



## Client Disclosure Brochure

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This Brochure provides information about the qualifications and business practices of Axos Invest, Inc. ("Axos Invest", "We", "Our" or "the Firm"). If you have any questions about the contents of this Brochure, please contact Axos Invest at the address listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Axos Invest is a registered investment adviser with the SEC. Registration of an investment adviser does not imply any certain level of skill or training.

Additional information about the Firm is also available on the SEC's website at <http://www.adviserinfo.sec.gov>

## Material Changes From Our Last Update

The Axos Invest Client Disclosure Brochure, dated March 22, 2021, is amended and prepared pursuant to the SEC's requirements and rules effective July 28, 2010. This brochure contains changes in content from our previous disclosure document dated January 21, 2021 and provides the following new, updated information in plain simple English.

This section addresses only those items or sections that are deemed as material changes. The material changes are as follows:

### **Advisory Business**

Automated Advisory Services section was update the description of our Portfolio Plus feature.

### **Methods of Analysis, Investment Strategies and Risk of Loss**

Section was updated to more closely reflect current investment strategies used by Axos Invest.

## Contents

Material Changes From Our Last Update.....	1
Advisory Business.....	4
Description of the Advisory Firm .....	4
Types of Advisory Services .....	4
Automated Advisory Services.....	4
Client Tailored Services and Client Imposed Restrictions.....	5
Wrap Fee Program.....	5
Assets Under Management.....	5
Fees and Compensation .....	6
Fee Schedule .....	6
Automated Investment Advisory Services.....	6
Payment of Fees .....	6
Third-Party Fees.....	6
Prepayment of Fees.....	7
Compensation for the Sale of Securities .....	7
Performance-Based Fees and Side-By-Side Management.....	7
Types of Clients .....	7
Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Methods of Analysis .....	7
Investment Strategies .....	7
Risks of Investments and of Strategies Utilized .....	7
Disciplinary Information .....	9
Other Financial Industry Activities and Affiliations.....	10
Broker-Dealers.....	10
Axos Invest LLC.....	10
Axos Clearing LLC.....	10
Banking Institutions .....	10
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Code of Ethics .....	10
Recommendations Involving Material Financial Interests .....	11
Investing Personal Money in the Same Securities as Clients.....	11

Brokerage Practices.....	11
Automated Investment Advisory Services .....	11
Margin.....	12
Research and Other Soft Dollar Benefits .....	12
Brokerage for Client Referrals.....	12
Directed Brokerage.....	12
Review of Accounts.....	12
Automated Investment Advisory Services .....	12
Client Referrals and Other Compensation.....	13
Client Referral Programs.....	13
Influencer Arrangements.....	13
Solicitation Arrangements.....	13
Recommendation Arrangements .....	13
Payments For Services Between Affiliates .....	14
Compensation Associated with the Affiliates Insured Bank Deposit Program.....	14
Compensation Associated with the Affiliates' Margin Program.....	14
Networking Arrangements.....	15
Custody .....	15
Investment Discretion.....	15
Voting Client Securities.....	15
Financial Information .....	16
Balance Sheet.....	16
Financial Condition .....	16
Bankruptcy Petitions in Previous Years .....	16

## Advisory Business

### Description of the Advisory Firm

Axos Invest has been providing Investment advisory services to clients since 2009, under the name WiseBanyan, Inc. In February 2019, Axos Financial, Inc. acquired ownership of WiseBanyan, Inc., and renamed the Firm in July 2019.

Axos Invest is a corporation organized in the state of Delaware, and registered with the SEC as an investment adviser, and is wholly owned by Axos Securities, LLC, which also serves as the Firm's parent company. Axos Securities, LLC is ultimately owned by Axos Financial, Inc.

Axos Financial, Inc., our ultimate parent company, is a publicly traded company (NYSE: AX).

The terms "Client," "Clients", "you," and "your" are used throughout this document to refer to person(s) who contract with us for the services described within this Disclosure Brochure. "Axos Invest", "our," "we", and "us" refer to Axos Invest, Inc.

### Types of Advisory Services

#### Automated Advisory Services

Axos Invest provides automated advisory services via its website and mobile applications. Clients will complete an online questionnaire via the Firm's website and/or mobile application. The questionnaire allows the Firm's automated advisory service to obtain information directly from the Client, such as their current financial situation, investment profile, investment goals, and investment objective. Based upon this information from the client, the advisory service will generate a recommendation featuring a portfolio allocation designed to assist a Client in meeting the Client's individual investment goal. The Client may choose the recommendation from the advisory software or create a different investment allocation. In either circumstance, upon account opening, the Firm will use its automated advisory service to manage the selected portfolio allocation, and monitor the account to attempt to achieve the specific investment goal determined by the client.

Axos Invest recommended portfolios are comprised of a mix of exchange-traded funds ("ETFs") across various asset classes and may include other securities. Axos Invest specializes in automated investment advisory services and recommends investment strategies tailored for Clients' financial objectives and time horizon. Clients utilizing the Firm's automated investment advisory service should understand that investment portfolios are allocated to a limited number of ETFs. Axos Invest recommends portfolios comprised of ETFs in several asset classes in our base portfolios. These asset classes include, but are not limited to:

- US Equities
- International Developed Equities
- International Emerging Equities
- US Treasuries
- US Inflation Protected Treasuries
- US Investment Grade Corporate Bonds
- Short Term Corporate Bonds
- Real Estate Trusts
- Short Term High Yield Corporate Bonds

- US Short Term Treasuries

After initial account opening, Clients may update their portfolio allocation at any time. On a periodic basis, the Firm's automated advisory service rebalances each Client's portfolio to realign the portfolio to the desired weighting across investments. Clients who wish to use the automated service for their investment must deposit a minimum of five hundred dollars (\$500).

In addition to the asset classes listed above, Clients can access additional asset classes through ETFs or equities. The functionality of Axos Invest's portfolios provide access to additional account types, tax loss harvesting services, and increased levels of Client directed customization. Portfolio features include:

**Tax Loss Harvesting.** Tax Loss Harvesting is a technique designed to help lower a Client's taxes while maintaining the expected risk and return profile of their portfolio. It harvests previously unrecognized investment losses to offset taxes due on your other gains and income by selling a security at a loss to accelerate the realization of capital loss and investing the proceeds in a security with closely correlated risk and return characteristics. The realized loss can be applied to lower your tax liability and the tax savings can be reinvested to grow the value of your portfolio.

**Selective Trading** – Selective Trading gives a Client the ability to restrict certain ETFs from their Axos Invest Managed Portfolio account(s), in an effort to reduce the likelihood of creating wash sales, which can erase the losses a Client has harvested through our Tax Lot Harvesting services.

**Portfolio Plus.** If selected by the Client, this feature allows a Client the ability to create custom portfolios from pre-selected ETFs and then use those portfolios for milestones and goals on the Axos Invest platform.

**Fast Money.** Includes the ability to transfer money more quickly from a Client's checking account to brokerage account and the ability to schedule recurring deposits for specific days. (Over-draft protection on the funding bank account closed on September 30, 2019).

Clients may opt into these services at any time and may also terminate their use at any time.

#### Client Tailored Services and Client Imposed Restrictions

As described above, the Firm's advisory services are tailored for each Client based on the Client's interaction with the Axos Invest website and mobile applications. The Firm provides recommendations based on the Client's stated financial situation and investment objectives. Through the Selective Trading Feature, Clients have the ability to impose restrictions on certain ETFs for their portfolio. The Firm requires Clients to electronically sign an advisory agreement to receive investment advisory services (the "**Advisory Agreement**"). Clients receive the Firm's Form ADV, including the Brochure, Brochure Supplements, Client Relationship Summary ("Form CRS") and privacy policy through the website, mobile application and/or other electronic communication.

#### Wrap Fee Program

The Firm does not participate in wrap fee programs.

#### Assets under Management

As of December 31, 2020, the Firm has \$215,364,164 in regulatory assets under management on a discretionary basis. The Firm does not manage assets on a non-discretionary basis.

## Fees and Compensation

### Fee Schedule

#### Automated Investment Advisory Services

Axos Invest charges managed individual investment accounts an annual fee of 0.24% of Client assets (“Annual Fee”). The Annual Fee is charged as compensation for Axos Invest’s automated investment advisory service, as described in Item 4 – Advisory Business, and is assessed monthly in arrears (“Billing Cycle”). Axos Invest’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, which are incurred through the investment of Client assets by the Firm. Axos Invest, in its sole discretion, may provide discounts to existing account holders.

After account opening, if a Client’s account falls below the minimum account value of \$500 for a period of one Billing Cycle, the account will be billed \$1 per Billing Cycle until the account minimum has been reestablished by deposit or market appreciation.

***Although Axos Invest believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.***

### Payment of Fees

The Annual Fee for each Billing Cycle is determined using the account value on the last day of the billing month. The Annual Fee and third-party fees (discussed below) are deducted from Client assets. If a Client withdraws assets during the billing cycle, Annual Fees and other applicable fees are prorated based upon the account value on the date the withdrawal request is received and the number of days the account was managed during the billing cycle.

### Third-Party Fees

Clients may incur certain charges imposed by custodians, brokers, and other third parties, such as custodial fees, termination fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such fees are fully disclosed on the Firm’s website. Axos Invest may also, in its sole discretion, reimburse or cover fees charged by custodians, brokers, and other third parties.

Clients should be aware that ETFs recommended or purchased by the Firm on behalf of Client accounts may charge Clients fees that are separate and distinct from the third-party fees described above. ETFs charge management fees, which are disclosed in the ETFs’ prospectuses and included in the share price of the ETFs. Such charges, fees and commissions are exclusive of and in addition to any of the Firm’s fees. As a result, Clients are subject to two layers of fees. Axos Invest does not receive any portion of the commissions, fees, or costs charged by or originating from the ETF sponsors.

The Section Titled *Brokerage Practices* further describes the factors that Axos Invest considers in selecting or recommending broker-dealers for Client transactions and determining the reasonableness of their compensation (e.g., commissions).

### Prepayment of Fees

The Firm does not require the prepayment of fees.

### Compensation for the Sale of Securities

Neither Firm nor its supervised persons accept compensation for the sale of securities or other investment products.

## Performance-Based Fees and Side-By-Side Management

Axos Invest does not charge fees based on a share of capital gains or capital appreciation of the funds or any portion of the funds of an advisory client, i.e., it does not charge performance-based fees.

## Types of Clients

Axos Invest offers automated investment advisory services to individuals. While there are ranges of individuals who take advantage of this service, the appeal is greatest for those who are just getting started investing and those who are seeking to automate or simplify their investments. There is a minimum account size of five hundred dollars (\$500) to open an account using the automated investment advisory service.

## Methods of Analysis, Investment Strategies and Risk of Loss

### Methods of Analysis

The Firm conducts investment research using publicly available information. The Firm uses proprietary algorithms to analyze Clients' risk profiles to construct, revise and recommend portfolios with target asset allocations comprised of equity and fixed-income ETFs.

### Investment Strategies

The Firm's investment strategy focuses on building diversified model portfolios while seeking to minimize fees and tax consequences. This is achieved through a focus on diversification - the process of building portfolios with different asset classes and securities to reduce risk; asset allocation and rebalancing strategies.

The Firm constructs portfolios by identifying certain asset classes and their historical average performance. The assets historical performance determines the weighting that is given in a portfolio, depending on the risk score identified by a review of the Client's questionnaire. The Firm also incorporates a constant-weighting approach into its asset allocation strategy. Through this method of continually rebalancing customer portfolios, the Firm believes that these adjustments attempt to guide a customer's portfolio allocation through changes in a customer's lifestyle or actual changes in capital/financial markets. The Firm does not trade options for Clients using automated investment advisory services.

### Risks of Investments and of Strategies Utilized

Any recommendations generated by the automated advisory service are highly dependent on receiving valid, accurate, and current information from each Client. As a result, Clients should make every effort to notify Axos Invest of any changes to their personal financial situation, financial

goals, or if they wish to impose restrictions on their portfolio. Axos Invest will remind Clients on at least a quarterly basis to notify us of any changes.

**Investing in securities involves risk of loss that Clients should be prepared to bear.** All securities investments can potentially result in a total loss of the investment. Material risks associated with services offered by the Firm include but are not limited to:

**Risk of Loss.** Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**ETF Risks:** An ETF is a type of investment company whose investment objective is to achieve the same or similar return as a particular market index. An ETF is similar to an index mutual fund in that it will primarily invest in the securities of companies that are included in a selected market index. An ETF will invest in either all of the securities or a representative sample of the securities included in the index. ETFs may be bought or sold throughout the day in the secondary market, but are generally not redeemable by retail investors for the underlying basket of securities they track. The portfolios are generally positively correlated with the world stock and fixed income indices. An overall downturn in the world stock and fixed income markets will generally result in losses in Axos Invest's managed portfolios.

In addition to market risk (as stated above), ETFs are subject to a number of risks. Before investing, it is important that you understand factors that create these risks. How does the ETF achieve its stated objectives, and what are the risks? Understand the techniques the ETF uses to achieve its goals. For example, engaging in short sales and using swaps, futures contracts and other derivatives can expose the ETF – and by extension ETF investors – to a host of risks.

What happens if I hold longer than one trading day? While there may be trading and hedging strategies that justify holding these investments longer than a day, buy-and-hold investors with an intermediate or long-term horizon should carefully consider whether these ETFs are appropriate for their portfolio. In other words, because ETFs reset each day, their performance may diverge from the performance of the underlying index or benchmark. It is possible that you could suffer significant losses even if the long-term performance of the index showed a gain.

For more information regarding the structure, fees and risks associated with investing in ETFs, please see the SEC's Investor Bulletin on ETFs:

<https://www.sec.gov/servlet/sec/investor/alerts/etfs.pdf>

**Reliance on Algorithms:** The Firm uses proprietary algorithms, designed by its professionals, to analyze Clients' risk profiles to construct, revise and recommend portfolios with target asset allocations. The models are complex computer programs incorporating various signals and factors with a view to constructing, revising and recommending portfolios in pursuit of the Client's investment objectives. The Firm cannot guarantee that the algorithms used will indeed function as intended or that they will produce profits on investments as implemented. The quantitative strategies utilized by the Firm have inherent limitations, including the possibility of human error in the design, data input or implementation process; imperfections of a model that may result in a

failure to keep up with changes in the markets and the unpredictable behavior of market participants over time. The risk of errors, malfunctions and anomalies is inherent in each component of the programming process, how those components function together, and how the program absorbs data points provided by the Client and interpreted by the Firm. In addition, any portfolio manager judgment made during the process of providing investment advice is based on human skills and abilities similar to non-quantitative investing, with all the risks, potential errors or miscalculations that any asset or portfolio manager faces.

**Automated Investment Recommendations:** The Firm relies on static questionnaires consisting of a limited number of questions and data points provided by the Client that serves as a basis for its investment recommendations. The answers provided by a Client may be the sole basis for the recommendations generated by the automated advisory service. Clients should be aware that the automated advisory service does not have access to obtain information about accounts not held with Axos Invest, or other information to generate an overall financial plan. The recommendation provided is limited to the Client's financial profile and the specific investment goals desired by the Client, as presented to Axos Invest, and may not address all possible goals a Client may have.

**Tax Lot Harvesting:** Tax lot harvesting from Axos Invest is not intended as tax advice, nor does Axos Invest represent in any manner that the tax consequences described will be obtained or that Axos Invest's investment strategy will result in any particular tax consequence. Clients should confer with their personal tax advisor regarding the tax consequences of investing with Axos Invest and engaging in the tax-loss harvesting strategy, based on their particular circumstances. Clients and their personal tax advisors are responsible for how the transactions in the Client's account are reported to the Internal Revenue Service ("IRS") or any other taxing authority. Axos Invest may provide Clients an alternative tax document to assist a Client with their reporting. Axos Invest assumes no responsibility to you for the tax consequences of any transaction, including any capital gains and/or wash sales that may result from the tax-loss harvesting strategy.

**Selective Trading:** Axos Invest only monitors for tax-loss harvesting in the Client's Axos Invest investment portfolio. Consequently, Clients must notify Axos Invest of specific ETFs in which the Client is prohibited from or does not wish to invest. Clients who instruct Axos Invest not to purchase certain ETFs may select an alternate ETF to purchase or Axos Invest will select the alternate. All Clients should notify Axos Invest immediately if they purchase the same or similar ETF in another portfolio. Axos Invest assumes no responsibility to any Client for portfolios which are not managed directly by Axos Invest. Clients and their personal tax advisors are responsible for how the transactions in the Client's account are reported to the IRS or any other taxing authority.

**The foregoing risks do not purport to be a complete explanation of all the risks involved in investing with the Firm. Clients should read the entire Brochure, the Advisory Agreement, and other materials that may be provided by the Firm and consult with their own advisers prior to engaging the Firm's services.**

## Disciplinary Information

The Firm and its management persons have not been a party to any legal or disciplinary events that would be material to a Client's or prospective Client's evaluation of the Firm's investment advisory business or the integrity of its management.

## Other Financial Industry Activities and Affiliations

### Broker-Dealers

#### Axos Invest LLC

Some of the Firm's management persons are registered representatives of our affiliated broker dealer, Axos Invest LLC. There are no relationships or arrangements between the Firm and any other persons or entities that create a material conflict of interest with the Firm's Clients.

Axos Invest LLC is wholly owned by Axos Securities, LLC, which also serves as the Firm's parent company. Axos Securities, LLC is ultimately owned by Axos Financial, Inc. Axos Invest LLC acts as the introducing broker dealer for Client accounts. However, neither the Firm nor Axos Invest LLC charges the Firm's Clients any fees related to Axos Invest LLC's role as introducing broker dealer. Accordingly, potential material conflicts of interest are minimized with this arrangement.

### Clearing Firms

#### Axos Clearing LLC

Some of the Firm's management persons are registered representatives of Axos Clearing LLC. ("Axos Clearing"). Axos Clearing is wholly owned by Axos Securities, LLC, which also serves as the Firm's parent company. Axos Securities, LLC is ultimately owned by Axos Financial, Inc. Axos Clearing is a registered broker-dealer that provides clearing, settlement, custody, securities and margin lending, and technology solutions to introducing broker-dealers. Axos Clearing is a member of the Financial Regulatory Authority ("FINRA), the New York Stock Exchange ("NYSE"), and the Securities Investor Protection Corporation ("SIPC").

### Banking Institutions

Axos Invest's ultimate parent company, Axos Financial, Inc., a publicly-traded company (NYSE: AX), is a savings and loan holding company for Axos Bank, N.A ("Axos Bank"). Axos Bank is a nationwide bank that provides financing for single and multifamily residential properties, small-to-medium size businesses in target sectors, automobiles, and selected specialty finance receivables.

The Firm has internal policies and procedures to address actual and potential conflicts of interest that may arise from the foregoing relationships and affiliations. Any conflicts pertaining to the compensation that Axos Invest receives based upon these relationships are disclosed in the section titled Client Referrals and Other Compensation.

## Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

### Code of Ethics

Axos Invest has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to standards of business conduct, personal securities transactions, and prohibition against insider trading. All supervised persons at Axos Invest must acknowledge the terms of the Code of Ethics annually, or as amended.

Axos Invest anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which the Firm has discretionary authority to effect the

purchase or sale of securities in which Axos Invest, its management persons and/or Clients, directly or indirectly, have a position of interest. The Firm's employees and persons associated with Axos Invest are required to follow Axos Invest's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of the Firm and its employees may trade for their own accounts in securities, which are recommended to and/or purchased for the Firm's Clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Axos Invest will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of Axos Invest's Clients. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Axos Invest and its Clients.

Axos Invest's Clients or prospective clients may request a copy of the firm's Code of Ethics in writing by contacting the Firm at [support@AxosInvest.com](mailto:support@AxosInvest.com).

### Recommendations Involving Material Financial Interests

Neither the Firm nor its related persons recommends to Clients, or buys or sells for Client accounts, securities in which the Firm or a related person has a material financial interest.

### Investing Personal Money in the Same Securities as Clients

Certain affiliated accounts may trade in the same securities with Client accounts on an aggregated basis when consistent with Axos Invest's obligation of best execution. In such circumstances, the affiliated and Client accounts will share commission costs equally and receive securities at the same average price. Axos Invest will retain records of Client orders (specifying each participating account) and their allocations. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. The Firm's employees are permitted to open Axos Invest managed accounts; these employee accounts are treated equally to all other Client accounts.

It is the Firm's policy that the Firm will not affect any principal transactions for Client accounts. Axos Invest will also not cross trades between Client accounts.

## Brokerage Practices

### Automated Investment Advisory Services

Axos Invest has an agreement with Axos Invest LLC to perform transactions through Axos Invest LLC. Axos Invest LLC has a clearing agreement with Axos Clearing. Axos Clearing serves as the qualified custodian for all of Axos Invest Clients. Axos Clearing is a member of FINRA, NYSE, and SIPC.

All Clients that have selected the Firm's web-based automated investment advisory service via the Firm's website will have brokerage accounts opened with Axos Invest LLC acting as the introducing broker and Axos Clearing providing custodial services.

Axos Invest has evaluated Axos Clearing and believes it provides Clients with a blend of execution services and commission costs that fulfills the Firm's best execution requirement for Client transactions. While Axos Invest has a reasonable belief that Axos Clearing is able to obtain best

execution and competitive prices, the Firm does not route orders to clearing firms other than Axos Clearing. Periodically Axos Invest evaluates executions by Axos Clearing to ensure that best execution has been achieved. Best execution may be available through the use of other broker-dealers. The Firm reserves the right to decline acceptance of any Client account that directs the use of a broker-dealer other than Axos Clearing for automated investment advisory services. As such, it is possible that best execution or a better price will be available through broker-dealers other than Axos Clearing. Axos Invest may use block trades when advantageous to Clients. Block trades permits the trading of aggregate blocks of securities composed of assets from multiple Client accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows Axos Invest to execute trades in a timelier, equitable manner and to reduce overall commission charges to Clients.

Axos Invest does not have any arrangements to compensate any broker-dealer for client referrals.

### Margin

Depending on the services that automated investment advisory Clients elect, Axos Invest may open margin accounts on behalf of Clients or convert an existing account to a margin account. The Firm does not use leverage in margin accounts; instead, margin accounts are used in order to have immediate availability of cash upon the sale of securities. Neither Axos Invest nor its affiliated broker dealer, Axos Invest LLC, offer the margin feature directly. Instead, the margin is provided by Axos Clearing. All disclosures are provided by Axos Clearing, and Clients should read disclosures carefully and contact the Firm at (888) 585-4965 or in writing to [support@AxosInvest.com](mailto:support@AxosInvest.com) if they have any questions.

### Research and Other Soft Dollar Benefits

The Firm does not receive research or other products or services from a broker-dealer or third-party in connection with Client securities transactions (“**soft dollar benefits**”).

### Brokerage for Client Referrals

The Firm does not consider, in selecting or recommending broker-dealers, client referrals from a broker-dealer. The Firm does not receive client referrals from a broker-dealer.

### Directed Brokerage

The Firm does not accept directed brokerage arrangements. Securities transactions are executed by brokers selected by the Firm in its discretion.

## Review of Accounts

### Automated Investment Advisory Services

Axos Invest’s automated investment advisory services use proprietary software to review the portfolios on a daily basis to ensure that Client portfolio allocation are in line with the allocation the Client selected. Additional reviews may be triggered by material changes in variables such as a Client’s individual circumstances, or the market, political or economic environment. Clients using the automated investment advisory service have access to account details continuously through the Firm’s website and mobile application, including current account balances and positions. For Clients using the automated investment advisory service, Axos Clearing prepares account statements showing all transactions and account balances at least quarterly. All information

relating to Client accounts are provided on the Firm's website and/or sent via email, as agreed to with each Client at the time of their account opening.

On a quarterly basis, Axos Invest notifies each Client in order to ascertain whether there have been any changes in their financial circumstances, investment objectives, or whether a Client would like to place, remove, or modify any reasonable restrictions on the account.

On an annual basis, Axos Invest contacts each Client and notifies them electronically, to confirm if their financial information is still accurate, if they wish to place, remove, or modify any reasonable restrictions on the account, and to inquire if any changes have occurred in their financial circumstances. When requested, Axos Invest reminds Clients that they have the ability to update their financial goals through the Client Portal at any time. If a Client updates their financial goals, Axos Invest will review the newly received information, and automatically update the Client's allocation accordingly.

## Client Referrals and Other Compensation

### Client Referral Programs

Axos Invest does not currently have a client referral program. If in the future this changes, Axos Invest will update this brochure.

### Influencer Arrangements

Axos Invest has certain arrangements with third parties that pay bloggers, banner advertisements, and others for posting advertisements for Axos Invest. These third parties are paid a flat fee to create and post advertisements on Axos Invest's behalf. These fees are paid to such advertisers regardless if a Client opens or funds a new investment account. To mitigate this conflict, the details of the particular arrangement are disclosed to each referred client in accordance with Rule 206(4)-3 under the Advisers Act.

### Solicitation Arrangements

From time to time, Axos Invest will receive referrals or leads of potential clients from unaffiliated third parties in exchange for cash compensation (each a "third-party solicitation arrangement"). Any third-party solicitation arrangement entered into by our Firm and a solicitor is operated pursuant to a written agreement in accordance with Rule 206(4)-3 under the Advisers Act. Axos Invest may pay cash compensation to the solicitor in the form of a flat fee or as a percentage of asset-based advisory fees received from a referred client. To mitigate this conflict, the details of the particular solicitation arrangement and compensation paid to the solicitor by us or our financial advisors will be disclosed to each referred client through a separate written disclosure in accordance with Rule 206(4)-3 under the Advisers Act. The advisory fees paid by any referred client are neither increased nor reduced as a result of the compensation paid to a solicitor by Axos Invest.

### Recommendation Arrangements

Axos Invest typically makes recommendations to a Client on a variety of financial services needs, such as a student loan solution, to address a life insurance need, or assistance with Client's mortgage. For each student loan recommendation, the provider compensates Axos Invest with a fee. These fees are paid to Axos Invest regardless if a Client initiates a solution. For each life insurance recommendation, the provider has agreed to compensate Axos Invest with a referral fee, upon the Client's successful issuance of a life insurance contract. For each mortgage

recommendation, Axos Invest will refer clients to Axos Bank, N.A., an affiliate of Axos Invest. Axos Invest does not receive any compensation for this arrangement. However, Axos Bank, the affiliate, receives compensation if the client opens a new mortgage with Axos Bank.

As a result of the potential additional economic benefit to Axos Invest and/or its affiliates resulting from such activities, there is a potential conflict of interest for Axos Invest, which Axos Invest seeks to mitigate in a variety of ways, depending on the nature of the conflict, such as through oversight of these activities and/or by disclosure in this Brochure. In addition, Clients are not required to accept any recommendation for these services by Axos Invest.

#### Payments for Services Between Affiliates

Axos Invest and our Affiliates make certain intercompany payments to compensate each other for performing various administrative and research services, including (but not limited to) consulting services, marketing services, sponsorship fees, support services, and transfer credits for trade execution services. Intercompany payments received or paid by us or our affiliates may be terminated, modified, or suspended at any time. These payments are not

#### Compensation Associated with the Affiliates Insured Bank Deposit Program.

In the Insured Bank Deposit Program, interest is paid by banks which participate in the program to Axos Clearing, an affiliate of Axos Invest. Axos Clearing will pay Axos Invest LLC, Axos Invest's broker-dealer, a portion of the interest received as a fee based on a percentage of the average daily deposit balance in your account at the specific bank. The fee Axos Clearing pays to Axos Invest LLC may be an annual rate based upon a percentage of the Federal Funds Rate and applied to all balances in deposit accounts taken in aggregate. The fees received by Axos Invest LLC varies by Client balances in specific percentage rate tiers. This fee creates a conflict of interest by incentivizing Axos Invest to attempt to make transactions to Client accounts to in an effort to create large cash balances in their insured bank deposit account in order to receive a higher percentage rate to compensate its affiliated broker dealer. To mitigate this conflict of interest, any portion of a Client's total account balance to be allocated to cash is directed by the Client and not by Axos Invest. Additionally, the balance in your insured bank deposit account is not included in the calculation of the Annual Fee.

#### Compensation Associated with the Affiliates' Margin Program

Margin involves borrowing money from our Firm to buy securities and other investments. If you use margin (subject to Firm approval based on your stated investment objectives) to buy securities and other investments in your margin account, you will pay interest on the debit balances in your account. The rate varies depending on the size of the average debit balance. In addition, if your account is approved for margin, we may create margin debt in your account as needed to pay monies owed by you, including the fee and you will be responsible for the interest on any such margin debt.

Margin interest generates additional revenue to us and our affiliates. Our Firm, and/or Axos Clearing has a financial incentive to recommend its use. When margin is used to buy securities and other investments, the costs you incur and the compensation received by our Firm, and/or our affiliates, generally increases as the size of the outstanding margin balance increases. Further, you pay more in advisory fees as the gross value of the account increases. To mitigate this conflict, Axos Invest only uses margin borrowing in your account to allow for its trading algorithm to

facilitate and complete its trading cycles and if applicable, the debit balance in your investment management account is not included in the calculation of the Annual Fee.

### Networking Arrangements

Axos Invest has entered into networking arrangements with its banking and clearing affiliates. In these arrangements, the financial institution enters into an agreement with us for joint marketing, solicitation, Client referrals, use of the Axos Bank or Axos Clearing's premises and facilities, and other administrative and back-office support. If a Client opens an advisory account with us subject to one of these networking arrangements, the Axos Bank or Axos Clearing generally will not receive compensation from Axos Invest, and only receives compensation on the banking product purchased by the consumer. The Annual Fee charged to a Client is not affected by any of these networking agreements.

### Custody

Axos Invest does not directly maintain custody of Client assets. Client assets are maintained at Axos Clearing a qualified custodian. As such, Axos Invest is deemed to have custody of your assets under Rule 206(4)-2 of the Investment Adviser's Act of 1940. As a result, Axos Invest and Axos Clearing ensure that Clients receive monthly custodial statements from Axos Clearing. With the exception of official custodian prepared statements, facts and figures provided on the "Axos Invest Dashboard" are not official statements and are provided for informational purposes only. Clients are urged to compare the official custody statements provided by Axos Clearing to data found on the "Axos Invest Dashboard", and if any discrepancies are detected, to contact Axos Invest promptly at support@axosinvest.com.

### Investment Discretion

Axos Invest receives discretionary authority from the Client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. As such, prior to Axos Invest accepting discretionary authority over a Client's account, each Client is required to agree to the Investment Advisory Agreement, which includes a limited power of attorney granted to the Firm by the Client. In all cases, however, Axos Invest's discretion will be exercised in a manner consistent with the portfolio recommended to and accepted by the Client or with the portfolio selected by the Client.

### Voting Client Securities

As a matter of Firm policy and practice, the Firm does not have any authority to and does not vote proxies on behalf of Clients. Clients retain the responsibility for receiving and voting proxies for all securities maintained in Client portfolios. Clients will receive shareholder notices directly from the designated custodian. The Firm may provide advice to Clients regarding the Clients' voting of proxies.

Axos Invest will neither advise nor act on behalf of the Client in legal proceedings involving companies whose securities are held or previously were held in the Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct the Firm to transmit copies of class action notices to the Client or a third party. Upon such direction, the Firm will make commercially reasonable efforts to forward such notices in a timely manner.

## Financial Information

### Balance Sheet

As Axos Clearing is an affiliate, Axos Invest is considered a qualified custodian as defined in Rule 206(4)-2 of the Adviser's Act. However, as the Firm does not require nor solicit prepayment of more than \$1,200 fees in advance per Client, Axos Invest is not required to include a balance sheet with this Brochure.

### Financial Condition

At this time, neither the Firm nor its management persons have any financial conditions that are reasonably likely to impair its ability to meet contractual commitments to Clients.

### Bankruptcy Petitions in Previous Years

The Firm has not been the subject of a bankruptcy petition in the last ten years.