
Regulation Best Interest Disclosure

Your brokerage relationship with AE Financial Services, LLC

Regulation Best Interest (“Reg BI”) establishes a standard of conduct for broker-dealers and its associated persons when making recommendations to retail investors that involve securities transactions or strategies.

This AE Financial Services, LLC (“AEFS” or “we” or “our”) Regulation Best Interest Disclosure (“Disclosure”) provides information about the scope and terms of the relationship and business practices of AEFS with clients in addition to any material conflicts of interest. This Disclosure provides an overview of items you may wish to consider when deciding whether to work with AEFS and its registered representatives.

Best interest obligation

When we make a recommendation of any securities transaction, investment strategy or account type we will act in your best interest. We must have a reasonable basis for believing the recommendation or investment strategy, including hold recommendations, are appropriate and in your best interest at the time of the recommendation based on your investment profile and the risks, benefits, cost, and fees associated with the recommendation. We will not put our financial interests ahead of yours when making recommendations.

Scope of services

AEFS is registered as a broker-dealer with the U.S. Securities and Exchange Commission and is also a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

In our capacity as a broker-dealer, AEFS offers the buying and selling of investments and variable annuity and insurance products on a transactional basis. Neither AEFS nor your registered representative provides ongoing monitoring of your brokerage account or variable insurance products. We do not make investment decisions for you or take discretion in your brokerage account; we will only place transactions in your account at your direction, and/or with your approval following your registered representative recommendation.

Fees and costs

Our fee schedule provides you with important information regarding the material fees and costs associated with your brokerage account. The commission and costs vary depending on the product type. Regardless of the investment you purchase, the commission, investment expenses, or purchase charges will be detailed in the investment’s prospectus or private placement memorandum (“PPM”). If you have questions regarding fees and costs you should discuss them with your registered representative. Our fee schedule can be found at ae-fs.com/disclosures.

Conflicts of interest

A conflict of interest is defined as an interest that might incline a firm or registered representative, consciously or unconsciously, to make a recommendation that is not disinterested. AEFS had identified conflicts of interest which can be found in the AEFS Client Relationship Summary (“Form CRS”). This Disclosure provides additional information related to conflicts of interest that exist between you, AEFS and your registered representative.

Conflicts related to product and services

Limited product offerings. We do not primarily recommend one type of securities to clients. Instead, we recommend investment products designed to be in the best interest of each client, relative to that client’s specific circumstances and needs. AEFS’s registered representatives are limited to what products they offer you based on what securities are available on our custodial platform and our approved products list. Therefore, there are products and services available from other financial services firms not available through AEFS. Additionally, you may pay more or less with AEFS than if you purchased similar products and services through other financial services firms.

Brokerage and directly held accounts. If an account is held directly with a product issuer, AEFS receives compensation that is shared with the registered representative when transactions are executed for such accounts. The compensation AEFS receives differs depending on the type of security, nature of the transaction, amount invested, how the transaction is executed, and who pays the compensation. AEFS and its registered representatives earn compensation that differs from one transaction or security to the next, or from one type of security to the next.

Fixed income securities. Registered representatives may apply mark-ups or mark-downs on the purchase or sale of fixed income securities. Fixed income products include brokered certificates of deposit, municipal bonds, corporate bonds, mortgage-backed securities, and government agency bonds/notes. Your registered representative is compensated either by commission or through a mark-up/mark-down. A mark-up/mark-down is the difference between the prevailing market price for the bond and the price that you will pay or receive. A mark-up/mark-down represents the total compensation earned by a dealer (i.e., AEFS) for executing the trade on your behalf.

Ticket charges. Depending on the product there may be different transaction charges. Some products have ticket charges. In some instances, registered representatives bear additional costs for ticket charges that could incent him or her to sell products without ticket charges or with lower ticket charges.

Conflicts related to compensation

Mutual fund share class differential compensation. Mutual funds offer multiple share classes with varying expense structures. Each share class invests in the same portfolio of securities and has the same investment objectives and policies. However, each class has different expense structures. The appropriate mutual fund share class for you depends on several factors including your investment objectives, investment time horizon, and liquidity needs. AEFS and its registered representatives receive different compensation based on the mutual fund share class you invest in.

The internal operating expenses assessed by a mutual fund, as well as the timing and amount of compensation received by AEFS, will vary between the different share classes and may affect the overall performance of your investment. Class A shares assess a higher front-end sales charge. This sales charge may decrease when larger investments are made to the fund, which is known as a breakpoint discount. Class C shares assess a contingent deferred sales charge. Both Class A and C shares have higher operating expenses than institutional shares, which may only be available to fee-based investment advisory accounts or qualified retirement plan accounts and/or subject to minimum investment restrictions. Additional information regarding mutual fund share class expenses can be found in the applicable mutual fund prospectus.

Variable annuity and insurance product compensation. Variable annuity and insurance products typically have annual fees and expenses in addition to potential sales and surrender charges and early withdrawal penalties. The annual fees and expenses can include mortality and expense risk charges, administrative fees, underlying fund expenses relating to the investment subaccounts, and charges for special features, such as enhanced death benefits, guaranteed minimum income benefits, principal protection, etc.

Insurers may offer variable annuity and insurance products with different shares classes (e.g., A/B/C/L/X shares). The principal difference between the share classes is that you will be charged different fees and charges depending on the class you choose. Typically, share classes with shorter surrender periods will carry higher charges and fees than share classes with longer surrender periods. It is important to select the most appropriate share class based on how long you expect to own the product, your need to access funds, whether you desire living benefits and/or enhanced death benefits and other important factors. Since fees are paid from the amount you invest, they can reduce your potential investment return. Variable annuity and insurance products pay AEFS and its registered representatives' different levels of commissions depending on the product or share class recommended. Refer to the product's prospectus for important information about the contract or policy, including fees and charges, investment options, death benefits and annuity payout options.

Investment product differential compensation. AEFS and its registered representatives receive higher or lower commission compensation depending on the investment product being recommended. For example, a variable annuity product may pay a higher commission than a mutual fund product. The investment products that result in higher compensation to AEFS generally will also have higher operating expenses. The appropriate investment product type for you will depend on several factors as determined by your particular situation and stated investment objectives.

Forgivable loans. Your registered representative might qualify for a forgivable loan offered by our firm. This loan does not increase the cost of fees charged to you. Your registered representatives can qualify for a forgivable loan due to their transition from another firm, production level or length of service. Any transition loan received by a registered representative is forgiven over a period of years, based on the registered representative remaining associated with AEFS.

Conflicts related to third-party payments

AEFS sometimes will receive additional compensation from certain third parties, including issuers of mutual funds and variable annuity and insurance products, custodians and 529 plan providers. These payments, referred to as "third-party payments" include variable product sales charges; gross dealer concessions; revenue sharing payments; 12b-1 fees; distribution, volume-based fees; fees for seminars and educational programs; and any other compensation, consideration

or financial benefit provided to AEFS by a third-party as a result of a transaction involving your account. These third-party payments are not paid by you. They are paid by the Third-Party Payor in addition to the standard fees and transaction-based commissions paid in connection with account investments and will vary based upon AEFS's agreement with the Third-Party Payor.

AEFS uses the third-party payments to offset costs associated with conducting due diligence, costs associated with operations and marketing, paying for certain educational conferences and seminars about investment products for its registered representatives, and as general revenue. Except for 12b-1 fees, AEFS does not share any third-party payments directly with registered representatives.

In exchange for third-party payments, Third Party Payors receive additional access to registered representatives, such as being invited to firm conferences or seminars, that is not provided to product issuers or other third parties that do not provide third-party payments. This access to registered representatives provides product issuers with additional opportunities for marketing, and education, and training on their investment products. Registered representatives do not directly receive or share in these payments; however, they receive an indirect benefit of additional education and training related to the product issuers' products and services.

Gifts and Entertainment. Registered representatives may also receive gifts and entertainment from product issuers, as allowed within the scope of applicable securities laws, rules, regulations and AEFS's policies and procedures. Gifts and entertainment may include an occasional meal, tickets to a sporting event or show, other similar entertainment, or promotional items.

Additional information

Additional information about AEFS can be found at ae-fs.com. A copy of the AEFS Client Relationship Summary is available at ae-fs.com/disclosures/ or we can be reached by phone at (866) 363-9595.