Regulation Best Interest Disclosure:

Investment Recommendations

Overview

This document contains important information about how Robinhood Financial LLC ("Robinhood"), an SEC-registered broker-dealer, makes investment recommendations to retail customers to invest in a portfolio of broad-based Exchange Traded Funds ("ETFs") through the use of a web-based mobile interface ("Recommendations"). When Robinhood makes a Recommendation to you, it is doing so as a broker-dealer, and the Recommendation will be made in your best interest, without placing the interest of Robinhood ahead of your interests. Below you will find more detailed information regarding the types of products Robinhood may recommend, the fees and expenses associated with these Recommendations, and material facts about the conflicts of interest that are associated with the Recommendations we make. This document is supplemental to other disclosure documents you have previously received that also contain relevant and important information, such as the RHF Form CRS, RHF-RHS Customer Account Agreement and the Robinhood Fee Schedule.

What is an ETF?

ETFs are a type of exchange-traded investment product, generally a registered pooled investment vehicle, offering investors the opportunity to invest in a diversified[1] portfolio of investments by purchasing one product. ETFs trade on a stock exchange, allowing you to easily buy and sell shares. When you invest in an ETF, your money is pooled with other investors' money and that money is invested in stocks, bonds, currencies, or other assets (depending on the ETF you are investing in) and you receive an interest in that pooled investment in the form of a share or fractional share of the ETF.

ETFs vary in their investment focus and objectives, which can be defined by industry, region, sector, index, etc. You should always read an ETF's prospectus before investing in it, which is made available to you as part of the Recommendation experience. The prospectus contains detailed information about the ETF's investment strategy and objectives, risks, costs, expenses, and historical performance. Past performance is not a guarantee of future results, and you can lose money investing in ETFs.

[1] Diversification does not ensure a profit or guarantee against a loss.

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Who can receive ETF portfolio Recommendations?

Robinhood first trade Recommendations are limited to customers who have not yet placed a security trade or completed their investment profile within their Robinhood brokerage account. Additionally, Recommendations are not available to customers who reside in the State of Massachusetts. There is no account minimum requirement to open or maintain a brokerage account with Robinhood. However, recommended trades may only be placed for amounts of $20.00[2] or more, which requires you to fund your account with at least $20.00 to place a recommended trade.

How we make ETF portfolio Recommendations

↣ Determining Your Risk Profile

Robinhood's proprietary technology is designed to collect information about you and analyze your investor profile to provide you with a Recommendation for a diversified portfolio of ETFs designed to be in your best interest based on the information you provided at the time you provided it. It's very important that you provide Robinhood with accurate answers to the questions because this information is the primary basis of our Recommendation, and although we do check for potential response errors, we do not independently validate the accuracy of the information you provide. We will ask you a set of questions to learn about your investment experience, financial situation, risk tolerance, outside investments, investment objectives, and time horizon – Robinhood's proprietary technology analyzes this information and assigns an overall risk profile to you. Because all of your answers are taken into account when assigning a risk profile, it is possible that even if you indicate that you are not comfortable taking on a lot of risk we may recommend a portfolio that carries more risk than you indicated you are comfortable with in order to balance your other needs such as your investment objectives or your time horizon.

↣ Constructing a Portfolio

Robinhood then recommends a portfolio of four ETFs, leveraging our proprietary technology to both select the ETFs and to determine what sort of asset allocation meets your overall risk profile. Robinhood's asset allocation and portfolio construction methodology was designed and tested by licensed investment professionals utilizing the industry-accepted theories and frameworks of Modern Portfolio Theory, the Black-Litterman Model, and Capital Asset Pricing Model. Each of the four ETFs represents a different asset class of varying degrees of risk. While all investing is risky, certain asset classes are traditionally considered riskier than others. So, if you have a lower risk profile, your

[2] Robinhood allows customers to invest in any single security with as little as $1. Since the portfolios we recommend allocate no less than 5% in any single ETF, the minimum investment amount we support in a recommended portfolio is $20.

recommended portfolio will have a larger percentage of the "pie" allocated to, for example, a total bond fund ETF because bonds are generally considered less risky than stocks. Whereas, if a higher amount of risk is appropriate for you, Robinhood will allocate more of the portfolio to a higher-risk asset class, like an emerging markets ETF. See the section entitled "Information and Risks Related to ETFs," below for additional information about each of the ETF asset classes we may recommend to you.

You will be presented with detailed information about the four ETFs that are recommended for you, as well as the asset allocation of your ETFs (or portions of the "pie") that are recommended for each one within the overall portfolio, as well as the reason why each ETF was recommended to you. It is important that you review all of this information, including the ETF prospectuses that are provided to you, before you make a decision as to whether you want to invest in the recommended portfolio. The Recommendation will be for a portfolio comprising specific dollar-based percentages of each ETF, and is not a recommendation to purchase any one individual ETF outside of this portfolio allocation. Whether you choose to invest in the portfolio that is recommended to you or not, the Recommendation will not be valid in the future. All Recommendations are only valid at the time they are generated because your financial information, assumptions driving your asset allocation, and the information about the ETFs is subject to change at any time.

↣ What's Not Included

Although Robinhood collects a lot of information from you, there are certain pieces of information that we do not collect or use to make your Recommendation. For instance, we do not ask for information about tax status, as that portion of your investment profile would not impact the way your Recommendation is created since your account is an individual taxable brokerage account, and is not designed to be tax efficient or tax exempt. We do not take into account any: (a) free stock rewards credited to your account as part of a Robinhood promotional offer, or (b) assets that you hold with our non-brokerage affiliates, for purposes of evaluating your financial situation or determining how much risk is appropriate for your recommended portfolio. We also do not ask about your liquidity needs since we only recommend highly-liquid ETFs. By leveraging a machine-based Recommendations engine, there are limitations to the technology's ability to understand and recognize different portions of your investor profile which may be more nuanced than it is able to understand. If you have information that you feel is important to Robinhood's understanding of your financial situation, and that information is not collected by our questionnaire, you should not act on a Recommendation from Robinhood.

Additionally, your ETF portfolio Recommendation is only based on a point-in-time snapshot of your financial situation based on your answers to the questionnaire. Robinhood does not provide ongoing monitoring of your investments, and will not be able to tell you if an ETF should be sold from your portfolio, if your portfolio should be rebalanced, or if your financial situation changes resulting in your investments no longer being considered suitable or appropriate for you. Additionally, Robinhood will not vote proxies on the ETFs being recommended given they are only a point in time Recommendation. You are solely responsible for monitoring your investments once you have purchased them. Any future purchases you make in the assets within a recommended portfolio would not be considered a Recommendation by Robinhood, and would be entirely self-directed.

Fees and Costs Related to ETF Portfolio Recommendations

Robinhood does not directly charge you any fees for making an ETF Recommendation or for placing the related recommended trades. However, all ETFs have fees and expenses related to owning the investment. These are called expense ratios, and they tell you how much of your investment will be deducted annually to pay the ETF's manager for operating expenses. Expense ratios are expressed as a percentage of total net assets. Expense ratios negatively affect your investment returns, and should be carefully considered before making an investment decision. Refer to the ETF's prospectus for detail regarding its expense ratio.

Additionally, ETFs can have varying tax consequences depending on the type of ETF and underlying investments it holds, the type of account you hold the ETF in, and the amount of time you hold the ETF before selling it. You should consult with a tax professional to understand whether a particular ETF investment is appropriate for your financial and tax situation. Robinhood does not provide tax advice or financial planning.

Robinhood receives indirect compensation in the form of payment for order flow (see section directly below for additional information) which conflicts with your interest. Additionally, there are other fees and expenses associated with having and using your Robinhood brokerage account, such as margin interest, subscription fees for Robinhood Gold, regulatory and exchange fees, fees for paper copies of certain documents, and more. For complete information about the various fees and costs that you may incur in your Robinhood account, please refer to the Robinhood Fee Schedule and the Form CRS. Although these fees are not directly tied to the Recommendations we make to you, these fees and expenses may still negatively impact your overall Robinhood brokerage account returns.

Material Limitations on Robinhood Recommendations

Robinhood Recommendations are currently only available via mobile app. We **only** recommend ETFs as part of your recommended portfolio, and no other type of investment product is eligible for inclusion. The universe of ETFs available to recommend to you is limited to the ETFs available on the Robinhood platform. As a result, Robinhood does not have access to the full universe of ETFs available on the market. Robinhood only recommends low cost, index-based ETFs representing four asset classes: total US stock market, foreign developed market stocks, emerging market stocks, and total US bonds. We limit the universe of asset classes and ETFs to these types based upon what our licensed investment professionals and proprietary quantitative analysis (including, but not limited to, historical performance, costs and risks measures) believe is in your best interest.

All recommended ETF portfolios will comprise the same four ETFs, but with different allocations corresponding to your specific investment objectives and financial situation. While Robinhood will only recommend a universe of four ETFs at any given time, the ETFs representing each asset class may change from time to time depending on which ETFs available on the market best meet Robinhood's criteria for inclusion. We will re-verify our investment universe criteria at least quarterly. This will be determined by comparing available ETFs using a number of factors, including the ETF's assets under management, trading volume, expense ratio, and tracking error (how well an ETF tracks to its benchmark). Robinhood considers reasonably available alternatives when selecting the universe of ETFs we recommend to you.

Compensation to Robinhood for Recommendations and Other Conflicts of Interest

There are some material facts about conflicts that exist when Robinhood makes Recommendations to you using its proprietary Recommendations technology. It is important you understand these conflicts before deciding to accept our Recommendation.

Although Robinhood does not charge you any commissions or fees for the Recommendation we make to you, Robinhood still makes money from the trades you place as a result of receiving the Recommendation, and for other general account products and services not directly related to the Recommendation or resulting trades. These are considered conflicts to your interest.

Some examples of revenue that Robinhood may earn, related – directly or indirectly – to the ETF Recommendations we make to you, are:

- Robinhood earns revenue from your trade activity and therefore has a monetary incentive for you to trade more. This is called Payment for Order Flow, or PFOF. Specifically, we earn revenue from third-party market centers to which we route your orders. This creates an incentive for us to route orders to market centers who pay or rebate us for such orders, subject to our best execution requirements. Each market center to which we route orders pays rebates at the same rate and so Robinhood does not distinguish between these markets on the basis of rebates. Robinhood seeks best execution for every order and leverages firm governance to oversee and supervise regular and rigorous reviews of trade execution independent of PFOF revenue.
- If you trade on margin, Robinhood earns money from the interest you are charged on your margin balance and does so on a 360 day annual cycle.
- Robinhood earns interest on uninvested cash deposited in the Insured Network Deposit Sweeps Program. If you fund your Robinhood brokerage account, but don't invest all of the cash held in your account and you have enrolled in our Cash Management Program, your uninvested cash balance will automatically sweep to the Program Banks and Robinhood will earn interest revenue from cash you deposited with the Program Bank(s).

For more information on how Robinhood makes money, including payment for order flow ("PFOF") please refer to the Form CRS, the Customer Agreement that governs your Robinhood account, our 606 Report within the Disclosure Library, and our blog post on Demystifying Payment for Order Flow.

Robinhood has other conflicts of interest that may impact the Recommendation you receive. The below is a summary of these conflicts:

- Robinhood Financial LLC's affiliate and clearing broker-dealer, Robinhood Securities, LLC ("RHS"), is responsible for executing your fractional share order. To the extent that RHS has sufficient inventory in its principal account to facilitate your fractional order, RHS will execute your fractional order in a principal capacity. If RHS does not have sufficient inventory for your fractional order, it may source additional shares from external venues, and provide you an execution price that RHS received from external venues in a riskless principal capacity. When it acts as principal, RHS may make money or lose money on a transaction, depending on a variety of factors.
- Certain staff, who are either associated persons of the broker-dealer or not, may have outside business activities which may be seen as conflicting with your interest.

- Robinhood Financial is a wholly-owned subsidiary of Robinhood Markets, Inc. ("Robinhood Markets"). Robinhood Markets has other subsidiaries which are not broker-dealers, and the activities of these other subsidiaries create conflicts of interest between Robinhood Financial and the other Robinhood Markets subsidiaries, including competing priorities, shared services and other more nuanced conflicts surrounding resource allocation.
- Robinhood may have relationships with certain vendors who are also providers of other services for affiliates. Additionally, directors, officers, or owners may have relationships with other service providers for Robinhood.

Information and Risks Related to ETFs

The following is important information regarding each of the four types (asset classes) of ETFs that may be recommended to you:

- **US Total Stock Market:** A US total stock fund is an ETF that is designed to track the entire investable universe of stocks in the United States. Total stock funds are ideal for investors who want exposure to the overall equity market at a low cost. Total stock funds are broad-based; holding large, medium, and small cap companies and can have less volatility since they can hold hundreds or even thousands of stocks in their portfolio.
- **Emerging Markets:** An emerging market ETF focuses on the stocks of emerging market economies, such as Latin America, Asia, and Eastern Europe. An emerging market economy is one that is currently developing from a closed economy to one that is a market economy. Emerging market investments can provide higher returns but correspondingly also higher risks, given the instability in many emerging market countries. Investing in an emerging market ETF can bring diversity to an investment portfolio as they are less correlated to U.S. equities.
- **Foreign Developed Markets:** Developed market ETFs can help investors gain relatively broad diversification through access to hundreds of large, medium, and small cap individual holdings across the world's most advanced economies outside of the US. A developed market belongs to a highly productive, industrialized country with an established rule of law. Developed markets can include, for example, Japan, the United Kingdom, France, Canada, and Australia.
- **Total US Bond Fund:** A total US bond ETF seeks to replicate a broad bond index. A total bond fund owns many fixed income securities across a range of maturities, from both public and private sectors. The most common index used as a benchmark is the Barclays Aggregate Bond Index, which captures Treasury bonds, corporate bonds, municipal bonds and high-grade mortgage-backed securities. A total bond fund tracks the performance of its underlying index, which in turn monitors the entire bond market. Investing in a total bond fund gives investors the

same exposure to the bond market as more traditional bond investments allow. Robinhood only offers fixed income securities in the form of ETFs.

Together, these asset classes represent a large portion of the overall investable universe. Stocks, despite their high volatility, offer investors the opportunity for long-term capital growth. Bonds have lower return expectations but may provide a cushion for stock-heavy portfolios during economic turbulence due to their low volatility and low correlation with stocks. Including global stock market assets allows investors to diversify their stock exposure and invest in a more risk-efficient portfolio, essentially gaining diversification benefits without sacrificing potential returns.

Equity securities are subject to price fluctuation and possible loss of principal. Fixed-income securities involve interest rate, credit, inflation and reinvestment risks; and possible loss of principal. As interest rates rise, the value of fixed income securities falls. International investments are subject to special risks including currency fluctuations, social, economic and political uncertainties, which could increase volatility. These risks are magnified in emerging markets.

Although ETFs are designed to provide investment results that generally correspond to the performance of their respective underlying indices, they may not be able to exactly replicate the performance of the indices because of expenses and other factors. ETF shares are bought and sold at market price, which may be higher or lower than their net asset value. ETFs are required to distribute portfolio gains to shareholders at year end. These gains may be generated by portfolio rebalancing or the need to meet diversification requirements.

You should consider the investment objectives and unique risk profile of ETFs carefully before investing. Detailed information is available for each recommended ETF in the ETF's prospectus, which Robinhood makes available to you at the time of the Recommendation, and is also available directly from the ETF issuer. Additional regulatory guidance on Exchange Traded Products can be found at the SEC website and at the FINRA website (here and here).

While we will take reasonable care in developing and making Recommendations to you. However, securities involve risk, and you may lose money. There is no guarantee that you will meet your investment goals or that our recommended investment strategy will perform as anticipated.