after the markets close.	Intra-day pricing.
Transaction Costs	Brokerage Commissions		Portfolio brokerage commissions. Additionally, some purchase and redemption fees may apply depending on the fund and length of investment.	Low commissions charged by low-cost affiliated broker IB .
Risk of NAV trading at premium/discount to the underlying	May occur for many reasons, including the liquidity of the portfolio securities held by the ETF, staleness in the reported value of the portfolio securities, significant market disruptions known as “Flash Crashes,” and the activities of unseen ETF market participants known as authorized participants.		No risk with open-end funds. Potential issue with closed-end funds.	No risk since the client is holding the underlying stock. Clients trade with a third-party liquidity provider in fractional shares, which cannot be traded on the open market.
Liquidity/bid-ask spreads	Liquidity depends on both compositions and trading volume of the underlying ETF.		N/A	Liquidity depends only on compositions and clients buying and selling any fractional shares from/to the liquidity provider.
Customization	No			Covestor confirms that investing in one of these portfolios is appropriate for client’s investment profile (assessed through a risk questionnaire and updated periodically). Clients may restrict trading in specific stocks.

QUESTIONS? WE'RE HERE TO HELP.

CALL A COVESTOR REPRESENTATIVE AT 1-866-825-3005 OR EMAIL: SUPPORT@COVESTOR.COM

Covestor's Smart Beta Portfolios mainly invest in stocks and may not be suitable for all investors. You may lose all or part of investments in these portfolios, and their past performance is no guarantee of future results. You may find additional information on the risks, conflicts of interest, applicable brokerage commissions, fractional shares, and limitations on investments and divestments associated with these portfolios (along with Covestor's full disclosures) on the Forms and Agreements page at covestor.com. Brokerage services are provided to Covestor clients by Interactive Brokers LLC, an SEC-registered broker-dealer and member NYSE/FINRA/SIPC.

*Expense ratio data is as of 1/18/2017 according these third-party industry sources:

ETFs: <http://etfdb.com>; Mutual Funds: <http://mutualfunds.com>

**Competing Products Key:

IWD: iShares Russell 1000 Value ETF

IWF: iShares Russell 1000 Growth ETF

RSP: Guggenheim S&P 500 Equal Weight ETF

PRF: PowerShares FTSE RAFI US 1000 Portfolio

SDY: SPDR S&P Dividend ETF

SPLV: PowerShares S&P 500 Low Volatility Portfolio

VDIGX: Vanguard Dividend Growth Investment

VQNPX: Vanguard Growth and Income Investment