

Customer Relationship Summary

Covestor Limited doing business as “Interactive Advisors”, “Interactive Advisers”, “Interactive Brokers Asset Management”, “IB Asset Management”, and “IBKR Asset Management”

Effective March 1, 2024

Covestor Limited (“Covestor Ltd” or “Covestor”) doing business as (“dba”) Interactive Advisors (“IA” or “We”), is an investment adviser registered with the Securities and Exchange Commission (“SEC”). Brokerage and advisory services and fees differ, and it is important for you to understand the difference. This document is intended to help you understand the services we provide, the fees you will be charged, and any applicable conflicts of interest. Free and simple tools are available to research firms and individuals at investor.gov/crs, which also provides educational materials about broker-dealers, investment advisers, and investing.

What investment services and advice can you provide me? We primarily provide retail investors an online investment management platform, although we make client support staff available for consultation on servicing and investment management issues. We **monitor** the performance of your portfolio investments continuously (i.e., daily). Our services to you are limited to the **discretionary** management of your assets. We offer retail investors only **two types of portfolios**: (1) *PM Portfolios* managed by third-party portfolio managers and (2) proprietary *IA Portfolios*. **Minimum account requirements** are \$100 for *IA Portfolios* and \$100-\$30,000 for *PM Portfolios*. You must open a brokerage account with our brokerage affiliate Interactive Brokers LLC (“IB”) to be able to invest in our portfolios. More detailed information can be found in Items 4 and 7 of our [Form ADV, Part 2A](#) and on <https://interactiveadvisors.com/> website.

Conversation Starter: Ask your financial professional: Given my financial situation, should I choose an investment advisory service? Why or Why not? Based on your objectives, risk tolerance, time horizon, and financial circumstances, if you (a) want to have access to a wide variety of investment choices (including but not limited to Smart Beta (“SB”), Asset Allocation (“AA”), Socially Responsible Investing (“SRI”), Index Tracking (“IT”), model ETF portfolios, and various actively-managed investment strategies) and (b) generally have a

longer time horizon, you may want to choose our investment advisory service. However, if you (a) prefer in-person rather than digital (online) client experience, (b) prefer to pay one single wrap fee rather than multiple fees that include a management fee, commissions and other fees, or (c) prefer having full discretion over your assets, you may not want to choose our investment advisory service. Before investing with us or any other investment adviser, you should consider paying off your high-interest debt and using workplace savings options.

How will you choose investments to recommend to me?

Based on your risk score, IA recommends the AA Portfolio. You are free to accept or disregard this recommendation and proceed with your own portfolio selection based on your risk score. Or you may customize our standard AA Portfolio recommendation to increase or decrease the allocation to specific ETFs or apply industry tilts. IA recommends no other portfolios on its platform at this time, allowing you to select portfolios on your own as long as they are in line with (i.e., have a risk score equal to or lower than) your risk score.

What fees will I pay? If engaged, we charge an annual fee based upon a percentage of the market value of the assets being managed by us, i.e., the assets that you choose to invest in a *PM* or *IA Portfolio* (“Management Fee”). The *PM Portfolio* fee schedule ranges from 0.25% to 0.75%. The *IA Portfolio* fee schedule ranges from 0.1% to 0.2%. If you choose to invest in multiple portfolios, you will be charged the sum of the fees associated with each portfolio you invest in. The more assets you have in your advisory account, the more you will pay in fees, and we may therefore have an incentive to encourage you to increase the assets in your account. Management Fees vary by the *Portfolio* chosen and the level of assets invested in that *Portfolio*. No Management Fees are charged on assets that are not invested in a *Portfolio*. Management Fees are charged monthly in arrears.

In addition to Management Fees, you will pay brokerage commission custodial fees, transaction fees, exchanges fees, fees and expenses charged by mutual funds, REITs or ETFs, or other related costs and expenses incurred for the investment of your assets in portfolios offered by us. We do not receive any portion of these fees. You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money on your investments over time. Please make sure you understand what fees and costs you are paying. More detailed information on applicable fees can be found in Items 4 and

5 of our [Form ADV Part 2A](https://interactiveadvisors.com/FormADVPart2A), and on <https://interactiveadvisors.com/> website. Additional details on how we calculate our Management Fee are included in Appendix A of the Investment Management Agreement all clients agree to before retaining us as their investment advisor.

Conversation Starter: Ask your financial professional: Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me? Please contact us at 1.866.825.3005 to obtain this information as our fees vary by portfolio. You may also refer to Item 5 of our [Form ADV Part 2](https://interactiveadvisors.com/FormADVPart2), and visit <https://interactiveadvisors.com/> (the Low Fees section from the Menu).

What are your legal obligations to me when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have? *When we act as your investment adviser*, we have to act in your best interest and not put our interest ahead of yours. But the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the investment advice we provide you. Here are examples to help you understand what this means:

Front Running Conflict in IA Portfolios: We trade our own funds alongside your assets invested in the *IA Portfolios* in order to effectuate our co-trading procedures. We may have an incentive to trade ahead of you, as we have advance knowledge of trades we will place in your accounts but we eliminate this conflict as discussed below.

Brokerage Practices thorough IB: You must appoint IB as the sole broker for your account and accept IBKR-LITE as the brokerage account type. This appointment and account type selection create a conflict of interest as they could result in a disadvantage to you (e.g., less favorable executions) than may be available through the use of a different broker-dealer or account type for a given transaction. While IBKR-LITE accounts are charged zero commission for US exchange-listed stock and ETF trades, their orders are routed to select over-the-counter market-makers for handling, who provide IB with payment for order flow for sending orders for execution. While we do not directly receive any of the brokerage revenue generated by IB from your trading, the parent company of both entities, the Interactive Brokers Group LLC, derives the majority of its revenues from the brokerage operations

of the IB subsidiary. IA places all client trades through IB so IB's payment for order flow revenue from market makers ultimately benefits both IB and IA given their corporate affiliation.

Conversation Starter: Ask your financial professional: How might your conflicts of interest affect me, and how will you address them? To avoid the potential for front-running, orders in the small-dollar amount IA-owned accounts managing the *IA Portfolios* are combined with orders in client accounts and submitted for execution to IB in one or multiple trades (a process referred to as co-trading). Executions are then allocated pro rata with participating accounts receiving the same average price per share and sharing transactions costs pro rata. We manage the conflict of interest associated with trading in client accounts brokered by our affiliated broker-dealer by seeking to ensure that IB provides best execution on client trades and by monitoring the turnover in IA Portfolios. To mitigate the conflict of interest associated with IA's trading being excessive in order to benefit IB's commission revenues, IA periodically reviews turnover to ensure it is not excessive in amount or frequency, including before each rebalancing in the *IA Portfolios* to confirm turnover is in line with expected values. More detailed information can be found in Items 8, 11 and 12 of our [Form ADV Part 2A](https://interactiveadvisors.com/FormADVPart2A).

How do your Financial Professionals Make Money? We are compensated by salary and merit- based discretionary bonuses that are calculated based on many factors, including company and individual performance. We are not directly compensated based on client commissions or fees earned, performance of our client accounts, the amount of client assets, the products clients invest in, or revenue earned for any advisory services chosen by the clients.

Do you or your financial professionals have a legal or disciplinary history? No. For a free and simple search tool to research our firm and our financial professionals, use the tools available at investor.gov/crs.

Additional Information. You can find additional details on IA' advisory services at <https://interactiveadvisors.com/>.

Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me? We do not assign registered representatives to manage client accounts. If you have any concerns regarding the service that you receive, you can contact us at 1.866.825.3005.