REGULATION BEST INTEREST DISCLOSURES

XP Investments US, LLC d/b/a XP Private, XP International, and XP Private International (collectively referred to as "XP"), is a member of FINRA, SIPC, and NFA. XP Private provides brokerage services in the United States through XP Investments US, LLC. XP is affiliated with XP Advisory, US LLC ("XP Advisory") which is a registered investment adviser. You can learn more about XP Advisory by viewing the Form ADV and Part 2 Brochure at http://adviserinfo.sec.gov. XP Advisory and XP are affiliated and under common control with XP Investimentos Corretora de Cambio, Valores E Titulos Mobiliarios SA ("XPI") which is a broker-dealer based in Brazil, and Banco XP S.A. which is a bank based in Brazil. All of these companies are under common ownership and control. XP is not an investment advisor. Brokerage and investment advisory services differ. You can read more about our brokerage services and the investment advisory services of our affiliate in our Client Relationship Summary (Form CRS) here: https://xpinvestmentsglobal.blob.core.windows.net/compliance/CRS.pdf

The following disclosures are designed to assist clients in understanding important aspects of the products and services we may recommend, but is not all-inclusive, nor should it be considered a substitute for any product's prospectus or offering document. This document is intended only to summarize key features of some of the product classes we may recommend as well as outline conflicts we have regarding these products. Should you have questions, do not hesitate to contact your financial professional. Always read the prospectus before making a decision to invest. This disclosure is intended to satisfy our obligations under Regulation Best Interest, and does not modify any other agreement you have with us. Our obligations under Regulation Best Interest apply when we make a recommendation of a type of account with us, a securities transaction in a brokerage account with us, or recommend that you roll over assets to an account with us, such as a rollover IRA account.

While we may make a recommendation to you for an account type, a specific securities product, or an investment strategy, the ultimate decision about whether to invest is yours. You may accept or reject any recommendation we make. Additionally, depending on the product or service we are recommending, there are conflicts of interest you should consider in determining whether to accept any recommendation we make. Those conflicts are outlined in this document and in our Form CRS (Customer Relationship Summary). You should also consider any conflicts that are disclosed in the account agreement and the product prospectus or offering document. You may also search for offering documents and company reports at the SEC's Edgar database here: http://www.sec.gov/edgar.shtml Should you have any questions, please contact your financial professional or ask us for more information.

When you opt for a securities brokerage account, we do not offer account monitoring services. This means that, while we use reasonable care and skill at the time we make the recommendation, we do not provide ongoing monitoring of the account or your investments. Should you prefer that type of relationship, consider our advisory accounts rather than a brokerage account.

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1. INVESTING RISKS

We must use reasonable care and skill in making recommendations to you. We base our recommendations on information you disclose to us (called your investment profile). It is important that you review your investment profile information frequently and update us if it changes. You should be aware that investments in securities involve risks, and you may lose money, up to and including the entire amount of your investment. Because the nature of investing involves risk, we make no guarantee that you will achieve your investment goals.

Some of the products we offer have more risk than others. It is important to understand that products offering higher returns often involve a greater degree of risk. If you cannot afford to lose the money you are investing, you should tell your financial professional that you are a conservative investor and complete your investment profile in a manner that indicates your risk tolerance is low. This will help to ensure your financial professional's recommendations to you take these factors into account.

In this document, we define some of the key risks applicable to investing in securities we may offer. The document is not designed to be all inclusive, but to provide you with an overview of key risks so that you may begin a discussion with your financial professional about specific products and risks attributable to those products. Several key risks attributable to investing in securities include:

Liquidity Risk – The value of most investments in securities can be affected by the liquidity of that investment (or lack thereof). Liquidity risk refers to the difficulties an investor may face in buying or selling an investment quickly and efficiently without significantly impacting its price. In other words, in a low liquidity environment or investment, you may not be able to obtain the best price when you buy or sell an investment, and in some cases, there may be no market for a security. Liquidity risk is particularly relevant in thinly traded or less liquid markets, such as those for small cap stocks, certain fixed income securities, or investments in alternative assets. This risk can lead to increased transaction costs. If you are risk averse, talk with your financial professional about highly liquid investments such as government money market funds.

Tax Risk – Investment products and strategies have tax implications, some of which may be negative. We do not offer tax advice. You are advised to consult with your tax advisor before accepting a recommendation of an investment or investment strategy.

Volatility Risk – Fluctuations in the value of an investment due to market prices over time is called volatility. Because investment returns are uncertain, and are influenced by market sentiment, economic conditions, company or political news, and a variety of other factors, it can be difficult to plan for future financial goals. Price fluctuations can lead to emotional reactions which can result in poor investment decisions, particularly when engaging in shorter-term trading. High volatility can lead to large fluctuations in the overall value of an investment portfolio, including significant short-term price declines. This is particularly problematic if you have short-term investment objectives and high liquidity needs. Talk with your financial professional about low-volatility investments, diversification, and risk management strategies.

Economic Risk – Changes to the overall economy can impact the value and performance of an investment. These changes can include things like changes in economic growth (for example, a recession), trade policies, currency fluctuations, and geopolitical events. These changes can impact corporate earnings, issuer credit ratings, and negatively impact prices of your investments. Some sectors or industries within the economy can be more sensitive to certain economic factors. For example, the performance of the financial sector may be more closely tied to interest rate changes, while the energy sector may be influenced by fluctuations in commodities prices. Many of these factors are difficult if not impossible to accurately predict.

Foreign Securities Risk – While investing in non-U.S. securities can offer potential benefits such as diversification and exposure to a variety of economies, markets, and industries, such investments also come with risks. These risks include foreign currency risk (the risk that exchange rates can affect the value of investments irrespective of the performance of the investment itself), political risk (political instability, changes in government policies, regulations, or potential expropriation of assets), economic risk (the health of a foreign economy) and downgrades to sovereign credit ratings and/or devaluation of currency, legal and regulatory risk (foreign markets may have different legal and regulatory frameworks that can affect the rights and protections afforded to investors), and liquidity risk (foreign securities may have lower trading volumes and/or fewer market

participants). There are also potentially negative tax consequences to investing in foreign securities. Be sure to discuss these risks with your financial professional before investing.

2. STANDARD BROKERAGE ACCOUNTS

When you establish a standard brokerage account through us, the account is held through one of our clearing brokers. Our clearing brokers execute transactions at our request and maintain custody of your funds and securities. We will either trade on an agency basis (as agent for you) and charge a commission, or act as principal, purchasing or selling a security solely to fill your order (often referred to as riskless principal). Your transaction confirmation will disclose the capacity in which we acted, agency or principal. Our standard brokerage account is a cash account, meaning that you must pay for transactions as they occur.

We offer other types of accounts, including accounts held directly with our product sponsors such as a mutual fund company. Regardless of the type of account you select, you should review the account agreement for more details about that specific account type. Our affiliate, XP Advisory US, LLC offers investment advisory accounts.

We offer various products in brokerage accounts, including but not limited to stocks, bonds, options, mutual funds, and others. When we sell these products, we send you a confirmation at or before the completion of the transaction. You should carefully review the transaction confirmation for additional details about the transaction.

We offer several cash settlement options in brokerage accounts. These options direct us on how to hold cash funds that are pending investment in your account, to settle securities transactions, and to cover fees and other disbursements. Available options vary depending primarily upon your tax residency. If you are a U.S. taxpayer, your sweep option will automatically default to a short-term government reserve fund (or similar option). If you are a non-U.S. taxpayer then the sweep option will default to a short-term daily U.S. dollar fund (or similar option). You should review the options available in your account with your financial professional. Note that these programs are not intended as long-term investment strategies, rather they are options for holding cash in the short-term such as during periods when the funds are awaiting investment. This is because the rates of return on these options are typically very low and there are other options available that may achieve the same objective while earning a higher rate of return. We earn fees on the amount of funds you hold in settlement funds that ranges up to 50 basis points (or 0.50%). Note that depending on the settlement option and investment returns, we may earn more on the funds you hold in your settlement fund than you earn in investment returns on those funds.

There are various fees for brokerage accounts, including account maintenance, account transfers, wire transfers, account termination, ticket charges, etc. Our **brokerage fee schedule** can be viewed here:

For Accounts Held at Pershing: https://dochub.com/xpius/1XEpyxzwN5zjGPpVQZGd38/fee-schedule-2023-pdf?dt=aNNc_77UXjyZscUz5sb7

For Accounts Held at Interactive Brokers: https://dochub.com/xpius/mqNjP3BVWDOZgnYw9yGzLk/fee-schedule-ib-eng-pdf?dt=Prk26hEaeBQH6C_Uvy7w

3. DIGITAL ACCOUNTS

We offer two types of accounts that we call our “digital accounts.” These accounts fall into two categories – 1) Digital Affluent Accounts and 2) Digital International Accounts.

<u>Digital Affluent Accounts</u>

Digital Affluent Accounts are offered exclusively to clients of our affiliated foreign broker-dealer, XPI, who are fiscal and legal residents of the Federative Republic of Brazil. These accounts have lower account minimums than our standard full-service brokerage accounts ($250,000 vs. $500,000). We will require that clients maintain a balance of at least $250,000 in the account (not considering market fluctuation). These accounts are only available to clients seeking to open individual accounts (not joint accounts). Products and services available in these accounts are limited. Specifically, we do not offer debit or credit

cards in the accounts, there is no check writing feature, no ACH transactions are permitted, and we limit wire transfers to first-party transfers to and from an account in the same name at XPI. We do not permit deposits of securities in these accounts except in limited instances when you are transferring an account from another broker. The securities products you may purchase and sell in digital accounts are limited as well. Digital account customers will be limited to investments in selected investment funds that are managed by XP Advisory. No purchases of equities, ETFs, options, futures, currencies, bonds, alternative funds, or structured products will be permitted. Annual management fees on these funds range from 0.25% to 1.5% depending on the particular fund. Read the prospectus for each of these funds for detailed information about risks and fees. In addition to fees on these investment funds, clients wishing to transfer funds from XPI to XP (or from XP back to XPI) will be charged a currency conversion fee of up to 1.5% (by XPI), plus applicable taxes, to exchange Brazilian for US funds (and US for Brazilian funds as appropriate). Following an initial investment allocation recommendation from XP, digital accounts will be self-directed, meaning we do not make recommendations in the account and you direct your own transactions (you will not have a dedicated financial professional assigned to your account). Digital account holders may access their accounts through an online portal. We have an incentive to recommend this account type because it is only offered to clients of our affiliate, XPI. Clients of XPI may choose to open an account with any broker-dealer or investment advisor in the U.S. and are not required to open an account with us. Further, we have an incentive to recommend this type of account since clients may only purchase a limited menu of products that are proprietary products (meaning they are created and managed by our affiliates) and we can earn more if you invest in these products. Also, we have an incentive to recommend this type of account because our affiliate earns money when your currency is exchanged. Clients who desire a greater product selection than what is offered in digital accounts should consider opening a standard full-service brokerage or advisory account or a Digital International Account (discussed below).

Digital International Accounts

Digital International Accounts are offered exclusively to clients of our affiliated foreign broker-dealer, XPI, who are fiscal and legal residents of the Federative Republic of Brazil. These accounts have no minimum deposit required to open and no minimum balance required to maintain. They are only available to clients seeking to open individual accounts (not joint accounts). Services available in these accounts are very limited. Digital International Accounts are self-directed, meaning XP will not make recommendations in the account and you direct your own transactions (you will not have a dedicated financial professional assigned to your account). Digital International Account holders access their accounts through an online portal or application. Products and services available in Digital International Accounts are limited. For example, we do not offer debit or credit cards in the accounts, there is no check writing feature, no ACH transactions or journals are permitted, and we limit wire transfers to first-party transfers to and from an account in the same name at XPI. We permit deposits of securities in these accounts on a very limited basis, in some instances, for example, when you are transferring an account from another broker. The securities products you may purchase and sell in Digital International Accounts are limited as well. Digital International Account customers will be limited to investments in selected US listed equities including ADRs, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITs), and a very limited list of fixed income securities. In some cases, fractional shares may be traded. No other purchases of options, futures, currencies, bonds other than the limited options available, alternative funds, or structured products will be permitted. Clients wishing to transfer funds from XPI to XP (or from XP back to XPI) will be charged a currency conversion fee of up to 2.25% (by XPI), plus applicable taxes, to exchange Brazilian for US funds (and US for Brazilian funds as appropriate). Brokerage fees (commissions) for each transaction in a Digital International Account are based on the size of the transaction and range from $1 to $8.60 per transaction for equities, ETFs, ADRs and REITs (including fractional shares). For bonds, we charge up to a 1.75% markup for client purchases and up to a 1% markdown for client sales, depending on various factors, including the bond type, size of transaction, and maturity. Our minimum transaction size in bonds is $5,000. We have an incentive to recommend this account type because it is only offered to clients of our affiliate, XPI. Clients of XPI may choose to open an account with any broker-dealer or investment advisor in the U.S. and are not required to open an account with us. Further, we have an incentive to recommend this account type because we earn more money the more you transact in the account and because our affiliate earns money when your currency is exchanged. Clients who desire a greater level of products or services than what is offered in Digital International Accounts should consider opening a standard full-service brokerage account.

4. MARGIN ACCOUNTS

Brokerage accounts come in several forms. Typically, a brokerage account is a cash account meaning that you pay for your securities transactions with cash in the account or you pay for each transaction by settlement date by transferring funds into the account. However, a margin account involves borrowing money from your brokerage firm (typically the clearing agent) to purchase securities. The portion of the purchase price that you must deposit is called **margin** and is your initial equity or value in the account. The loan from the firm is secured by the securities you purchase. If the securities you're using as collateral go down in price, your firm can issue a **margin call**, which is a demand that you repay all or part of the loan with cash, a deposit of securities from outside your account, or by selling some of the securities in your account. Margin loans involve interest which you must pay regardless of whether you make or lose money on your investments. Additionally, you must maintain minimum margin, meaning you must meet the margin requirements of your brokerage firm. If the value of an investment declines, you may be required to deposit more money or liquidate your positions. While we attempt to contact you if there is a margin call, we can liquidate your positions without contacting you to satisfy the margin call, and you may not be entitled to choose which securities or assets in your account are sold. Also, with margin, you can lose more money than you deposit in the account. And margin requirements can change from time to time. If you have a margin account, make sure you understand how the margin account works and you know the margin rules. Also, because we earn more money when you engage in more transactions, and we earn money on margin interest you pay, we have a conflict of interest in recommending a margin account. For information on our margin rates, visit our brokerage fee disclosure here:

For Accounts Held at Pershing: https://dochub.com/xpius/1XEpyxzwN5zjGPpVQZGd38/fee-schedule-2023-pdf?dt=aNNc_77UXjyZscUz5sb7

For Accounts Held at Interactive Brokers: https://dochub.com/xpius/mqNjP3BVWDOZgnYw9yGzLk/fee-schedule-ib-eng-pdf?dt=Prk26hEaeBQH6C_Uvy7w

Margin accounts typically permit short selling of securities. Short selling involves borrowing a security you don't own and selling that security with a view toward repurchasing it later at a lower price. Short selling involves unlimited risk, in that you can lose a potentially unlimited amount of money if the price of the security you sold short continues to rise. Additionally, if you fail to meet a margin call you may be forced to close the short position at a loss. Short selling may also be restricted by regulators, limited by our clearing firm's ability to borrow shares, and your ability to repurchase the shares may be limited if the shares are unavailable for any reason.

For more information about margin accounts and the use of margin visit FINRA's investor alert here: https://www.finra.org/investors/alerts/investing-borrowed-funds-no-margin-error

5. FIXED INCOME SECURITIES

Fixed income securities are debt instruments that generally pay a predetermined interest rate over a specified period of time. While these investments can provide income and diversification, they are subject to various risks. Here we describe some of the key risks of investing in fixed income securities (also known as bonds).

<u>Credit Risk</u> – The risk that an issuer of fixed income securities may default on its obligation to pay interest or principal is called credit risk. This risk is typically higher when a bond has a lower rating or is not rated. Credit rating agencies assess creditworthiness of issuers, but their evaluations may not accurately reflect the issuer's financial condition or ability to meet its obligations. Carefully review the credit ratings of bonds you purchase. If you are more risk averse, you should consider only the highest rated fixed income securities or invest in FDIC insured products such as CDs.

<u>Interest Rate Risk</u> – The risk that the value of fixed income securities will decline due to changes in interest rates. When interest rates rise, the market value of fixed income securities typically falls, and when interest rates fall, the market value of fixed income securities typically increases. Longer-term bonds are typically more sensitive to moves in interest rates. Duration

signals how much your investment is likely to fluctuate given a move in interest rates. If you are more risk averse, you should consider shorter bond maturities or invest in FDIC insured products such as CDs.

Foreign Exchange Risk – When you invest in foreign bonds, changes in the currency exchange rates can affect the value of your investment. These fluctuations in exchange rates may lead to losses when converting foreign bond proceeds back into your home currency. If you are risk averse, you should consider avoiding foreign bonds.

Inflation Risk - The risk that inflation will erode the purchasing power of the income generated by fixed income securities. Inflation may cause interest rates to rise, which can negatively impact the purchasing power of the income generated by the bond. This results in a decrease in the bond's real yield or real return. Inflation may also cause central banks to raise interest rates in an attempt to control the inflation rate. This can lead to a decrease in bond prices (see Interest Rate Risk above).

Prepayment Risk – Bond prepayment risk (also known as call risk or early redemption risk) is the possibility that the issuer of a bond may choose to pay off the bond before its maturity date. This typically occurs when interest rates fall. Callable bonds include provisions that permit an issuer to redeem a bond early. Some bonds have refunding features where a portion of the bond issue is repurchased. An early redemption, refunding, or call presents reinvestment risk – the risk that the reinvested proceeds are invested at lower interest rates generating less income. There is also risk of capital loss if the bond was purchased at a premium over par. If you are risk averse, carefully review the call features and provisions of a bond before investing.

Sovereign Risk – Unique risks related to a country can impact the country's ability to repay its debt and thus severely impact the value of your investment. These risks include economic, political, cultural, and environmental risks. This risk is particularly elevated in emerging markets.

For more information on bond investing, including risks, visit:

https://www.finra.org/investors/investing/investment-products/bonds

6. INVESTING IN MUTUAL FUNDS

A mutual fund is an investment vehicle comprised of a pool of funds from many investors that buys stocks, bonds and other securities. When you purchase a mutual fund, you get exposure to all the investments in that fund. Individual investors own shares of the mutual fund, while the fund (or investment company) owns the underlying investments selected by the fund's investment manager. Each mutual fund is different in its structure and philosophy. There are two main types of mutual funds: **open-end** funds, which redeem (or buy back) outstanding shares at any time upon the shareholder's request based on the current value of the fund's assets, and **closed-end funds**, which issue a fixed number of shares, trade similarly to stocks, and are typically listed on an exchange.

As with any investment decision, it is important to consider several factors before making an investment in a mutual fund. Not only should you consider the risks and objectives of the fund and match them to your own goals and risk tolerance, but you should also understand the costs associated with your investment and how your financial professional is compensated on that investment. Some key factors to consider include a mutual fund's investment strategy, risk profile, investment performance, and relationship to your overall asset allocation strategy and investment time horizon. Fees and expenses have an impact on a fund's investment returns and are important factors as well. All mutual funds, including "no load funds", incur transaction costs, expenses, and other fees that are passed through by the mutual fund and ultimately paid by the fund shareholders. Usually, this information is referred to in the fund Prospectus.

Mutual fund shares fluctuate in value, rising and falling in price depending on the performance of the underlying securities in the fund. **The Net Asset Value** (NAV) of a mutual fund indicates its value or price per share.

Mutual funds are offered by prospectus only. Investors should consider the investment objective, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other important information, should be read carefully before investing. The investment return and principal value of an investment will fluctuate, so that an investor's shares, when redeemed, may be worth more or less than original cost.

Diversification and systematic investing do not ensure a profit or protect against loss.

Mutual Fund Shares Classes

When purchasing mutual funds, choosing a share class is an important investment decision. The information below may help you decide which mutual fund share class is appropriate for you based upon your individual financial situation and investment time horizon. Generally, mutual funds are purchased in A, B, and C share classes, although other classes may also be appropriate.

Class A Shares - Class A shares are typically characterized by a "front-end" sales load. The sales load is a charge paid by the investor. This amount is expressed as a percentage of a fund's public offering price. Sales charges are typically 4.50% for fixed income funds and 5.75% for equity funds. For larger investments, discounts known as "breakpoints" (see below) may reduce the sales charge. Once the sales charge has been deducted, the remaining amount is invested in the fund. In addition to front-end sales loads, investors in mutual fund Class A shares will pay ongoing expenses levied by the funds, including 12b-1 fees.

Class B Shares - Class B shares carry higher internal expenses than Class A shares. These expenses will reduce your returns by the amount they exceed the internal expenses of A shares. Class B share expenses range 0.50% to 0.75% per annum higher than those of Class A shares. Class B shares are also characterized by "back-end" sales loads. Class B shares are not assessed an initial sales charge, allowing the entire purchase to be invested in the fund. However, if you redeem your investment within a prescribed time period, you will be assessed a charge called a "Contingent Deferred Sales Charge" or CDSC. CDSC periods usually expire in 4 to 7 years. The maximum amount of the CDSC is usually between 3.50% and 5.00% and declines the longer you hold your shares. Often when the CDSC period expires, your shares "convert" from Class B to Class A. This conversion allows you to pay lower ongoing internal expenses. We have an incentive to recommend Class B shares because we can earn more selling these shares than we can on Class A shares. This creates a conflict of interest, but we have procedures in place to mitigate the conflict.

Class C Shares - Class C shares charge higher internal expenses than Class A shares. Class C shares usually are not assessed a front-end sales charge. Class C shares assess a CDSC if you redeem your investment within a short time period, typically the first 12 to 18 months of ownership. CDSCs for Class C shares are usually 1.00%. Class C shares do not "convert" to Class A shares, which means that the higher internal expenses continue throughout your ownership of Class C shares. Among Class A, B, and C shares, Class C shares typically have the highest internal expenses, which will reduce your returns. We have an incentive to recommend Class C shares because we can earn more over time when selling these shares versus other share classes. This creates a conflict of interest, but we have procedures in place to mitigate the conflict.

The Financial Industry Regulatory Authority (FINRA) maintains a Mutual Fund Expense Analyzer tool on its website at https://tools.finra.org/fund_analyzer/ that may help you in making a decision about which share class is best for you.

Mutual Fund Breakpoint Disclosure Statement

Before investing in mutual funds, it is important that you understand the sales charges, expenses, and management fees that you will be charged, as well as the breakpoint discounts to which you may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your particular needs and may help you reduce the cost of your investment.

For more information, you may visit the FINRA website. While we believe the information on the FINRA Web site to be reliable, we cannot guarantee its accuracy. To view the full Breakpoint Disclosure Statement visit the FINRA website.

Sales Charges - Investors that purchase mutual funds must make certain choices, including which funds to purchase and which class share is most advantageous. Each mutual fund has a specified investment strategy. You need to consider whether the mutual fund's investment strategy is compatible with your investment objectives. Additionally, most mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge you different fees and expenses depending upon your choice of share class. As a general rule, Class A shares carry a "front-end" sales charge or "load" that is deducted from your investment at the time you buy fund shares. This sales charge is a percentage of your total purchase. As explained below, many mutual funds offer volume discounts to the front-end sales charge assessed on Class A shares at certain pre-determined levels of investment, which are called "breakpoint discounts." In contrast, Class B and C shares usually do not carry any front-end sales charges. Instead, investors that purchase Class B or C shares pay asset-based sales charges, which may be higher than the charges associated with Class A shares. Investors that

purchase Class B and C shares may also be required to pay a sales charge known as a contingent deferred sales charge when they sell their shares, depending upon the rules of the particular mutual fund.

Breakpoint Discounts - Most mutual funds offer investors a variety of ways to qualify for breakpoint discounts on the sales charge associated with the purchase of Class A shares. In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase. Generally, as the amount of the purchase increases, the percentage used to determine the sales load decreases. In fact, the entire sales charge may be waived for investors that make very large purchases of Class A shares. Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through "Rights of Accumulation," and future purchases, based upon "Letters of Intent." This document provides general information regarding Rights of Accumulation and Letters of Intent. However, mutual funds have different rules regarding the availability of Rights of Accumulation and Letters of Intent. Therefore, you should discuss these issues with your financial professional and review the mutual fund prospectus to determine the specific terms upon which a mutual fund offers Rights of Accumulation or Letters of Intent.

Rights of Accumulation – Many mutual funds allow investors to count the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase, to qualify for breakpoint discounts. Moreover, mutual funds allow investors to count existing holdings in multiple accounts, such as IRAs or accounts at other broker-dealers, to qualify for breakpoint discounts. Therefore, if you have accounts at other broker-dealers and wish to take advantage of the balances in these accounts to qualify for a breakpoint discount, you must advise your financial professional about those balances. You may need to provide documentation establishing the holdings in those other accounts to your financial professional if you wish to rely upon balances in accounts at another firm.

In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. You should consult with your financial professional or review the mutual fund's prospectus or statement of additional information to determine what these rules are for the fund family in which you are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should advise your financial professional about these accounts. You may need to provide documentation to your financial professional if you wish to rely upon balances in accounts at another firm.

Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current net asset value (NAV) of existing investments in determining whether an investor qualifies for a breakpoint discount. However, a small number of funds use the historical cost, which is the cost of the initial purchase, to determine eligibility for breakpoint discounts. If the mutual fund uses historical costs, you may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your financial professional and review the mutual fund's prospectus to determine whether the mutual fund uses either NAV or historical costs to determine breakpoint eligibility.

Letters of Intent – Most mutual funds allow investors to qualify for breakpoint discounts by signing a Letter of Intent, which commits the investor to purchasing a specified amount of Class A shares within a defined period of time, usually 13 months. For example, if an investor plans to purchase $50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a Letter of Intent at the time of the first purchase and receive the breakpoint discount associated with $50,000 investments on the first and all subsequent purchases. Additionally, some funds offer retroactive Letters of Intent that allow investors to rely upon purchases in the recent past to qualify for a breakpoint discount. However, if an investor fails to invest the amount required by the Letter of Intent, the fund is entitled to retroactively deduct the correct sales charges based upon the amount that the investor actually invested. If you intend to make several purchases within a 13-month period, you should consult your financial professional and the mutual fund prospectus to determine if it would be beneficial for you to sign a Letter of Intent.

As you can see, understanding the availability of breakpoint discounts is important because it may allow you to purchase Class A shares at a lower price. The availability of breakpoint discounts may save you money and may also affect your decision regarding the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts

with your financial professional and carefully review the mutual fund prospectus and its statement of additional information, which you can get from your financial professional, when choosing among the share classes offered by a mutual fund. If you wish to learn more about mutual fund share classes or mutual fund breakpoints, you may wish to review the investor alerts available on the FINRA Web site.

http://www.finra.org/investors/alerts/mutual-fund-breakpoints-break-worth-taking.

Money Market Funds – Money market funds typically seek to achieve a stable share price of $1. However, there is no guarantee that the share price will not fall below $1. You can reduce your risk in a money market fund by carefully selecting it based on the type of investments it is permitted to make (for example, limiting investments to U.S. government securities). For additional information, carefully review the prospectus for any money market fund you choose and speak with your financial professional.

7. STRUCTURED PRODUCTS

Structured products typically combine features of traditional investments, like bonds, with derivative instruments, like options. This approach creates a product that can provide returns based on performance of underlying assets like individual stocks, a market index, or other benchmark. Such returns will vary depending on the structure of the product and the pre-set level of participation. While these products can provide enhanced yield, there are also risks involved. Structured products are complex and investors should carefully consider their risks and costs prior to investing. For these reasons, structured products are generally appropriate only for sophisticated investors.

Principal Protected Notes - A principal protected note, or structured note with principal protection, is a complex product that generally includes a bond and a derivative component. Usually, these products offer a full or partial return of principal at maturity. Unlike mutual funds or similar products, structured products do not reflect ownership in any underlying basket of assets, but instead represent promises to pay from issuers of the products. Often these products combine a zero coupon bond with an option or similar derivative product where the payoff ties to an underlying index or benchmark. The combination of the features is designed to return principal at a particular maturity date, either in full or in part, depending on the product structure. The investor typically also participates in any return generated from the benchmark or asset, but according to the product specifications and the participation rate. For example, if the product offers a participation rate of 80 percent on the underlying benchmark, which returns 10 percent, the issuer would credit the investor's note with an 8 percent return. For this reason, the return of the notes may be significantly less in comparison to a direct investment in the underlying benchmark or asset. The principal protection feature of the product is guaranteed by the product issuer, and thus is subject to the credit risk (or paying ability) of the issuer. Depending on the product, the issuer guarantee may be as much as 100 percent or as little as 10 percent, depending on the product. In most cases, the principal guarantee only applies to notes held to maturity, so early liquidation negates the guarantee.

Reverse Convertibles - A reverse convertible is a type of structured product typically consisting of a high-yield, short-term note of an issuer that is linked to the performance of an unrelated reference asset – usually a common stock, a basket of stocks, an index or other instrument. It is typical that a reverse convertible will have a maturity date ranging from three months to a year. And while the coupon rate on the note portion of the security is usually higher than the yield on a traditional debt security of the same issuer with the same maturity, it carries more risk. This is because the investor could receive less than the principal invested if the value of the reference asset has fallen below a certain level, which is typically referred to as the "knock-in" level. Also, the investor may receive a specified number of shares of common stock of the issuer (or the equivalent in cash), which may be more or less than the initial investment. Some view a reverse convertible as a type of put option on the reference asset in exchange for an above-market coupon rate. You should not purchase a reverse convertible if you are not prepared to take ownership of the underlying reference asset. The features of each reverse convertible determine what return the investor will receive. Reverse convertibles with reference assets that are highly volatile will usually offer a higher coupon rate. These securities can be complex in their structure, which may make it difficult to understand the costs, risks and potential benefits. Because the note component of a reverse convertible is an unsecured debt obligation of the issuer, the ability of the issuer to pay the coupon payments is subject to the ability of the issuer to pay (credit risk). This is in addition to the market risk related to the price of the reference asset. Some reverse convertibles have

call provisions giving the issuer the ability to call the investment for redemption before its maturity. Finally, there are often complex tax situations associated with investment in these products. You should carefully discuss the product features, including the payout structure, call structure, the reference asset, and whether you will participate in any appreciation of the reference asset before you make a decision to invest. While XP does not provide tax advice, we encourage you to discuss the product with your tax advisor if you have questions about its tax implications.

Basket Option - Basket option paying at expiration the positive (call) or negative (put) performance of a basket of equities, equity indices or ETFs. The final payment at expiration can be made into a combination of calls, puts, digitals, forwards and cash. Basket performance is the weighted performance of individual components of the basket.

Best/Worst - This note pays the invested principal plus a percentage of the return of basket elements, with weights linked to the ranking of their returns. The Basket Return is the weighted sum of the (floored) returns of the underlying assets, where the first weight corresponds to the best performing asset and the last weight corresponds to the worst performing asset.

Phoenix - This note is an extension of the AutoCallable note. The Phoenix note has all the features of the AutoCallable note, plus an extra feature which is a Coupon Calendar. For each date in the Coupon Observation Calendar the worst performing underlying is observed.

Autocallable - This note pays an early redemption amount if an Early Redemption Event has been triggered. If no Early Redemption Event has been triggered the note will pay a Final Redemption amount at expiration.
An Early Redemption Event has occurred if all of the underlying assets trade above the Early Redemption Barrier on any of the Early Redemption Dates. If an Early Redemption Event occurs on one of these dates, we will immediately receive the Early Redemption Amount corresponding to that date, and the note will expire.
If an Early Redemption Event never occurs on any of the Early Redemption Dates and none of the underlying assets trade under the Low Barrier on any of the Barrier Observation Dates, the note holder will obtain the payoff notional final payoff at the Maturity date. If an Early Redemption Event never occurs on any of the Early Redemption Dates and any of the underlying assets trade under the Low Barrier on any of the Barrier Observation Dates, we obtain the payoff Max at expiration.

Autocap - This note pays the owner on each date in the Coupon Payment Calendar a coupon defined as notional amount times the coupon rate. The coupon rate on each Coupon Payment Date will be variable and will be determined as the greater of the average of the share performances for all of the shares in the underlying basket on the relevant Coupon Valuation Date and the Global Floor. The Share Performances are calculated as follows:
For each Reference Security and with respect to each Coupon Valuation Date, if the Valuation Share Price is greater than or equal to the Strike, Share Performance is equal to the Auto Cap. If the Valuation Share Price is less than the Strike, the Share Performance is equal to the greater of: (1) the quotient, expressed as a percentage, of (a) the Valuation Share Price minus the Strike, divided by (b) the Strike, and (2) the Floor.

Stellar - This note pays the owner on each date in the Coupon Payment Calendar a coupon defined as notional amount times the coupon rate. The Coupon Rate on each Coupon Payment Date will be variable and will be determined as the greater of the arithmetic average of the Share Performances for all of the Shares in the Underlying Basket on the relevant Coupon Valuation Date and zero. For each of the Shares in the Underlying Basket, Share Performance on the Coupon Valuation Date is determined as the lesser of: A) Final Share Price divided by the Initial Share Price, minus one and expressed as a percentage, and B) Cap. However, if the result above for any of the Shares on any Coupon Valuation Date is below the Floor, then the Floor will be used for the relevant computation of the Share Performance for such Share on the relevant Coupon Valuation Date.

Equity Linked Note Callable Knock-Out - Pays a redemption amount if the barriers terminate (knock out) when the asset reaches a specified trigger level between inception and expiration. The down-in feature is an additional condition to redemption and is found only in the down-in equity-linked subtype. In the down-in subtype, knocking the barrier does not cause early redemption. Rather, it determines the value of the redemption price if the bond reaches maturity. If the bond does not knock out before maturity, the redemption price is dependent on the down-in feature/level; the final redemption is the "protection" price if the asset is never below the down-in level at any of the observation dates. On observation dates,

if the underlying equity price is above the Strike Level, payment is made using the Above Coupon percentage. Otherwise, payment is made using the Below Coupon percentage.

Equity Linked Note Down-In Knock-Out - Pays a redemption amount if the barriers terminate (knock out) when the asset reaches a specified trigger level between inception and expiration. The down-in feature is an additional condition to redemption and is found only in the down-in equity-linked subtype. In the down-in subtype, knocking the barrier does not cause early redemption. Rather, it determines the value of the redemption price if the bond reaches maturity. If the bond does not knock out before maturity, the redemption price is dependent on the down-in feature/level; the final redemption is the "protection" price if the asset is never below the down-in level at any of the observation dates. If the asset is below the down-in level at least on one of the observation dates, then Final Payoff = (Final Price / Spot Price) * 100) %, also depending on a cap and a floor. If the bond knocks out prior to maturity, the redemption is at the autocall level instead.

Shark Fin - The Shark Fin pays a rebate if an Early Redemption Event has been triggered. If no Early Redemption event has been triggered, the product will pay a customized payoff on a basket performance at expiration. Early Redemption supports at expiration, discrete, and continuous single and double barrier. The payoff at expiration can be made into a combination of calls, puts, digitals, forwards and cash. Basket performance is the weighted performance of individual components of the basket.

Autocallable on Weighted Basket - Variation of Autocall where early and final redemption are based on weighted basket rather than worst performing underlying.

Asian Basket - Standard Asian option on weighted basket. Asian option pays different between strike and average spot from start to maturity.

Lookback - Standard lookback option on a single equity. This option gives holders the right to buy or sell option at the best possible price.

Timer Option - The Timer Call is an exotic option in that it allows buyers to specify the level of volatility used to price the instrument. Instead of a dealer needing to use an implied volatility to use in pricing the option, the volatility is fixed, and the maturity is left floating. As a result of this, the Timer Call allows the pricing of call and put options on underlying securities for which ordinary options are not priced. Dealers in a normal option are exposed to the difference between the volatility they estimate and the realized volatility, whereas in a Timer Call, this risk is much diminished.

Variance Swap - Standard variance swap which pays the holder an option to trade realized variance on an equity index or stock on one leg with a fixed strike on another.

Call/Put on Variance - An exotic structure which pays a vanilla call or put option contingent on realized variance or volatility until maturity is higher than a barrier.

Illiquidity: Structured products are intended to be held until their maturity, which can range from several months to many years. While there may be secondary markets for structured products, issuers are not under an obligation to provide one. And, selling prior to maturity can result in losses due to asset volatility and other factors, including the fact that there may be a limited number of buyers. Buyers of structured products should maintain sufficient investments and income such that they are not relying on the money being invested in structured products for current income or liquidity needs. Depending on the structure of the product, investors may not receive interest payments, dividends or distributions.

Callable: If a structured product has a call feature, the issuer (not the investor) may have the ability to call the investment for redemption before its maturity, potentially creating the risk of reinvesting in a lower interest rate environment. Review the prospectus for more detail about call features of a particular product prior to investing.

Creditworthiness: Principal protection as well as interest payments on structured products are guarantees of the issuer of the note. They are therefore subject to the creditworthiness of the product issuer. While a structured note may carry the

issuer's rating, the rating is not related to market risk. XP encourages clients to review the creditworthiness of any issuer before purchasing a structured note. Also, to the extent a product involves an FDIC insured certificate of deposit, principal is only protected up to $250,000 per depositor in each insured bank.

Taxes and Fees: Structured products often contain higher fee structures than traditional securities such as stocks or bonds. XP encourages you to review the prospectus and fact sheets for more information about the cost structure of the product you may be considering purchasing. Structured products, including debt and put options, can have complex tax implications. Consult your tax advisor for full information regarding the tax consequences of a structured product before you make a purchase decision. Interest on principal protected notes may be subject to Original Issue Discount tax based on the interest rates for investments issued near in time. Carefully review the prospectus and disclosures for more information on taxes and fees before investing. Structured products held in non-qualified accounts may be subject to tax requirements relating to recognition of "phantom income" on the investment even though there may be no actual income paid.

Risks to Principal and Return: Not all structured notes offer full principal protection. If the product you are purchasing includes downside exposure to the underlying asset, you could lose some or all of your investment. When principal protection is offered, it is subject to the paying ability (credit risk) of the issuer, and is generally only valid if the investment is held to maturity. Even if the underlying or reference asset performs well, an investor may receive significantly less than the performance of that asset.

Sophisticated Investor: Structured products are appropriate for experienced and sophisticated investors capable of understanding and bearing the risks of investing in structured products.

8. EXCHANGE TRADED PRODUCTS

Exchange Traded Funds (ETFs) are subject to market risk, including the possible loss of principal. The value of the portfolio will fluctuate with the value of the underlying securities. ETFs trade like a stock, and there will be brokerage commissions associated with buying and selling exchange traded funds unless trading occurs in a fee-based account. ETFs may trade for less than their net asset value.

An **exchange-traded note** (ETN) is an unsecured debt obligation (bond) of an issuer, typically a financial institution. Unlike traditional bonds, ETNs do not pay interest payments. Rather, the issuer promises to pay the holder of the ETN an amount determined by the performance of an underlying index on the maturity date of the ETN (less certain fees). ETNs trade on exchanges at prices determined by market factors, but do not hold assets or replicate the performance of an underlying index. An ETN may offer leveraged exposure (e.g. 2X) or a promise to pay a multiple of the index it tracks. Inverse ETNs offer to pay the opposite of the performance of the indexes they track, and leveraged inverse ETNs pay a multiple of the opposite of the performance indexes tracked. Some leveraged, inverse or leveraged inverse ETNs are designed to achieve their stated performance objectives on a daily basis and "reset" their leverage or inverse exposure on a daily basis.

Leveraged and inverse ETNs are short-term, speculative trading tools and are not intended for buy-and-hold investing. Due to the resetting of its leverage factor, a leveraged ETN that is designed to deliver a multiple of the performance of an underlying benchmark on a daily basis will not necessarily deliver that multiple over longer periods such as weeks, months or years. Some ETNs are callable and/or may be subject to accelerated maturity dates at the issuer's discretion.

Because of compounding, performance of these products over longer periods of time can significantly differ from the stated multiple of performance (or inverse of performance) of the underlying benchmark during the same period of time. Leveraged, inverse or leveraged inverse ETNs can have monthly resets or even no resets. There are other risks inherent in ETN investing, including credit risk (the risk that the issuer of the ETN will be unable to fulfil its obligations / may default on the note). ETNs have liquidity risk and because ETNs are traded on markets, they subject investors to market risk which is generally not assumed by investors investing in traditional debt.

Exchange Traded Funds (ETFs) are similar to mutual funds in that they are registered investment companies, but different in that they are traded on an exchange. Some ETFs are not registered investment companies and invest in things such as

commodities, currencies or other instruments. ETF shares typically trade throughout the day on an exchange at prices established by the market. Leveraged ETFs seek to deliver a multiple of the performance of the benchmark they track. Inverse ETFs seek to return the opposite of the performance of the benchmark they track.

Leveraged ETFs seek to return a multiple (i.e., 200%) of the daily return of the fund's underlying index. Inverse ETFs seek to return the opposite of the daily return of the fund's underlying index. An inverse and leveraged ETF seeks to return the inverse of a multiple of the daily return of the fund's underlying index. Leveraged and/or inverse ETFs utilize complex investment strategies which include futures contracts and options. The investment strategies utilized by leveraged and/or inverse ETFs can result in the position being subject to increased volatility, particularly if held for multiple market sessions and can result in significant losses due to compounding. **Leveraged and/or inverse ETFs are generally short-term investments that are not appropriate to hold for a long period of time.** Transactions in leveraged and/or inverse ETFs can result in higher operating expenses and management fees, as there may be frequent turnover for these positions. Complex investment strategies utilized in ETNs and ETFs that are inverse and/or leveraged may result in a greater tax obligation than that of another security.

You are encouraged to review the prospectus, which contains additional risks, prior to purchasing any ETF or ETN.

9. OPTIONS

Options can serve multiple purposes, including income strategies, hedging and speculating. Because options investing is complex, it is generally reserved for experienced investors. Commissions on options can be substantial and the more options you trade, the more we earn. For that reason, we have an incentive to recommend more transactions, and this creates a conflict of interest. We have procedures to mitigate these conflicts. For more detailed information about options, download and review the options disclosure document here: https://www.theocc.com/about/publications/character-risks.jsp

Uncovered Options

There are special risks associated with uncovered option writing that expose the investor to potentially significant loss. Therefore, this type of strategy may not be suitable for all investors approved for options transactions.

The potential loss of uncovered call writing is unlimited. The writer of an uncovered call is in an extremely risky position and may incur large losses if the value of the underlying instrument increases above the exercise price.

As with writing uncovered calls, the risk of writing uncovered put options is substantial. The writer of an uncovered put option bears a risk of loss if the value of the underlying instrument declines below the exercise price. Such a loss could be substantial if there is a significant decline in the value of the underlying instrument.

Uncovered option writing is thus suitable only for the knowledgeable investor who understands the risks, has the financial capacity and willingness to incur potentially *substantial* losses, and has sufficient liquid assets to meet applicable margin requirements. In this regard, if the value of the underlying instrument moves against an uncovered writer's options position, the investor's broker may request significant additional margin payments. If an investor does not make such margin payments, the broker may liquidate stock or options positions in the investor's account, with little or no prior notice in accordance with the investor's margin agreement.

For combination writing, where the investor writes both a put and a call on the same underlying instrument, the potential risk is unlimited.

If a secondary market in options were to become unavailable, investors could not engage in closing transactions, and an option writer would remain obligated until expiration or assignment.

The writer of an American-style option is subject to being assigned an exercise at any time after he has written the option until the option expires. By contrast, the writer of a European-style option is subject to exercise assignment only during the exercise period.

Note: It is expected that you have read the booklet entitled Characteristics And Risks Of Standardized Options, also known as the Options Disclosure Document (ODD) and the subsequent October 2018 Supplement and November 2012 Supplement. In particular, your attention is directed to the chapter entitled Risks of Buying and Writing Options.

This statement is not intended to enumerate all of the risks entailed in writing uncovered options.

Options trading is not suitable for all investors.

For additional information, please visit The Options Clearing Corporations at https://www.theocc.com/.

10. LOW PRICED EQUITY SECURITIES

“Penny Stocks”

Penny stocks are generally low-priced shares of small companies not traded on an exchange or quoted on NASDAQ. XP does not make recommendations that its clients purchase, sell or hold penny stocks. Nor does XP provide research or information about penny stocks. If you decide to buy and sell penny stocks, you must do it based on your own research and information. This means that no one at XP has recommended that you purchase, hold or sell the security. Penny stocks can be very risky investments. There is often limited information available about penny stock issuers. Prices are not often available. You may be unable to sell a penny stock you purchase. Thus, you may lose your investment.

11. ALTERNATIVE INVESTMENTS

Other types of alternative investments include private placements, limited partnerships, oil and gas programs, equipment leasing, managed futures, business development corporations, and Section 1031 exchanges. Each of these products has unique features and is limited to sophisticated investors who understand the risks related to the product. Alternative investments have substantial risk and are illiquid investments, meaning they cannot be sold to obtain a return of principal. As a result, they are only appropriate for a limited number of investors. Additionally, they have substantial fees, including initial and ongoing fees. We earn substantial fees on the sale of these products, so we have an incentive to sell them over other products. This creates a conflict of interest. However, we maintain procedures to mitigate these conflicts. Each alternative investment has a prospectus or offering document that details risks, costs and other conflicts you should consider before investing.

12. SECURITIES BACKED LINES OF CREDIT (NON-PURPOSE LOANS)

Securities Backed Lines of Credit (“SBLC”) or Non-Purpose Loans (“NPL”) are loans based on the value of securities held as collateral in a brokerage account at XP Investments US, LLC. XP facilitates collateral accounts (the accounts where the collateral for the loan is held) and loans are made by either Banco XP S.A. (a Brazilian bank and affiliate of XP Investments US, LLC) or through XP’s unaffiliated clearing broker, Pershing, LLC. In either case, if you desire to take a loan on the value of your securities, you will be required to sign a loan and pledge agreement with terms and conditions set by the lender. These terms will include limitations on the types of collateral that may be used for the loan and requirements to maintain collateral at certain loan-to-value ratios. The lender will maintain control over the collateral account. This means you will not have the authority to issue instructions in the account as you would in a typical brokerage account. You will need the lender’s prior approval before any instructions regarding the collateral may be executed. XP or the lender may force the sale of securities in the account without giving notice or without allowing you to choose which securities to sell.

Funds obtained through SBLC may not be used to purchase securities or reduce a margin loan in a brokerage account. XP may limit your ability to transact in your other accounts if upon review it appears that the proceeds of any SBLC loan have been deposited into another account with XP.

SBLCs have risks and downsides. If the value of the securities you pledge as collateral declines, you may be required to come up with extra money or collateral very quickly or your positions may be liquidated. Lenders may make the decision to sell your collateral with little or no notice to you. This may cause tax and other consequences. If your portfolio is not diversified since a single market event could cause a rapid decline in the value of your collateral. Make sure you understand the terms under which a lender may call the loan or demand additional collateral. The lender may impose a margin call that ultimately results in the sale of your collateral, whether or not you desire to liquidate the collateral. Make sure you understand whether you will receive dividends or interest payments from your underlying collateral, or whether those payments will be credited to your loan balance. Also, if your interest rate is variable, and interest rates rise, the rate on your loan may increase. If this happens, the cost of your loan may increase significantly. Carefully review your loan agreement for the applicable interest rate and the lender's ability to increase the rate.

Depending on your specific loan terms, your interest may be paid from redemptions of your money market fund collateral or a bank sweep. Or, interest may be rolled into the balance of the loan, which can erode the value of your account over time or increase your indebtedness. Also, depending on the underlying collateral, you may pay more on the loan in interest than you earn on the collateral. Finally, it may be difficult to transfer your account to another broker if you have a collateral account because you may have to pay off the loan before you move your account.

For more details, carefully review the specific lending and collateral agreement related to your SBLC. Make sure you fully understand the details of your agreement with the lender. SBLCs are just one type of securities-based lending offered to investors. Other types of lending include margin and stock-based loan programs. Also, be aware that your lender may change the loan collateral or account margin requirements without notice to you. XP or the lender may increase its "house" margin maintenance requirement at any time and may not provide you with advance notice. You will not be entitled to extensions of time on margin calls.

XP offers SBLC collateral accounts as an accommodation to its clients and does not recommend that its clients obtain the loans or open such accounts. Nevertheless, if you open a collateral account and purchase the collateral securities through XP we will earn commissions or markups on the sale of the collateral to you. Additionally, if your lender is Banco XP, our affiliate stands to earn interest and fees on the loan and may share a portion of these fees with XP and/or your financial professional. Therefore, we have an incentive to facilitate your SBLC and collateral account. Review your lending agreement to ensure you understand the fees you will pay.

13. CONFLICTS OF INTEREST

A conflict of interest is a factor that has the potential to influence our decision when we make recommendations to you involving your brokerage account(s) with us. We are required to act in your best interest without putting the interest of our firm or our financial professionals over yours. Conflicts we have are primarily financial incentives that relate to the manner in which we earn compensation and/or financial incentives we have related to our product and service providers. As outlined above, we offer a wide range of products and services. Some of these have greater potential for conflicts than others. Our compensation varies depending on the type of products and services you select. For this reason, we have outlined in various parts of this document and in our Customer Relationship Summary (Form CRS) what those conflicts are. We have also developed procedures to mitigate conflicts of interest where possible.

Our conflicts fall into several categories. We summarize those conflicts below. However, you should also read the information above and consider the conflicts listed in a specific product's prospectus or offering document as well.

Third-Party Compensation

As discussed in our Form CRS, we receive payments from third parties, primarily our clearing brokers and our product sponsors. This compensation falls into several categories.

Product Sponsors

We receive revenue sharing from product sponsors. Revenue sharing is a payment from a product sponsor to sell their products. There are several types of revenue sharing payments we can receive. Specifically, we receive payments to offset the costs of our conferences and events where we provide training and other information about their products to our financial professionals. We also receive payments based on our total sales of a sponsor's product or total client assets held with a product sponsor. We also receive compensation from product sponsors based on total client investments we hold with them (including sweep accounts like money market or bank sweep accounts), assets, and profitability of the business sold by our financial professionals.

We receive continuing commissions (also referred to as trail commissions or marketing and distribution fees) from product sponsors. This trail compensation is disclosed in the prospectus or offering document and for mutual funds is typically referred to as a "12b-1" fee. Trail commissions are shared with our financial professionals. These fees are paid by the product sponsors from the assets of the investment, typically as an annual percentage of the amount invested and range from 0.25% to 1% annually for mutual funds and up to 3% annually for alternative investments. We have a financial incentive to recommend products to you that pay us higher ongoing "trail" commissions. See the product prospectus for the specific fees related to your product.

Our financial professionals may also receive marketing reimbursements from product sponsors for expenses related to marketing their products like educational meetings and marketing tools. These payments are made only to our firm and must be approved by supervisory personnel before being paid to representatives. Additionally, the payments may not be conditioned on selling products offered by the particular sponsor offering the marketing support.

Our product sponsors sometimes provide non-cash compensation to our financial professionals in the form of educational events, seminars, and promotional items including meals and entertainment. Additionally, under regulatory rules, occasional gifts (not to exceed $100 per sponsor, per year) may be accepted by our financial professionals.

Clearing Broker

Our clearing brokers pay us fees and provide us with products and services that can influence us to use them. Also, in some cases, we may rely on our clearing brokers to obtain best execution of our client's transactions. These factors create a conflict that clients should consider in deciding whether to accept our recommendation of a clearing broker's services.

Cash Settlement Accounts

If you have an account with one of our clearing firms, and uninvested cash in the account is held as a free credit balance or automatically moved or swept into money market or short-term government funds, we receive a share of the revenue earned from your funds being held in these programs, either from our clearing firm or product sponsors. These arrangements create an incentive for us to recommend that you maintain cash balances in your account. We can earn up to 50 basis points (or 0.50%) on the balances you hold in these accounts, which can be higher than the interest you are paid on the balances, and in addition to any other fees you pay us. Your financial professional may earn a portion of the fees we earn on your cash balances.

Investment Advisory Referrals

We may refer you to various third-party investment advisers for the management of all or a portion of your investments. If you engage a recommended third-party investment adviser with which we have a referral compensation agreement, we

will receive a referral fee. Referral fees are typically a portion of the advisory fee you pay to the recommended third-party investment adviser. These compensation arrangements present conflicts of interest due to the financial incentives for us to make the referrals to third-party investment advisers with which we have referral arrangements over those with which we do not. You are not required to use the services of any third-party adviser we recommend.

Credit Cards

We offer credit cards to our clients through an unaffiliated card issuer with which we maintain a partner agreement. We received a substantial initial incentive payment to enter into the agreement with the card issuer and we receive a one-time fee for each new account opened by our clients who we refer to the card issuer. This fee varies by the type of card account opened. The higher the annual fee on the card, the greater our initial one-time initial fee. If we meet certain goals, including opening a minimum number of accounts each year, we also receive a percentage of the revenue (billings) on each credit card account. As part of our agreement, and in exchange for our receipt of the incentive payment, we have agreed to engage in marking efforts with our clients in order to encourage application for a card account. This is a conflict of interest because we have an incentive to refer you to the card issuer with which we have the partner agreement, and this card issuer may not be the least expensive card option available to you.

Affiliate/Other Compensation

XP acts as the introducing broker-dealer for some transactions its financial professionals effect as the portfolio manager in advisory accounts. Our Investment Advisor has a conflict of interest in recommending XP and its clearing brokers because we receive economic benefits from our clearing brokers such as a share of the interest on margin account balances, and other economic benefits which are based on the number and size of the accounts and balances carried with our clearing brokers. Receipt of economic benefits by us, our management personnel, or our financial professionals creates a conflict of interest that can impair our objectivity when recommending XP or its clearing brokers.

We may buy and sell your investment through our own accounts and we can earn a profit on the transaction (principal transactions). This creates a conflict in that our interests are opposed. We hold our own positions, and may fill your order with those positions. We receive additional compensation on these transactions. Your financial professional will also receive compensation when we trade on a principal basis. We will send you a transaction confirmation which includes important disclosures, including our compensation.

We offer proprietary investment funds that are managed by XP Advisory. For this reason, we have an incentive to recommend these products over others since we earn more money selling these products and our affiliate earns money when we sell their services. For more details on these funds, including fees and risks, please see the offering document.

XP facilitates SBLC loans and holds collateral accounts as an accommodation to its clients. If you open a collateral account, and purchase the collateral securities through XP, we will earn commissions or markups on the sale of the collateral to you. Additionally, if your lender is Banco XP, our affiliate stands to earn interest and fees on the loan. Therefore, we have an incentive to facilitate your SBLC and collateral account.

Financial Professional Compensation

In addition to the information outlined above, our financial professionals are compensated in several ways based on their role in our organization.

Some of our financial professionals who are employees of XP are compensated through salary with an opportunity for a bonus twice per year. The bonus is determined based on individual performance and an available bonus pool. This bonus is

not specifically tied to the revenues generated from customer accounts in that it is a factor of overall performance rather than a percentage of net revenue earned on the financial professional's accounts.

Another group of financial professionals receive a percentage of net revenue generated (securities commissions, concessions, fees, advisory fees, etc.) and receive a bonus if they meet goals related to the value of client assets (accounts) brought into the Firm over a specified period of time. For this group of financial professionals, the percentage of net revenue generated does not fluctuate over time but instead is fixed. However, due to the possibility of a bonus, this compensation structure creates an incentive to recommend that you bring your assets (account) to XP. The more products they sell, the more assets they manage, and the more business they transact, the more they can earn.

Another group of financial professionals who are employees of XP are compensated based on a percentage of net revenue generated (securities commissions, concessions, fees, advisory fees, etc.). Some of these employees can earn a higher percentage of net revenue when they achieve certain production thresholds. This structure creates an incentive for these employees to recommend more transactions since they can earn more compensation, particularly those who earn more when they meet certain production thresholds. The more products they sell, the more assets they manage, and the more business they transact, the more they can earn.

As a result, our financial professionals have a financial incentive to encourage more transactions and encourage you to bring more assets into your account.

Financial professionals may have outside business activities whereby they can earn additional compensation. They may also maintain personal securities accounts whereby they transact for their own account. These activities can impact the recommendations you receive from the financial professionals and/or adversely impact orders you place. These activities can create a conflict with your interests. However, we maintain procedures to mitigate these conflicts.

Other Conflicts

Trading Errors

Trading errors are mistakes that may occur during the process of placing, executing, or settling a trade on behalf of our clients. These errors can include, but are not limited to, the following: incorrect order entry (e.g., wrong security, quantity, or price), duplicate orders, misallocation of trades among client accounts, inaccurate trade settlement or reconciliation, failure to execute a client's order in a timely manner, etc. Trade errors can occur for a variety of reasons, including human or system errors, incorrect order entry, or communication breakdowns. These errors can result in financial losses or other unintended consequences for the client or the Firm. When a trading error occurs, we may incur financial losses or liabilities and we may face potential conflicts of interest in addressing and resolving trading errors. For example, we may have an incentive to prioritize the resolution of trading errors that have a more significant financial impact on our firm over those that have a lesser impact, irrespective of the effect on individual clients, or to prioritize error corrections to certain clients or accounts over others. We have established procedures to identify and resolve trading errors as quickly as possible and in a fair and consistent manner.

Dual Role of the Chief Compliance Officer

Our Chief Compliance Officer ("CCO") is responsible for overseeing and ensuring compliance of XP Investments US with all applicable laws, rules, and regulations. In addition to these responsibilities, our CCO also serves in a similar capacity for one or more of our affiliated companies, including XP Advisory. This dual role creates the potential for conflicts of interest, as the CCO's duty to our firm and its clients may at times conflict with their duty to the affiliated companies and their clients.

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ADDITIONAL INFORMATION

For additional information about our services, visit our website www.xpi.us and refer to your account and/or investment advisory agreement.

FINRA BROKERCHECK

For additional information about XP and our financial professionals, visit FINRA BrokerCheck at https://brokercheck.finra.org.