## Item 1 – Cover Page

# Wrap Fee Brochure

### (Form ADV, Part 2, Appendix 1)

## Passfolio Advisers, LLC

**1390 Market Street, Suite 200, San Francisco, CA 94102**

www.passfolio.com

June 28, 2021

This Wrap Fee Brochure provides information about the qualifications and business practices of Passfolio Advisers, LLC. If you have any questions about the contents of this brochure, please contact us through the Support Center of our website. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Passfolio Advisers, LLC is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about Passfolio Advisers, LLC is also available on the SEC's website at www.adviserinfo.sec.gov by searching for the company's CRD Number 310893.

## Item 2 – Material Changes

We initially provide you with a copy of our Wrap Fee Brochure when we enter into an agreement with you. On an annual basis, we will provide you with a Summary of Material Changes within 120 days of our fiscal year end. In the alternative, we may choose to provide you with a complete copy of our brochure.

Since our initial brochure dated September 29, 2020, we have made the following material change:

- We have updated our business address from 170 Capp Street, Suite 3A, San Francisco, CA 94110 to our current address, 1390 Market Street, Suite 200, San Francisco, CA 94102.
- Item 4 -- Services, Fees, and Compensation: We have provided additional information describing our services, including the use of algorithms. Our affiliate, Passfolio Securities, LLC, serves as the introducing broker to DriveWealth, LLC. The fee for our wrap fee program is 0.75% annually, calculated on a daily basis and collected monthly in arrears.
- Item 5 -- Account Requirements and Types of Clients: Clients are required to deposit a minimum of $100 to open a brokerage account, and must maintain a minimum balance of $100.
- Item 9 -- Additional Information, Review of Accounts: The Platform uses an algorithm to monitor and rebalance Client accounts as necessary. Our personnel oversee the functioning of the Platform and its algorithms, but do not monitor each Client's account.
- Item 9 -- Additional Information, Client Referrals and Other Compensation: Our clearing firm, DriveWealth, shares with us interest revenues on the cash balance in Client accounts, and the payments they receive from trade execution venues when they send Client orders to these venues for execution.

You may request a current copy of our Wrap Fee Brochure at any time without charge by contacting us through the Support Center of our website.

You may also obtain a copy of our current Wrap Fee Brochure at www.adviserinfo.sec.gov by searching for the company's CRD Number 310893.

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## Item 4 – Services, Fees and Compensation

### Overview

Passfolio Advisers, LLC ("Adviser") is a registered investment adviser registered with the United States Securities and Exchange Commission ("SEC"). We are a limited liability company, and a wholly-owned subsidiary of Panchain, Inc.

### Services

Adviser provides discretionary portfolio management services to clients through our online investment services offering. Services are offered exclusively through mobile and web-based applications and informational resources (the "Platform"). We do not offer comprehensive financial planning services.

We offer investment portfolios of Exchange Traded Funds (ETFs). We offer three asset allocation portfolios designed to meet three risk objectives: Conservative, Moderate, and Aggressive. Asset allocation methodology divides a portfolio's assets among different asset classes (e.g., stocks, bonds, cash). Typically, an aggressive portfolio will be more heavily weighted to stocks, and a conservative portfolio will be more heavily weighted towards bonds or cash. Asset allocation is a strategy designed to mitigate risk, but it does not guarantee protection against losses.

The Platform uses a simple algorithm based solely on certain information provided by the Client to provide the Client with a recommended model portfolio. Clients should promptly notify us of any material changes to the information in their client profile that may affect our portfolio recommendations.

Clients have the sole discretion to accept our portfolio recommendation, or to reject our recommendation and select a different portfolio. Once the client accepts an allocation portfolio, we will provide discretionary investment management of the client's portfolio, where we are responsible for ongoing management of the portfolio, including monitoring investment performance, rebalancing to target allocations, and making adjustments to the portfolio as we deem necessary. The Platform uses a simple algorithm to rebalance accounts back to asset allocation targets on a quarterly basis. These rebalances occur automatically, and there typically is not any human oversight or overrides of the algorithm.

Clients should be aware that using algorithms to recommend portfolios and to rebalance accounts has inherent limitations, including the possibility of human error in the design, data input, or implementation process. 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 by us.

Clients receive our Wrap Fee Brochure, Form CRS,  Privacy Policy, and advisory agreement through the website, which the client executes electronically if they wish to engage our discretionary portfolio management services.

Clients are required to open a brokerage account with Passfolio Securities, LLC, a registered broker-dealer registered with the SEC, member FINRA/SIPC ("Passfolio Securities"). Passfolio Securities serves as introducing broker for Adviser's Clients' advisory accounts to DriveWealth, LLC, a registered broker-dealer registered with the SEC, member FINRA/SIPC ("DriveWealth"). DriveWealth provides clearing and execution services, and serves as qualified custodian for advisory assets of Adviser's clients. Passfolio Securities is also a wholly-owned subsidiary of Panchain, Inc., and an affiliate of Adviser. Passfolio Securities receives compensation from the transactions made in your account. As an affiliate, we receive indirect benefit from this compensation.

We will use our best judgment and good faith effort in rendering services to our clients. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Past performance does not guarantee future results.

Except as otherwise provided by law, we are not liable for any losses in an account if our investment decisions and actions are made in good faith with the degree of care, skill, and prudence that a person acting in a fiduciary capacity would use. In addition, we are not liable for any losses arising as a result of following directives of the client, or for any act or failure to act by a service provider maintaining an account.

## Fees

Our discretionary portfolio management services are offered as a wrap fee program, which means that the client pays a single fee based on the client's assets under management. This fee includes our advisory fee as well as the costs for execution, clearance, custody, and account reporting. Wrap fee programs are generally designed for frequent investing. As a result, the fee structure might not be appropriate for individuals intending to make infrequent investments. A wrap fee program may cost more or less than if a client purchased advisory services separately and paid transaction fees.

The fee for the wrap fee program is 0.75% annually, paid on a monthly basis in arrears. The fee is calculated on the daily balance, which is multiplied by 0.75%, then divided by the number of days in the year. On the 15th of each month, the aggregated daily fee is charged to the client's account. If the aggregated fee is less than $0.50, the fee will be carried over to the following month. The fee will be deducted directly from the client's account, as authorized by the client in the advisory agreement and in the custodial account application. We do not accept other forms of payment, nor do we allow for direct billing.

Because fees are calculated on the daily account balance, fees for partial months are prorated based on the number of days in the billing period. Fees are not negotiable. We reserve the right to reduce or waive the fee in whole or in part at our sole discretion.

The program includes all trade charges for the client's account. However, the client may incur additional charges imposed by custodians and other third parties. These charges include transfer fees, administrative fees and other fees and taxes on brokerage accounts and securities transactions. In addition, Passfolio Securities charges a fee of $0.02 per share for securities priced less than $5. ETF issuers may charge product fees. We do not benefit directly or indirectly from any such product fees. An

ETF typically includes embedded expenses that may reduce the ETF's net asset value, which directly affects the ETF's performance and indirectly affects the portfolio performance. Clients should review all fees charged to fully understand the total amount of fees they will pay.

### Termination

Either party may terminate the advisory agreement at any time in writing. We will not be responsible for future investment allocation, advice, or transactional services (except for limited closing transactions) upon receipt of a termination notice. We will also notify the custodian that the relationship between us and the client has been terminated.

## Item 5 – Account Requirements and Types of Clients

### Account Requirements

Clients are required to deposit a minimum of $100 to open an account in our discretionary portfolio management service, and must maintain a minimum balance of $100.

### Types of Clients

The discretionary portfolio management services are appropriate for individuals, including high net worth individuals.

## Item 6 – Portfolio Manager Selection and Evaluation

Our discretionary portfolio management services are based on Modern Portfolio Theory (MPT). MPT assumes that investors are risk averse, and will only take on increased risks if they are adequately compensated with higher expected returns. We employ a disciplined investment process to construct a set of efficient portfolios for different levels of risk appetite. The strategies are diversified across a broad mix of asset classes, geographies, major market sectors and segments.

Portfolios are constructed using a mix of ETFs whose underlying holdings include domestic and foreign fixed income, equity securities and cash. Stocks, despite their high volatility, give investors exposure to economic growth and offer the opportunity for long-term capital gains. Generally, stocks provide effective long-run inflation protection and are relatively tax efficient due to the favorable tax treatment on long-term capital gains and stock dividends. Bonds and bond-like securities may be used as an income-producing asset class for income-seeking investors. Although bonds have lower return expectations, they may provide a cushion for stock- heavy portfolios during economic turbulence due to their low relative volatility and low correlation with stocks.

Our discretionary portfolio management services are offered through the Platform which provides client access to account information, including performance reports which the clients may use to evaluate the performance of their account. Performance reports are for informational purposes only, and are not intended to replace statements or trade confirmations. Clients will receive electronic account statements from DriveWealth on a monthly basis. We encourage clients to carefully review DriveWealth statements. We do not provide separate account statements.

## Risk Considerations

### Investment Strategy and Method of Analysis Material Risks

Our investment portfolios are designed to produce the appropriate potential return for the given level of risk; however, we cannot guarantee that an investment objective or goal will be achieved. Each client must be able to bear the risk of loss that is associated with their account, which may include the loss of some or all principal invested.

### Company Risk

When investing in securities, there is always a certain level of company or industry-specific risk that is inherent in each company or issuer. For example, there is the risk that a company will perform poorly or have its value reduced based on factors specific to the company or its industry. This is also referred to as unsystematic risk and can be reduced or mitigated through diversification.

### Financial Risk

Excessive borrowing to finance a business operation increases profitability risk because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

### Fundamental Analysis

The challenges involving fundamental analyses include situations wherein information obtained may be incorrect; the analysis may not provide an accurate estimate of earnings which may be the basis for a security’s value. If a security’s price adjusts rapidly to new information, a fundamental analysis may result in unfavorable performance.

### Inflation Risk

When any type of inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.

### Management Risk

An investment with a firm varies with the success and failure of its investment strategies, research, analysis and determination of its portfolio. If an investment strategy were not to produce expected returns, the value of the investment would decrease.

### Market Risk

When the stock market as a whole or an industry as a whole falls in value, it can cause the prices of individual stock prices to fall indiscriminately. This is also called systemic or systematic risk.

### Passive Investing

A portfolio that employs a passive, “efficient markets” approach (generally representative of index investing) has the potential risk at times to generate lower-than-expected returns for the broader allocation than might be the case for a more narrowly focused asset class, and the return on each type of asset may deviate from the average return for the asset class. We believe this variance from the expected return is generally low under normal market conditions when a portfolio is made up of diverse, low-correlated or non-correlated assets.

### Research Data

When research and analyses are based on commercially available software, rating services, general market and financial information, or due diligence reviews, a firm is relying on the accuracy and validity of the information or capabilities provided by selected vendors, rating services, market data, and the issuers themselves. Therefore, while we make efforts to determine the accuracy of the information received, we cannot predict the outcome of events or actions taken or not taken, or the validity of all information researched or provided which may or may not affect the advice regarding or investment management of an account.

### Security-Specific Risks

Our asset selection process seeks to identify ETFs which exhibit ample liquidity, low expenses, and low tracking error. Our selection process does not guarantee the quality of a particular ETF or that it will (1) be profitable, (2) properly track any comparable index, (3) trade in a liquid fashion, or (4) trade at or above its publicly-posted net asset value. We reserve the right to change the selection of ETFs we recommend at any time. Changes in the selection of ETFs that we use may result in the sale of existing holdings and could be subject to additional tax liability.

### Cash Drag Risk

The allocation of cash within your portfolio has an impact on portfolio performance. As the allocation to cash increases, the volatility of the entire portfolio is reduced. In times when invested assets are increasing in value, portfolios with increased amount of cash lead to returns which lag a fully invested portfolio. Alternatively, when invested assets are declining in value, portfolios with an increased amount of cash lead to a less significant decline in the portfolio.

### ETF Risks

The risk of owning ETFs reflect the risks of their underlying securities (e.g., alternative investments, stocks, bonds, etc.). ETFs also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

### Fixed Income Risks

Various forms of fixed income instruments, such as bonds, money market funds, or certain ETFs containing these holdings, may be affected by various forms of risk, including:

- Credit Risk – The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as “default risk.” Credit risk may also occur when an issuer’s ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments, as well as ETF share values that hold these issues. Bondholders are creditors of an issuer and have priority to assets before equity holders (i.e., stockholders) when receiving a payout from liquidation or restructuring. When defaults occur due to bankruptcy, the type of bond held will determine seniority of payment.
- Duration Risk – Duration is a measure of a bond’s volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

- Interest Rate Risk – The risk that the value of the fixed income holding will decrease because of an increase in interest rates.
- Liquidity Risk – The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed income instruments are generally liquid (i.e., bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume is high, there is also a risk of not being able to purchase a particular issue at the desired price.
- Reinvestment Risk – With declining interest rates, investors may have to reinvest interest income or principal at a lower rate.

### Index Investing

Index investing may have the potential to be affected by “active risk” (or “tracking error risk”), which might be defined as a deviation from a stated benchmark. If a portfolio attempts to closely replicate a stated benchmark, the source of the tracking error or deviation may come from a satellite portfolio or position, or from a “sample” or “optimized” ETF that may not as closely align the stated benchmark. In these instances, a portfolio manager may choose to reduce the weighting of a satellite holding, utilize very active satellites, or use a “replicate index” position as part of its core holdings to minimize the effects of the tracking error in relation to the overall portfolio.

### Qualified Dividend Income (“QDI”) Ratios

While many ETFs are known for their potential tax-efficiency and higher QDI percentages, there are asset classes within these investment vehicles or holding periods within that may not benefit. Shorter holding periods, as well as commodities and currencies (that may be part of an ETF portfolio), may be considered “non-qualified” under certain tax code provisions. A holding’s QDI should be considered when tax-efficiency is an important aspect of the client’s portfolio.

### Use of Algorithms

We incorporate computer-based technology to make investment recommendations and in the portfolio management processes – primarily through the use of algorithms designed to optimize various elements of wealth management. You should be aware that this type of portfolio management is based on a pre-set investment allocation that could rebalance your account and not take certain market conditions into consideration. Such trading may occur on a more frequent basis than you might expect and may not address prolonged changes in market conditions. Understand that changes to the algorithmic code could also have material effects on your portfolio recommendations and investment management. In the event of extraordinary market conditions, we may halt trading or take other temporary measures to help prevent an undue risk of harm to your portfolio. In addition, it is possible that we, our service providers, or our Client may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to our Platform.

### Alternative Investments

Strategies involving “alternative” investments generally include those which do not fall into equity, fixed income or cash equivalents. Such investments would include “real assets” such as real estate and commodities, and alternative strategies such as absolute return strategies and various other hedge fund-type strategies: global macro, managed futures, long/short equity, multi-strategy, event driven, private equity, etc. The goal of these alternative strategies is to provide for diversification in order to lower portfolio volatility and enhance long-term returns. The alternative investments we recommend are managed through ETFs; they are not individual holdings. We do not directly invest in any Alternative Investments including Hedge Funds, Managed Futures Accounts, Private Equity or Real Estate Investment Trusts.

#### Catastrophic Events

In addition to general market risks described above, our investment strategies may be subject to the risk of loss arising from direct or indirect exposure to a number of types of catastrophic events, such as global pandemics, natural disasters, acts of terrorism, cyber-attacks, or network outages. The extent and impact of any such event on investment strategies will depend on many factors, including the duration and scope of the event, the extent of any governmental restrictions, the effect on the supply chain, overall consumer confidence, and the extent of the disruption to global and domestic markets.

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

We do not assess any performance-based fees, and we do not engage in side-by-side management of accounts.

### Voting Client Securities

We do not vote proxies, and we do not offer specific guidance on how to vote proxies. Clients are responsible for voting proxies associated with investments held in their accounts and DriveWealth will forward proxies directly to the client. In addition, we will not offer guidance involving any claim in any bankruptcy or class action settlement.

## Item 7 – Client Information Provided to Portfolio Managers

Our discretionary portfolio management services are provided through the Platform. We use the information submitted by the client through the Platform to determine an appropriate asset allocation portfolio for the client.

## Item 8 – Client Contact with Portfolio Managers

Clients may access our Platform to obtain information on their account and access account documents, including trade confirmations and account statements.

## Item 9 – Additional Information

### Disciplinary Information

We have not been involved, and our management personnel have not been involved, in any material criminal or civil action in a domestic, foreign or military jurisdiction, an administrative enforcement action, or self-regulatory organization proceeding involving an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses.

## Other Financial Industry Activities and Affiliations

We and Passfolio Securities are under common ownership. Although this arrangement typically has the potential to create a conflict of interest, it does not in this case as only the wrap fee is charged to the clients and no transaction fees are charged to the clients, except as noted in Item 4, Fees, above.

Passfolio Securities primarily introduces clients to full-service carrying brokers; currently DriveWealth exclusively. We and Passfolio Securities have overlapping officers, personnel, share office space, and share certain expenses. Certain of our management persons are also registered representatives of Passfolio Securities as necessary or appropriate to perform their responsibilities.

We require clients to use the execution services offered by Passfolio Securities. We place client trades with Passfolio Securities, which executes trades on behalf of clients. Trades are cleared and settled by DriveWealth. In all cases, we seek to effect transactions in compliance with the requirements of Section 206(3) of the Advisers Act. Passfolio Securities may receive fees, cash credits, or other benefits from exchanges and other market centers to which it, as a broker, routes order flow based on the volume and type of order flow routed and whether the order contributes or extracts liquidity from the given market.

Our policy is to conduct our business activities in a manner to mitigate conflicts of interest between us and our clients. We disclose to clients prior to and during the term of our engagement regarding any conflicts of interest that may reasonably compromise our impartiality or independence.

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

We have adopted a Code of Ethics that establishes policies for ethical conduct for all personnel. We require our personnel to comply with all applicable laws and regulations and to act in an ethical and professionally responsible manner in all professional services and activities. Our Code of Ethics includes prohibitions against insider trading, circulation of industry rumors, and certain political contributions, among others. We periodically review our Code of Ethics and update it as necessary to ensure it remains current. A copy of our Code of Ethics is available upon request.

## Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest

We prohibit our associated persons from recommending to a client, or effecting a transaction for a client, involving any security in which we or a “related person” (e.g., associate, an immediate family member, etc.) have a material financial interest, such as in the capacity as an underwriter or advisor to an issuer of securities, etc.

An associate is prohibited from borrowing from or lending to a client unless the client is an approved financial institution.

## Purchases of Same Securities Recommended to Clients and Conflicts of Interest

We do not trade for our own account (e.g., proprietary account trading) for the purpose of generating revenue, tax harvesting, etc. Our related persons may buy or sell securities that are the same as, similar to, or different from, those recommended to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client; clients often have different objectives and risk tolerances.

## Review of Accounts

Clients may access our Platform to obtain information on their account and access account documents, including trade confirmations and account statements. We do not provide periodic statements.

The Platform uses an algorithm to monitor and rebalance Client accounts as necessary. Our personnel oversee the functioning of the Platform and its algorithms, but do not monitor each Client's account. Client accounts are not reviewed by our personnel on a regular basis, but we may review accounts in response to a client inquiry, suspected error, or potential fraud. We periodically review the investment options used in our portfolios and may replace them or adjust allocations as we deem necessary to maintain the asset allocation in the portfolio. Other reviews may be triggered by material market, economic or political events.

## Client Referrals and Other Compensation

We do not participate in any arrangements to compensate others for clients referred to us, or to receive compensation for referring clients to others.

Our clearing firm, DriveWealth, shares with us interest revenues on the cash balance in Client accounts, and the payments they receive from trade execution venues when they send Client orders to these venues for execution.

Passfolio Securities is also a wholly-owned subsidiary of Panchain, Inc., and an affiliate of Adviser. Passfolio Securities receives compensation from the transactions made in your account. As an affiliate, we receive indirect benefit from this compensation.

## Custody

Client assets will be maintained in a separate account in the client's name at DriveWealth. We do not have custody of client assets, except for the ability to deduct our wrap fee from client accounts when authorized by the client to do so.

## Investment Discretion

Our portfolio management services are offered on a discretionary basis. This means that we have the authority to implement investment strategies and transactions to meet stated objectives without requiring the client's prior authorization. This authorization will be granted by the client through the execution of our advisory agreement, as well as DriveWealth's account agreement. DriveWealth will be directed to specifically limit our authority within the client account to the placement of trade orders and our request for the deduction of our advisory fee. Our clients retain the right to terminate our account authority; however, this will terminate our advisory agreement as well.

Clients may impose reasonable restrictions upon investments to be held in their portfolio. We reserve the right to reject requests for restrictions that are inconsistent with our stated investment strategy or philosophy or that are inconsistent with the nature or operation of our wrap-fee program. As a result, requests for restrictions on the underlying ETFs held in the portfolios or their underlying allocation are not considered reasonable and will not be accepted. Such restrictions could result in a strategy that differs from our portfolio recommendation and may not meet the time horizon, financial goals and investment objectives of the client.