

RISK DISCLOSURES FOR INTERACTIVE BROKERS ASSET MANAGEMENT'S LEGG MASON MODEL ETF PORTFOLIOS

You have elected to have your account managed on a discretionary basis by Interactive Brokers Asset Management (thereafter, "IBKRAM"), the trade name of Covestor Limited, utilizing a Legg Mason Model ETF Portfolio. Please read and acknowledge the following disclosure of the potential risks and limitations associated with such model portfolio. If you decide to have your account managed by IBKRAM utilizing such model portfolio, you acknowledge having read and understood this disclosure document and the disclosures for the underlying ETFs these portfolios invest in.

OVERVIEW

Your account will be constructed and managed on a discretionary basis by IBKRAM utilizing non-discretionary advice furnished to IBKRAM in the form a Legg Mason Model ETF Portfolio by Legg Mason Private Portfolio Group, LLC and its affiliated sub-adviser, QS Investors, LLC (collectively, "Legg Mason"), pursuant to a model portfolio licensing agreement. **Legg Mason Model ETF Portfolios are entirely or primarily composed of ETFs managed by Legg Mason and its affiliates ("Legg Mason ETFs"). There may be similar ETFs with higher ratings, lower fees and expenses, substantially better performance or more attractive yield/risk profiles in the market. Because Legg Mason and its affiliates earn fees for advisory, administrative and other services from the Legg Mason ETFs selected for these portfolios, Legg Mason may have an incentive to favor Legg Mason ETFs and to include Legg Mason ETFs with higher fees and costs relative to non-affiliated ETFs or to other Legg Mason ETFs in deciding the composition of these portfolios. Additional information on the ETFs included in each of these portfolios, including their investment objectives, risks, charges and expenses, can be found in the prospectus for each ETF here: <https://www.leggmason.com/en-us/products/exchange-traded-funds.html>**

The Legg Mason Global Growth and Income Portfolio is a diversified equity portfolio which uses a combination of Legg Mason ETFs in order to meet its objectives of balancing growth, income, and portfolio risk. The portfolio seeks to provide a balanced exposure across growth, value, infrastructure, international and emerging market equities and fixed income securities (while also providing exposure to environment, social and governance ("ESG") ETFs.)

While Legg Mason manages the model portfolios (deciding on their ETF composition, weighting, periodic reweighting and reallocation), it does not have discretionary authority over and cannot place trades in IBKRAM client accounts. IBKRAM is responsible for exercising discretionary investment and trading authority over its client accounts. IBKRAM is also responsible for allowing investments in a specific portfolio deemed suitable for each client based on the client's responses to a risk questionnaire. To make the model portfolios available to its clients, IBKRAM initially funds and trades a fixed amount of its funds in separate proprietary brokerage accounts associated with each of the portfolios. IBKRAM reserves the discretion to add additional funds to the initial investment amounts in order to manage these firm-owned accounts with a higher investment amount and more efficiently manage investments. IBKRAM then replicates the trading in these proprietary brokerage accounts in the accounts of its clients that have elected to have their accounts managed by IBKRAM using each specific portfolio in order to implement its mirroring procedures. IBKRAM will enter any trades in the accounts of such clients as soon as possible after receiving the relevant Legg Mason Model ETF Portfolio data from Legg Mason. IBKRAM will check the relevant Legg Mason Model ETF Portfolio data provided by Legg Mason before effecting any rebalancing trades in investing clients' accounts, but may not detect any or all errors in such portfolios or prevent any trading resulting from these errors. Monthly rebalancing trades will result in transactions in many or all of the ETFs in which your account invests. Whenever IBKRAM buys and sells ETFs in your account, you will incur transaction costs, such as commissions payable to Interactive Brokers LLC ("IB LLC") (IBKRAM's affiliated broker-dealer), which is a conflict of interest. IBKRAM tries to mitigate this conflict with low basket trading commissions. You will need to report some (or all) of these trades on your tax forms. IBKRAM cannot provide tax advice or prepare tax documents for you. Please consult an

accountant or tax attorney to determine the tax-related obligations associated with investing in these portfolios. Please note that IB LLC provides certain tools to assist you with your tax filings.

As with any other portfolio on its platform, IBKRAM only allows you to elect to have your account managed by IBKRAM utilizing one of these portfolios if it is suitable for you in light of your financial situation and investment objectives that you described to IBKRAM in response to our risk questionnaire. You may restrict the securities traded in your account at any time and IBKRAM will honor these restrictions when replicating the trading in any of these portfolios you invest in. Please be aware that imposing restrictions on future investments and selling any existing holdings in your investments may affect the performance of your account and lead to your account performing differently, better or worse, than the IBKRAM account underlying the portfolio. At least annually, IBKRAM will contact you to determine whether there have been any changes in your financial situation or investment objectives and whether you want to impose new or revise existing restrictions on the trading in your account. Also, at least quarterly, IBKRAM will ask you in writing to contact us (or your wealth manager) if there have been any changes in your financial situation or investment objectives or you wish to impose any restrictions on the trading in your account. You should keep IBKRAM informed of any changes in your financial situation or investment objectives and should periodically review and update your answers to IBKRAM's risk questionnaire and the list of securities you specified should not be traded in your IBKRAM account. You will receive periodic statements and trade confirmations setting forth all transactions in your account, all contributions and withdrawals, all fees and expenses charged, and the value of your account at the beginning and end of the period, including any fractional share holdings and transactions. IBKRAM's client service representatives are available to discuss and explain investment decisions made for your account utilizing these portfolios and may be contacted by telephone at 1-866-825-3005 and by email at clientservices@ibkram.com. You can find additional information on these portfolios' construction process, actual trading results, and other disclosures on the IBKRAM website at <http://ibkram.com>.

PRINCIPAL RISKS OF INVESTING IN THESE PORTFOLIOS

As with any investment, there are a number of general risks associated with investing in one of these portfolios. These include the following:

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

Investments in these portfolios are subject to the risks discussed here and in IBKRAM's Informational Brochure (Form ADV Part 2 filing) on the Forms and Agreements page on the IBKRAM website.

Any of these risks may adversely affect the portfolios' yield, total return, and ability to meet their investment objectives.

We provide a summary of the principal risks of these portfolios (and the underlying ETFs included in these portfolios) below. Each portfolio is exposed to the risks associated with the underlying ETFs. We urge clients planning to elect to have their accounts managed utilizing these portfolios to review the risk discussion in the prospectus for each ETF included in these portfolios here: <https://www.leggmason.com/en-us/products/exchange-traded-funds.html>

You may contact us to obtain a listing of all the ETFs included in these portfolios.

Legg Mason is not your investment adviser or fiduciary – By licensing the model portfolios to IBKRAM, Legg Mason represents that: (a) it is not your investment adviser or fiduciary; (b) it is not

responsible for the management of your assets or for determining whether the use of any of these portfolios is suitable or appropriate for your account; (c) it is not providing you and is not responsible for providing you investment, tax or legal advice; (d) it does not take into account your investment objectives, risk tolerance or financial circumstances in creating the model portfolios; (e) it has not endorsed or approved the IBKRAM platform; (f) it has no obligation to and will not evaluate, recommend, assess or communicate the suitability or performance or non-performance of Legg Mason ETFs; (g) it does not have any authority to place trades in your account; (h) it intends the model portfolios to be used by IBKRAM (or advisors engaging IBKRAM as a sub-adviser) as a resource in developing portfolios for their clients and only considers IBKRAM itself (and not IBKRAM's clients) the user of its services; (i) Legg Mason is not acting in an investment advisory, fiduciary or quasi-fiduciary capacity to you, or any actual or prospective client or investor, and is not providing individualized investment advice to you based on or tailored to your circumstances, and all model portfolios and related materials have been prepared without regard to any individual financial circumstances and objectives of any investor, and the appropriateness of a particular investment or strategy will depend on an investor's individual circumstances and objectives.

New portfolio risk – IBKRAM made the **Legg Mason Global Growth and Income Portfolio** available to its clients for investment in March 2019. Therefore, actual performance history for this portfolio is not available before a period around that launch date. Clients investing in this portfolio bear the risk that IBKRAM (using Legg Mason's model portfolio) may not be successful in implementing the investment strategy for this portfolio.

These portfolios may become unavailable for investment - Under the governing agreement, Legg Mason may cease providing or modify any of the model portfolios and liquidate any of the Legg Mason ETFs at any time. Legg Mason may also terminate the governing agreement with a 90-day notice. IBKRAM will notify all affected clients (invested in any of these portfolios) of any such termination as soon as possible to allow them to identify suitable alternative investments on the IBKRAM platform or elsewhere. You should bear these contractual limitations in mind when deciding whether to invest in one of these portfolios, which may become unavailable for investment in the future.

The ETFs in these portfolios may have higher expense ratios and be less liquid than other ETFs. The ETFs making up these portfolios may have higher expense ratios (fees and costs) than other ETFs, available in other IBKRAM portfolios or elsewhere. The expense ratio associated with the ETFs in which these portfolios invest are discussed in each ETF's prospectus, and may be modified at any time by the ETF issuer. Because these portfolios are based on strategies managed by Legg Mason and exclusively composed of ETFs owned by Legg Mason or its affiliates, Legg Mason may have a financial incentive to include Legg Mason ETFs with higher fees and costs relative to non-affiliated ETFs or to other Legg Mason ETFs in these model strategies as it and its affiliates will benefit from investments in these portfolios made by IBKRAM and its clients through the collection of ETF fees. Some of the ETFs in these portfolios may be less liquid than some of the other ETFs IBKRAM portfolios invest in, which could lead to increased trading costs to enter or exit positions in these ETFs relative to other ETFs and larger differences between the market prices of the ETFs and the underlying holdings.

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

Concentration risk – The underlying ETFs, and consequently these portfolios, may be more exposed to a risk of loss to the extent their investments are concentrated in the securities of a particular issuer or

issuers, market, industry, group of industries, sector or asset class (e.g., infrastructure sector, energy sector, utilities sector, consumer discretionary sector, healthcare sector, industrials sector, consumer staples sector, telecommunications sector). For instance, some of the ETFs invest in specific sectors that have their own risks and may be affected by certain types of events more than the market as a whole.

Capitalization size risks - Some of the ETFs invest in large-capitalization companies and could thus trail the returns of ETFs investing in smaller and mid-sized companies because large companies may not be able to attain the high growth rates of successful smaller companies and may be less capable of responding quickly to competitive challenges and industry changes. Other ETFs in these portfolios invest in securities of small or mid-capitalization companies, which may have better return potential but be riskier, more volatile, less liquid and more sensitive to adverse business and economic developments, have more limited product lines, operating histories, markets or financial resources or be more dependent upon a limited management group than securities of larger companies. As a result, ETFs investing in smaller companies may be unable to liquidate their positions in these securities or at a favorable price.

Passive investment risk - Some of the ETFs are not actively managed and Legg Mason or its affiliate managing those ETFs do not attempt to take defensive positions.

Model risk - There is no assurance that the allocation methodology used to determine the components of the ETFs will achieve its intended results, maximize returns or minimize risks.

Index-related and index sampling risks - There is no guarantee that ETFs seeking a high degree of correlation to a reference index will achieve that and therefore their investment objective. Market disruptions, regulatory restrictions, errors in the index data, index computations and the construction of the underlying index could adversely affect the ETFs' ability to adjust their exposure to the levels required to track the index. As these ETFs may not fully replicate the reference indices and may hold securities not included in those indices, the ETFs are also subject to the risk that their investment strategy may not produce the intended results.

ESG (Environment, Social and Governance) investment strategy risk - Some of the ETFs use an ESG investment strategy. This strategy may limit the types and number of investment opportunities available to these ETFs and may underperform other ETFs that do not have an ESG focus. These ETFs' ESG investment strategy may result in these ETFs investing in securities or industry sectors that underperform the market as a whole, or foregoing opportunities to invest in securities that might otherwise be advantageous to buy. These ETFs may also underperform other ETFs or investments screened for different ESG standards, and Legg Mason or its affiliates managing these ETFs may be unsuccessful in creating portfolios composed of companies that exhibit positive ESG characteristics.

Volatility risk - The market prices of the securities or other assets the ETFs invest in may fluctuate, sometimes rapidly and unpredictably, due to factors affecting markets generally or particular industries, and may sometimes be more volatile than the market as a whole. This volatility may affect the net asset value of the ETFs.

Hedging risk - There can be no assurance that the ETFs will engage in any hedging transactions at any given time, even under volatile market conditions or that any hedging transactions engaged in will be successful. Hedging transactions involve costs and may reduce gains or result in losses.

Currency exchange rate risk - The value of investments in securities denominated in foreign currencies may increase or decrease as the rates of exchange between those currencies and the US dollar change and currency conversion costs and fluctuations could either erase investment gains or add to investment losses. Currency exchange rates can be very volatile, change quickly and unpredictably, are affected by factors such as general economic conditions, the action of governments or central banks, and the imposition of currency controls and speculation.

Derivatives risk - Some of the ETFs use derivatives which can increase their losses and reduce opportunities for gains when market prices, interest rates, currencies or the derivatives themselves,

behave in a way not anticipated. Derivatives may be difficult to sell, unwind or value, and the counterparty may default in its obligations to the ETFs. The value of derivatives may fluctuate more than the underlying assets, rates, indices or other indicators to which they relate. Use of derivatives may have different tax consequences for the ETFs than an investment in the underlying securities, differences which may affect the amount, timing and character of income distributed to shareholders.

Dividend securities risk - There is no guarantee that issuers of these securities will declare dividends in the future or that dividends will remain at their current levels or increase over time. Dividend-paying securities may be out of favor with the market and underperform the overall equity market or companies that do not pay dividends. A sharp rise in interest rates or economic downturn could also cause a company to unexpectedly reduce or eliminate its dividend.

Quality stock risks - There is no guarantee that the past performance of quality stocks some of the ETFs invest in will continue. Issuers of these stocks may experience lower than expected profitability or negative growth, as well as increased leverage, resulting in lower than expected or negative returns for the ETF shareholders. Many factors affect a stock's quality and performance and the impact of these factors on a stock or its price can be difficult to predict.

Growth securities risk - Growth stocks that some of the ETFs invest in may be out of favor with the market and underperform value stocks or the overall equity market. They tend to be very sensitive to market movements because their market prices tend to reflect future expectations and, when it appears those expectations will not be met, the prices of growth securities typically fall. Growth securities may also be more volatile than other investments because they often do not pay dividends.

Value investing risk - The value approach to investing used by some of the ETFs involves the risk that stocks remain undervalued, undervaluation may become more severe or perceived undervaluation may represent intrinsic value. Value stocks may underperform the overall equity market while the market concentrates on growth stocks.

Foreign investments and emerging markets risk - Some of the ETFs invest in foreign issuers or issuers with significant exposure to foreign markets. Foreign countries the ETFs invest in may have markets that are less liquid, less regulated and more volatile than US markets, and the relevant ETFs' investments may decline because of factors affecting the specific issuer as well as foreign markets and issuers generally, e.g., unfavorable or unsuccessful government actions, reduction of government or central bank support and political or financial instability. These risks are heightened when ETFs invest in issuers in emerging market countries, which tend to have economic, political and legal systems that are less fully developed and less stable than those of more developed countries.

Mortgage- and asset backed securities (MBS and ABS) risk - At least one of the ETFs invests in MBS and ABS, the value of which is subject to movements in interest rates and to the risk of default on the underlying mortgages or other assets, particularly during periods of economic downturn. When market interest rates increase, the market values of MBS decline and mortgage refinancings and prepayment slow, lengthening the effective duration of these securities. As a result, the negative effect of interest rate increases on the market value of MBS is more pronounced than for other types of fixed income securities, potentially increasing the volatility of the ETFs investing in these. When market interest rates decline, while the value of MBS may increase, the rate of prepayment of the underlying mortgages tends to increase, shortening the effective duration of the securities. MBS are also subject to the risk that the underlying borrowers will be unable to meet their obligations and the value of the property securing the mortgage may decline in value and be insufficient upon foreclosure to repay the associated loan. Investments in ABS are subject to similar risks. Payment of principal and interest on ABS is dependent largely on cash flows generated by the assets backing the securities. Also, the risk of loss due to default on private ABS and MBS is historically higher because the US government or an agency does not guarantee them. MBS and ABS are subject to heightened liquidity risk and the liquidity of MBS and ABS may change over time.

Extension risk - When interest rates rise, repayments of fixed income securities, particularly ABS and

MBS, may occur more slowly than anticipated, extending the effective duration of these fixed income securities at below market interest rates and causing their market prices to decline more than they would have declined due to the rise in interest rates alone, which may cause the share price of ETFs investing in fixed income securities to be more volatile.

High yield (“junk”) securities risk - Some of the ETFs invest in securities rated below investment-grade (i.e., “junk bonds”) which are more speculative, more difficult to value, may be less liquid and present more credit risk (risk of default on the payment of interest or principal) than investment grade securities.

Prepayment or call risk - When interest rates fall, issuers of fixed income securities may have a right to prepay their securities, which will lead to an ETF investing in these securities to not benefit from the rise in the market price that normally accompanies a decline in interest rates and will be forced to reinvest prepayment proceeds at a time when yields on securities available on the market are lower than the yield on a prepaid securities. The ETF may also lose any premium it paid in the security. All this could result in a decline in the ETF’s income or return potential or an increase in its risk profile.

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

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

Investment limitations - In accordance with applicable regulatory requirements, IBKRAM will not allow clients to make any initial, additional or recurring investments in one of these portfolios 3 business days prior to the date of a rebalance. If you request such a transaction during this period, it will sent for execution on the first trading day after the rebalance. You may redeem some or all of your investment in any of these portfolios at any time. But, if you have a cash (rather than a margin) brokerage account and engage in redemptions less than 3 business days after the rebalance, IB LLC may require you to pay for purchases in your account on the date of each trade for the next 90 days. To avoid price swings around market open and close, client requests to invest in or redeem any investments in these portfolios will be processed in the order in which they are received between 9:35 am and 3:50 pm ET.

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

MANAGEMENT FEES AND COMMISSIONS

IBKRAM will charge clients investing in any of these portfolios an annual management fee of **10 basis points (0.10%)** of the market value of the assets invested. Unlike other robo advisors who charge a single wrap fee which includes management fees and brokerage commissions, IBKRAM’s management or advisory fee does not include the commissions associated with trades in these portfolios. In addition to IBKRAM’s annual management fee, IB LLC, IBKRAM’s affiliated broker-dealer, will charge you commissions on all trades in your account but has agreed to modify its standard tiered commissions structure for these portfolios in a manner we believe will facilitate efficient investing. The brokerage fees will vary depending on the amount you choose to invest in a portfolio and the specific portfolio you invest in. Please also note that, under certain circumstances, IB LLC will charge you a minimum monthly commission charge of up to \$10. Specifically, whenever the overall monthly commissions paid by all

IBKRAM client accounts do not amount to at least \$10 in commissions per account per month, IB LLC will collectively charge IBKRAM clients any difference between the actual commissions and the \$10 minimum, on a pro rata basis. You may find additional information on IB LLC's commissions on the IBKRAM website here: <https://ibkram.com/low-fees>

In addition to the annual management fee you pay to IBKRAM and the commissions you pay to IB LLC, your account will also incur certain embedded management fees and expenses (expense ratio) for each ETF in which your account invests. This means that you will pay more for ETFs that you invest in through these portfolios than if you purchased the underlying ETFs directly from the issuers. Information on the expense ratio of each ETF, which may change from time to time, may be found in each ETF's prospectus. Neither IBKRAM nor IB LLC benefit directly or indirectly from the fees charged by ETF issuers.

FRACTIONAL SHARE TRADING AND RELATED AGENCY CROSS TRADES

IBKRAM is able to offer these portfolios at relatively small investment minimums by allowing IBKRAM clients to trade fractional shares of the ETFs these portfolios invest in. ETFs and stocks cannot be traded in fractions on public exchanges, so IB LLC, IBKRAM's affiliated broker-dealer, facilitates trading in these portfolios by brokering all fractional share orders on behalf of IBKRAM clients against one or more liquidity providers. These liquidity providers will sell or buy fractional shares that IBKRAM clients would not otherwise be able to trade in the open market. These trades will occur either at the execution price the liquidity provider gets on the market for the ETFs it sells to IBKRAM clients or, if the fractional shares are provided from the provider's inventory, at the National Best Bid or Offer at the time of the order. There is a potential conflict of interest in connection with these fractional transactions as IB LLC will act as broker for both IBKRAM clients and the liquidity provider counterparty to these transactions that you have consented to in the Investment Management Agreement. You may revoke your written consent to such transactions at any time by written notice to IBKRAM or IB LLC, as discussed in our Investment Management Agreement, but you will no longer be able to invest in these portfolios as they rely on fractional share investments. You will receive payments or value commensurate to your fractional ownership in the case of stock dividends, stock splits, mergers or other mandatory corporate actions (including cash dividends). IBKRAM has determined that the benefits of offering fractional shares outweigh the negative effects of investing in them, but you should be aware of their unique features, risks and costs.

You own the shares held in your IBKRAM account, including fractional shares acquired as a result of your investment in one of these portfolios, and no aspect of IBKRAM's management or operation of these portfolios should be deemed as an attempt by IBKRAM to restrict in any way any rights you would otherwise have over the securities and funds in your account, including any fractional share holdings. Because ETFs and stocks cannot be traded in fractions on public exchanges and fractional shares are typically unrecognized and illiquid outside of the IBKRAM platform, if you want to liquidate your investments in one of these portfolios, you will need to fully redeem your investment in which case IB LLC will sell any fractional shares to the liquidity provider and any whole shares to the market. If you want to transfer your holdings to another brokerage firm, you will first need to sell your fractional shares to the liquidity provider through IB LLC and will incur commissions on these trades. Please note that IB LLC cannot facilitate clients voting proxies on fractional share holdings, does not provide a mechanism to make voluntary elections on your fractional holdings, and cannot provide you with any shareholder documentation for any holdings of less than one share.