



# 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 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%). In addition to these commissions and management fees, whenever the overall monthly commissions paid by all Covestor client accounts do not amount to at least \$10 in commissions per account per month, Interactive Brokers will collectively charge Covestor clients any difference between the actual commissions and the \$10 minimum, on a pro rata basis.

## 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. Despite this lower minimum investment, clients must still open a brokerage account with and meet our affiliated broker-dealer's (Interactive Brokers LLC) \$10,000 minimum funding requirement before being able to invest in any of these portfolios.

## BALANCED PORTFOLIOS

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

## QUESTIONS? WE'RE HERE TO HELP.

Call a Covestor Representative at  
**1-866-825-3005** or email:  
[support@covestor.com](mailto:support@covestor.com)





# SMART BETA PORTFOLIOS



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
<b>Cost of Ownership* (competing products**)</b>	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%
<b>Active Management</b>	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.
<b>Alpha Expectations</b>	Not applicable. The investment objective of an index ETF is to track the performance of a specified index.	Yes, through efficient exposures to varied sources of equity risk premiums.	Yes, through active stock picking.	Yes, through efficient exposures to varied sources of equity risk premiums and use of value-added filters.
<b>Portfolio Transparency</b>	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.
<b>Trading &amp; Pricing</b>	Intra-day pricing	Intra-day pricing	Mutual fund shares priced once/day after the markets close.	Intra-day pricing
<b>Transaction Costs</b>	Brokerage Commissions	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.

(Comparison chart continued on the next page.)



# SMART BETA PORTFOLIOS



	Index ETFs	Smart ETFs	Active Mutual Funds	Covestor
<b>Risk of NAV trading at premium/ discount to the underlying</b>	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.	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.
<b>Liquidity/bid-ask spreads</b>	Liquidity depends on both compositions and trading volume of the underlying ETF.	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.
<b>Customization</b>	No	No	No	Covestor confirms that investing in one of these portfolios is appropriate for a client's investment profile (assessed through a risk questionnaire and updated periodically).  Clients may restrict trading in specific stocks.

These portfolios mainly invest in stocks and may not be suitable for all investors. You may lose all or part of investments in these portfolios. 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](http://covestor.com). Covestor Ltd. is an SEC-registered investment adviser. Registration does not imply a certain level of skill or training. 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