

**Item 1 – Cover Page**

# **Third Sigma Investment Advisors LLC**

## **Form ADV Part 2 Brochure**

This Brochure provides information about the qualifications and business practices of Third Sigma Investment Advisors LLC. If you have any questions about the contents of this Brochure, please contact us at 302-295-4990. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Third Sigma Investment Advisors LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Third Sigma Investment Advisors LLC is 151188.

Third Sigma Investment Advisors LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training.

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Brochure prepared on February 28, 2024

## **Item 2 – Material Changes**

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) in January of 2023.

Material changes.

None

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting George Cones, Managing Member and Chief Compliance Officer, at 302-656-1111 or [George.cones@thirdsigmaadvisors.com](mailto:George.cones@thirdsigmaadvisors.com). Our Brochure is also available on our web site [www.thirdsigmaadvisors.com](http://www.thirdsigmaadvisors.com), free of charge.

Additional information about Third Sigma Investment Advisors LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with Third Sigma Investment Advisors LLC who are registered, or are required to be registered, as investment adviser representatives of Third Sigma Investment Advisors LLC.

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## **Item 4 - Advisory Business**

Third Sigma Investment Advisors LLC, (“Third Sigma”, “We” or “the Firm”) is a registered investment advisor providing investment advice and portfolio management services. George Cones founded Third Sigma in 2009. George Cones is the majority owner of Third Sigma. We provide asset allocation advice and discretionary implementation services for our clients, which means that we invest client portfolios on their behalf. We also provide custom advisory services on a project basis to institutional clients with larger investment portfolios.

Our professionals have over 30 years combined investment experience. This experience infuses our work and advice with a level of experience and expertise that we believe is often missing in other investment advisory firms. We aim to put our client’s interest first. We offer sophisticated investment strategies based on diversification among and within asset classes, usually melding best-in-class active managers with index funds and Exchange Traded Funds (ETFs), to minimize underlying investment management expenses, which we believe to be a drag on many other investors’ performance.

Our experience tells us that it makes sense to align our interests with those of our clients. Therefore, we do not act as a broker dealer or provide custody services. We do not receive commissions or other fees from third parties. Such arrangements are often filled with potential conflicts of interest.

Our fees are typically asset-based, based on total client assets, which we believe aligns our interests with our clients and helps us focus on the client’s long-term success. We believe our fee structure is extremely competitive.

### **Our Philosophy**

We offer low-cost sophisticated investment solutions that serve the client first. We believe that it makes sense to implement client portfolios efficiently. By definition, any over-payment in fees and expenses reduces the investment return that clients and/or the plan participants receive. Some examples of how we invest client portfolios efficiently are below.

We invest dedicated equity and fixed income portions of client portfolios in mutual funds and ETFs managed by well-established investment firms with proven track records. For larger client we may use Separately Managed Accounts. We often use passive investments (index funds and index ETFs) that track well-known market indexes and market segments. We feel in many cases passive investments out-perform active managers over the long term. Use of these active-passive strategies tends to reduce the overall underlying investment management cost of client portfolios.

### **Our Process**

Our investment process seeks to add value to client accounts in the following ways:

- Customized Asset Allocation
- Prudently transitioning out of legacy Positions (held prior to engaging Third Sigma) using tax-efficient strategies
- Cost-Effective Portfolio Implementation

- Ongoing and Systematic Allocation

We work with the investor to understand the cash flow needs, return objectives, risk tolerances, as well as any legal and policy constraints which would impact investor objectives. Typically, depending on the investor's objectives, we determine how we would proceed to build a cost-effective diversified portfolio.

We ask our clients to give us full discretion over the asset allocation implementation and rebalancing as we feel that value can be added in this way. With full discretion to adjust the asset allocation within limits and, to rebalance when appropriate, we are fully accountable for our performance and fully accountable to clients for their results.

Our clients may impose restrictions on investing in certain securities or types of securities. However, since we invest the majority of our clients' portfolios in very diversified global portfolios mutual funds and ETFs, we consult with each client to discuss how such restrictions can be efficiently and practically accommodated.

### **Investment Advice and Portfolio Management**

As stated above, we provide discretionary portfolio management services and consulting services to individuals, trusts, estates, charitable organizations, as well as retirement plans which includes pension and profit-sharing plans.

Investment advice and portfolio management is provided on a continuing basis that includes the appropriate allocation of managed assets among stocks, bonds, cash and alternative investments. Individual securities as well as investment vehicles such as mutual funds and ETF's may be utilized. The selection of specific securities aims to provide proper diversification to meet the client's stated investment objectives within agreed upon risk tolerance parameters and the individual client's tax sensitivity. We do not provide investment advice only with respect to limited types of investments.

We offer services and solutions to retirement plans and plan sponsors. These services include: (i) a variety of investment options, including equity, fixed income and money market options utilizing mutual funds or ETFs; (ii) investment monitoring and reporting services; (iii) design and implementation of employee enrollment and education programs; and (iv) working with other plan professional, such as third-party administrators, actuaries, and custodians. We also provide and manage model portfolios for those clients who desire those services.

We strive to offer plan sponsors and participants a choice of competitively priced investment solutions. Third Sigma recommends institutional share class mutual funds and low-cost ETF's when possible. We do not engage in any revenue-sharing with the funds that we recommend or select for clients.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

We prefer to be engaged as a 3(38) or 3(21) Fiduciary. In any case, a provider in the retirement services must:

- Meet a professional standard of care when making investment recommendations (give prudent advice);
- Never put our financial interests ahead of yours when making recommendations (give loyal advice);
- Avoid misleading statements about potential conflicts of interest, fees, and investments;
- Follow policies and procedures designed to ensure that we give advice that is in your best interest;
- Charge no more than is reasonable for our services; and
- Give you basic information about potential conflicts of interest.

### **Other Services**

We provide Educational Seminars and workshops to individuals related to our pension and consulting services. In addition, we may provide newsletters to the public. There is no charge for these services.

Our assets under management as of February 27, 2024, are \$112,648,739, \$17,669,613 managed on a non-discretionary basis and \$94,979,126 managed on a discretionary basis. Due to unique types of accounts that we manage, assets vary inter-year and vary prior to year-end by \$40-50 million, which means that assets under management in November are greater than year-end.

## **Item 5 - Fees and Compensation**

### **Fee Schedule(s)**

- Our Advisory fees range from 0.10% to 0.55% (10-55 basis-points) depending upon a number of factors, including portfolio size, and complexity of the financial services being performed.
- Our fee range charged to Pension and Profit-Sharing Plans is from 20-40 basis points depending upon a number of factors, including portfolio size, and complexity of the financial services being performed.

Advisory fees are negotiable.

Our fees are typically due and payable monthly or quarterly, in advance, and are based upon the net asset value of the account(s) as of last day of the month/quarter for the previous month or quarter. If requested, we can also charge quarterly or monthly in arrears, based upon the net asset value of the account(s) as of the last day of the month/quarter for the previous month or quarter. We recommend that fees be deducted from client's account(s) since the client will see the effect on client returns. For most accounts, fees are debited monthly or quarterly within five (5) days of the respective quarterly or monthly period.

Fees are calculated by multiplying the assets under management by the relevant percent and dividing such product by four if quarterly and twelve if monthly. Accounts opened in mid-billing period are assessed a pro-rated management fee.

If the account starts in the middle of a quarter or month, the management fee is prorated for the number of days remaining in the quarter or month. If an account is terminated in the middle of a quarter or month, the fee will be calculated based on the value of the account on the day of termination, prorated for the number of days in the quarter the account was under management. Although fees may be negotiated in some instances, they are generally based upon the above fee schedule.

Fees are calculated on an incremental basis and are subject to change with 30 days written notice. Notwithstanding the above, certain clients of Third Sigma with pre-existing relationships may initially be charged fees less than those set out above. With regard to employee-related accounts and certain other accounts, fees may be less, depending upon a number of factors, including portfolio size, length of employment and relationship to the employee.

To the extent mutual funds are selected for a client Third Sigma's annual advisory fee set forth above does not include the customary fees and expenses associated with investing in mutual funds or other costs of establishing and maintaining an account with mutual funds. While Third Sigma strives to select only low-cost institutional mutual funds with competitive fees, these fees will generally include a management fee by the mutual fund manager, other fund expenses, and a possible distribution fees, for which you bear a proportionate share. We do not receive any compensation from mutual fund providers such as 12(b)(1) fees, and since the fees are deducted from an account, performance is net of these fund fees.

To reiterate, all fees paid to Third Sigma for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, ETF's and separate account managers. These fees and expenses are described in each fund's prospectus. Accordingly, the client should review both the fees charged by the funds and the fees charged by Third Sigma to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

### **Minimum Account Size**

Our minimum account size is typically \$300,000.00. This minimum is negotiable and client accounts may be aggregated to achieve the minimum. Fees and account sizes are subject to negotiation. In addition, we reserve the right to refuse to accept proposed management responsibilities or to resign from the management of any individual account.

### **Termination**

The relationship between Third Sigma and clients may be terminated by either party upon thirty (30) days written notice depending on the individual contract terms. Upon termination of any account, any prepaid, unearned fees will be promptly paid by client, and any earned, unpaid fees will be due and payable. Our client agreements also require that all fees will be paid within thirty (30) days of client's receipt of a statement from Third Sigma.

The "Brokerage Practices" section further describes the factors that we consider in selecting or recommending broker-dealers for transactions and determining the reasonableness of their compensation (e.g., commissions).

In addition, we do not employ any employee that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which Third Sigma provides consulting or advisory expertise / services. As a result, we are a "fee only" investment adviser. We do not have any potential conflicts of interest present that relate to any additional (and un-disclosed) compensation from clients or client assets that we manage.

## **Item 6 - Performance-Based Fees and Side-By-Side Management**

We do not charge any performance-based fees, meaning fees that are based on a share of capital gains on or capital appreciation of the assets of a client. We do not participate in side-by side management.

## **Item 7 - Types of Clients**

We provide our services to a number of Clients:

- Individuals, including high net worth individuals
- Trusts, estates and charitable organizations
- Corporations or other business entities
- Pension and profit-sharing plans

Our minimum account size is typically \$300,000.00, as stated above.

## **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

### **General Risks**

**Cash and Cash Equivalents:** A client accounts generally maintain significant cash positions from time-to-time. Clients will pay the Investment Management Fee based upon the net asset value of the Account, including cash and cash equivalents. The Account can also forego investment opportunities to hold cash positions if we consider it in the best interests of the Accounts.

**Interest Rate Fluctuation:** The prices of securities in which the Advisor invests may be sensitive to interest rate fluctuations. Unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions in some of the mutual funds that we use may move in directions which were not initially anticipated.

**Risk of Loss:** All investments in securities include a risk of loss of your principal (invested amount) and any profits that have not been realized (the securities were not sold to “lock in” the profit). As you know, stock markets, bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets we manage that may be out of our control. We will do our very best in the management of your assets; however, we cannot guarantee any level of performance or that you will not experience a loss of your account assets. Investing in securities involves risk of loss that clients should be prepared to bear.

### **Our Investment Strategies**



We offer several investment strategies to you and in doing so may invest in a wide range of securities and other financial instruments.

As financial markets and products evolve, we may invest in other instruments or securities, whether currently existing or developed in the future, when consistent with client guidelines, objectives and policies.

### **Security Analysis**

Our security analysis methods may include: charting, fundamental analysis, technical analysis, and cyclical analysis.

### **Sources of Information**

In conducting security analysis, we utilize a broad spectrum of information, including financial publications, third-party research materials, annual reports, prospectuses, regulatory filings, and company press releases.

### **Investment Strategies**

We employ a range of investment strategies to implement the advice we give to clients including: long-term purchases, short-term purchases, and trading.

### **Frequency Trading**

We do not engage in high-frequency trading.

### **Cash Management**

Each client's custodian "sweeps" non-invested cash balances in client accounts every day into a sweep account (typically a bank sweep account). Since the implementation of the SEC's new money market rules, we have been placing clients in Schwab's purchased money market funds. For most clients we avoid money market funds with liquidity fees and redemption gates and opt for those funds with one-day liquidity.

## **Item 9 - Disciplinary Information**

We do not have any legal, financial or other "disciplinary" item(s) to report to you. We are obligated to disclose any disciplinary event that would be material to you when evaluating us to initiate a relationship, or to continue a relationship with us. This statement applies to Third Sigma and every employee.

## **Item 10 - Other Financial Industry Activities and Affiliations**

Third Sigma is not registered as a Broker Dealer, Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Adviser.

Mr. Cones is an Attorney. Please refer to Mr. Cones 2B supplement for more information.

## **Item 11 - Code of Ethics**

Third Sigma has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Third Sigma Investment Advisors LLC must acknowledge the terms of the Code of Ethics annually, or as amended.

### **Participation in Client Transactions**

We do not participate in clients' transactions.

### **Prohibition on Use of Insider Information**

We have also adopted policies and procedures to prevent the misuse of "insider" information (material, non-public information). A copy of such policies and procedures is available to any person upon request.

Clients or prospective clients may request a copy of our Code of Ethics by contacting us at the address, telephone or email on the cover page of this Part 2.

## **Item 12 - Brokerage Practices**

Third Sigma supervises and directs the investments of the client accounts subject to such limitations as the client may impose in writing. Third Sigma, as agent and attorney-in-fact with respect to the client's account, without prior consultation with the client, may, (a) direct the purchase, sell, exchange, conversion, and otherwise trade in stocks, bonds and other securities including money market instruments, (b) direct the amount of securities purchased, sold, exchanged, and otherwise traded, and (c) place orders for the execution of such securities transactions with third party broker dealers/custodians. We will allocate brokerage transactions in a manner it believes to be fair and responsible to our clients, and consistent with client objectives. Adhering to a strict formula will not be practicable given the variation in client objectives and guidelines.

In certain cases, we may provide advisory services on a non-discretionary basis, and we will recommend a transaction to a client who is responsible for approving such recommendation before the transaction is made. We will select such brokers that can effect transactions at the best price and execution under the prevailing circumstances. In managing investment portfolios, we act in a manner in keeping with what Third Sigma understands and believes to be the best interests of the client.

Mutual funds, ETFs, and in some cases, individual securities, are selected to provide capitalization and style diversification globally in a manner that is expected to achieve the desired balance between expected risk and expected return. Transactions of an unusual nature are discussed with clients before execution.

### **Brokerage and Custodian Selection**

The Adviser has the authority over the selection of the broker to be used and the commission rates to be paid without obtaining specific client consent. The Adviser may recommend brokerage firms as qualified custodians and for trade execution.

We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we/you instruct them to. While we recommend that you use Schwab as a custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you.

### **How we select Brokers and Custodians**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- the breadth of investment products made available (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength, and stability of the provider
- their prior service to us and our other clients
- availability of other products and services that benefit us, as discussed below (see "Products and Services Available to Us from Schwab")

### **Your Brokerage and Custody Costs**

For your accounts that Charles Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by revenue earned on certain trades that it executes or that settle into your Schwab account. Most trades (for example, purchases or sells of stocks, mutual funds and ETFs) may not incur Schwab commissions or transaction fees. Schwab is also compensated by earning interest on the uninvested cash in your account in Schwab's Cash Features Program. Your accounts at Schwab benefit because the overall costs you pay are lower than they would be otherwise. We have determined that having Schwab execute most trades is consistent with our duty to seek the "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors.

### **Products and Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage

– trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we do not have to request them) and at no charge to us as long as we keep our clients' assets in accounts at Schwab. Here is a more detailed description of Schwab's support services:

**Services that Benefit You.** Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

### **Services that May Not Directly Benefit You**

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of our fees from our clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

### **Services that Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

### **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as we keep client assets in accounts at Schwab. This may give us an incentive to recommend that you maintain your account with Schwab based on our interest in receiving Schwab's services that benefit our business rather than based on your interest

in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. It is primarily supported by the scope, quality and price of Schwab's services (based on the factors discussed above – see "How We Select Brokers/Custodians") and not Schwab's services that benefit only us.

### **Benefits Received from Schwab**

Schwab will provide the following: i) services to support the transition and opening of accounts to and from Third Sigma Investment Advisers, and ii) technology, marketing, research, and compliance-related expenses. The Adviser has no obligation to deal with any broker or group of brokers in executing transactions in portfolio securities.

### **Allocation of Investment Opportunities and Orders**

We have adopted the following policies and procedures related to the fair allocation of investment opportunities. These policies are designed to help ensure that each client receives fair and equitable treatment in the investment process:

- Investment ideas and/or research analyst recommendations are equally disseminated among all appropriate investment professionals responsible for selecting investments.
- While many client portfolios have differing investment objectives and size constraints, where transactions in the same security on behalf of more than one client with similar investment profiles, trades are aggregated to facilitate best execution and to reduce brokerage commissions and/or other costs, when possible.
- When orders cannot be aggregated, we employ a trading rotation process that is fair and objective among institutional and private client accounts, managed account sponsors and passively managed accounts.
- Aggregated executions to participating accounts are allocated in a fair, equitable and objective manner and permissible reasons are delineated for deviating from the standard methodology and the related approval requirements.
- Secondary offerings are allocated using our standard methodologies taking into account situations in which securities are allocated by the issuer based on a client's existing holdings.

Our allocation procedures differ for each of our equity strategies.

When orders are generated, the decision on which accounts should participate, and in what amount, is based on the type of security or other asset, the present or desired structure of the various portfolios and the nature of the account's goals. Other factors include risk tolerance, tax status, permitted investment techniques and, for fixed-income accounts, the size of the account and settlement and other practical considerations. As a result, we may have different price limits for buying or selling a security in different accounts. Portfolio information systems, portfolio reports and quality control reports permit us to consider these factors as appropriate.

### **Brokerage Selection and Analysis**

In an effort to achieve best execution, we consider the following factors in selecting brokers:

- Execution capability
- Order size and market depth

- Availability of competing markets
- Trading characteristics of the security
- Availability of accurate information comparing markets
- Quantity and quality of research received from the broker dealer
- Financial responsibility of the broker-dealer
- Confidentiality
- Responsiveness
- Ability and willingness to commit capital
- Availability of accurate information comparing markets
- The technology to process such data
- Other factors that may bear on the overall evaluation of best price and execution

### **Principal vs. Agency Transactions**

We do not participate in principal or agency transactions.

### **Trading Aggregation Practices**

When we trade the same security in more than one client account, we generally attempt to batch or “bunch” the trades in order to create a “block transaction.” Generally, buying and selling in blocks helps create trading efficiencies, prompt attention and desired price execution. We will place all or substantially all transactions to purchase or sell common stocks with the client’s “directed” broker, when applicable. (See **“Directed Brokerage”**) Whenever possible, we will attempt to batch or aggregate trades for clients who use the same directed brokers in order to create a “block transaction.”

The commission amount and per share commission rate will differ between our clients with directed brokerage relationships due to the dollar value and the size (number of shares) of the trade for each account, and the total relationship between the client and their broker. Because each client may differ in portfolio size, investment objective, equity exposure and the extent of the relationship with their broker, we do not negotiate commission discounts on the block transaction itself.

### **Other Fees in Connection with Trading**

In our efforts to achieve best execution of portfolio transactions, we may trade securities for client accounts by utilizing electronic marketplaces or trading platforms. Some of these electronic systems may impose additional service fees or commissions. We may pay these fees directly to the provider of the service or these fees may be included in the execution price of a security. Our intention is that we will only use such systems and incur such fees if we believe that doing so helps us to achieve the best execution of the applicable transaction, taking into account all relevant factors under the circumstances. For example, we will consider the speed of the transaction, the price of the security, our ability to block the transaction and other factors discussed in this Brokerage Practices section in connection with trading of stocks and bonds.

### **Accounts with Different Investment Objectives**

It is possible that we may manage accounts of clients whose investment objectives are substantially different from one another. As a result, it is possible that it would be appropriate for us to sell a security “short” from one account while holding it “long” in another account. This may occur if we manage an account that involves significant short-term trading or pursues unique options strategies. In general, however, our positions with regard to any security will be net long. We seek to avoid a conflict of interest by attempting

to limit such situations to, for example, an instance in which there is a readily available supply of the securities being purchased or sold and the transactions in a security do not affect its market price.

### **Item 13 - Review of Accounts**

Accounts are reviewed by George Cones on at least a monthly basis. When market conditions, economic events or individual issuers prompt immediate review, accounts are reviewed more frequently and may be subject to daily monitoring. This is an ongoing process of analysis to ensure that client objectives are being met and tactical adjustments can be made to respond to changing market conditions.

In addition, all clients receive separate monthly accounting reports from their portfolio custodian detailing all cash and asset transactions and activity. We offer to meet with the client on a quarterly basis or less frequent according to the desire of the client. Reports are forwarded to clients quarterly and include an analysis of all assets under management, and current and historical performance.

### **Item 14 - Client Referrals and Other Compensation**

Third Sigma does not participate in any type of client referrals.

We recommend that our clients use Charles Schwab & Co., Inc. (Schwab). Please refer to Item 12 for additional information.

### **Item 15 - Custody**

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Third Sigma Investment Advisors LLC urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Each client must select a custodian and may be required to pay custodian fees. Also, clients will incur brokerage and other transaction costs in the course of our management of their accounts. (See the section in this brochure entitled, "Brokerage Practices" for a discussion of how we make brokerage decisions that affect client accounts.) Clients will receive account statement from one or more qualified custodians covering the funds and securities in their account(s).

Invoicing: Third Sigma is deemed to have custody of the funds and securities as a consequence of its authority to make withdrawals from client accounts to pay its advisory fee. However, a surprise examination is not required because Third Sigma has written authorization from each client to deduct advisory fees from the account held with the qualified custodian. We send the qualified custodian an invoice or statement of the amount of the fee to be deducted from the client's account.

Standing Letters of Authority: Third Sigma has been deemed to have inadvertent custody as a result of some clients providing us with Standing Letters of Authorization (“SLOA(s)”) to withdraw funds from their portfolio accounts to pay third parties, for example from a separately held account to a jointly held account. Notwithstanding that, a surprise examination is not required as we are relying on the conditions set forth in the No-Action letter issued by the Securities and Exchange Commission on February 21, 2017. Pursuant to the conditions set forth in the No-Action Letter, Third Sigma confirms that (1) our clients provide instructions to the qualified custodian, in writing, that includes the all client signatures, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed; (2) our clients authorize us, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time; (3) Charles Schwab & Co. performs appropriate verification of the instruction, such as a signature review or other method to verify the your authorization, and Charles Schwab & Co. provides a transfer of funds notice to you promptly after each transfer; (4) you have the ability to terminate or change the instruction to Charles Schwab & Co.; (5) we have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the your instruction; (6) we maintain records showing that the third party is not a related party of Third Sigma or located at the same address as Third Sigma; and (7) Charles Schwab & Co. sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16 - Investment Discretion**

Third Sigma usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Third Sigma observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Third Sigma Investment Advisors LLC's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made. Investment guidelines and restrictions must be provided to Third Sigma Investment Advisors LLC in writing.

Third Sigma maintains a Limited Power of Attorney for all discretionary accounts for the purposes of directing and or otherwise effecting investments on behalf of the managed account, for the direct payment of the Company's fees and or the payment of commissions, custodial fees and or other charges incurred by the managed account. We do not participate in wrap account management.

## **Item 17 - Voting Client Securities**

Third Sigma generally constructs client portfolios using mutual funds and ETFs, rather than individual securities. Therefore, we generally do not have the occasion to vote proxies on individually held securities. That said, as a company, we take matters of shareholder rights very seriously and view the proxy, or right



to vote, as an asset of our clients' account(s). It is the policy of the Third Sigma to vote neither for nor against management, but in the best interests of the shareholders.

Clients may also obtain information from Third Sigma Investment Advisors LLC about how Third Sigma Investment Advisors LLC voted any proxies on behalf of their account(s). Clients may obtain a copy of our complete proxy voting policies and procedures upon request.

### **Proxy Voting Policies**

Our proxy voting policies include guidelines concerning auditors, boards of directors, proxy contests, corporate governance provisions, capital structure, compensation, mergers and acquisitions and socially oriented shareholder proposals.

## **Item 18 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Third Sigma Investment Advisors LLC's financial condition. Third Sigma Investment Advisors LLC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding. In addition, we do not require or solicit prepayment of more than \$1200 in fees per client and six months or more in advance.

### **Business Continuity Plan**

We have a Business Continuity Plan that addresses how the Firm will respond to events that may disrupt its business. Our Business Continuity Plan covers data backup and recovery, mission critical systems financial and operational assessments, alternative communications, alternate business locations, regulatory reporting and the assurance of prompt access to funds and securities for our customers. If the main telephone line is inactive, the emergency number is 610-526-2235. If the emergency line is down, please contact your custodian. We will resume operations as quickly as possible (preferably within twenty-four hours) depending on the severity of the business disruption. A detailed Business Continuity Plan is available upon request.

### **Privacy Notice To Customers**

We do not disclose nonpublic personal information about our individual clients or former clients except as permitted by law. We restrict access to nonpublic personal information about you (that we may obtain from your account and your transactions) to those employees who need to know that information to provide products or services to you or to alert you to new, enhanced or improved products or services we provide. We maintain physical, electronic and procedural safeguards that comply with federal standards to safeguard your nonpublic personal information.

Note that corporate, municipal, and other institutional clients may be identified as such in our firm's representative client or reference lists (the identities of individual, i.e., "natural person" clients are never so disclosed absent written client permission).