

# **TWO SIGMA VENTURES, LP**

**March 28, 2024**

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**This brochure provides information about the qualifications and business practices of Two Sigma Ventures, LP. If you have any questions about the contents of this brochure, please contact Two Sigma Ventures, LP at (212) 625-5700. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Two Sigma Ventures, LP also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Two Sigma Ventures, LP is registered with the SEC as an investment adviser under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

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### **Important Note about this Brochure**

This brochure is not:

- An offer or agreement to provide advisory services to any person;
- An offer to sell interests (or a solicitation of an offer to purchase interests) in any fund; or
- A complete discussion of the features, risks or conflicts associated with any fund or advisory service.

As required by the Advisers Act, the Adviser provides this brochure to current and prospective clients and may also, in its discretion, provide this brochure to current or prospective investors in a fund, together with other relevant offering documents, such as a fund's offering memorandum, prior to, or in connection with, such persons' investment in such a fund. The delivery of this brochure to an investor or prospective investor in a fund is not an acknowledgement that the investor or prospective investor is a client under the Advisers Act or that there is any direct client relationship with the Adviser.

Additionally, this brochure is available through the SEC's Investment Adviser Public Disclosure website. Although this publicly available brochure describes investment advisory services and products of the Adviser, persons who receive this brochure (whether or not from the Adviser) should be aware that it is designed solely to provide information about the Adviser as necessary to respond to certain disclosure obligations under the Advisers Act. As such, the information in this brochure may differ from information provided in relevant offering documents. More complete information about each product managed by the Adviser is included in relevant offering documents, certain of which may be provided to current and eligible prospective investors only by the Adviser. To the extent that there is any apparent conflict between discussions herein and similar or related discussions in any offering documents, the relevant offering documents shall govern and control.

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## **Item 2. Material Changes**

This Form ADV, Part 2A brochure provides information about Two Sigma Ventures, LP, and its private investment fund clients. Two Sigma Ventures, LP, filed its most recent Form ADV Part 2A on March 31, 2023. This annual amendment includes several material changes, including but not limited to updates to Item 8 to reflect new and updated material risk factors related to the Adviser's business, including risks related to regulatory developments, artificial intelligence, and Client borrowings, as well as updates to Items 5 and 8 regarding potential and/or actual conflicts of interest faced by the Adviser related to its allocation of fees and expenses and in Item 8 related to follow-on investments. The Adviser also makes updates to improve and clarify the description of its business practices, risk factors, and conflicts of interest, and to respond to evolving industry best practices.

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## Item 4. Advisory Business

### A. General Description of the Adviser

Two Sigma Ventures, LP (“**TSV**”) is a Delaware limited partnership which was formed in 2017. TSV’s principal place of business is located in New York, NY. TSV commenced operations as an investment adviser during the third quarter of 2018. TSV conducted business as a division of Two Sigma Investments, LP (“**TSI**”) from 2012 until commencing operations as a separate adviser in 2018. Two Sigma Management, LLC is the general partner of TSV. Trusts established by John A. Overdeck and David M. Siegel are the principal owners of TSV.

TSV is affiliated with TSI, a Delaware limited partnership, which is an investment adviser registered with the SEC since August 2009, and TSPI, LP, which is an investment adviser registered with the SEC since January 2018, as well as several other investment advisers and other related companies.

In providing services to its clients, TSV is affiliated with entities that serve as the general partners and/or managing members (collectively, along with TSV, the “**Adviser**”) to certain of its Clients (as defined below). Such entities are relying upon TSV’s registration under the Investment Advisers Act of 1940 in accordance with SEC guidance.

### B. Advisory Services

The primary activities of the Adviser are the provision of investment advisory services to investment funds (the “**Funds**”) privately offered to qualified investors (the “**Investors**”), including financial institutions, public and corporate pension funds, endowments, high net worth individuals, family offices and foundations in the United States and elsewhere (each such Fund, including any portfolio that has been capitalized with substantial investments by partners, principals, employees and other affiliates, in each case, of the Adviser or its affiliated entities, collectively referred to herein as “**Clients**”). These Clients are exempt from registration under the Investment Company Act of 1940, as amended (the “**1940 Act**”) and their securities are not registered under the Securities Act of 1933, as amended (the “**Securities Act**”).

The Adviser provides advice to Clients regarding venture capital investments, including negotiated transactions in operating entities (generally referred to herein as “**portfolio companies**”) that utilize advanced science, technology, computing, engineering, and/or mathematics to innovate in their selected market, in which the Adviser believes that its experience provides an edge in the sourcing, evaluation and/or strategic advising and operations of such companies. Certain of the Adviser’s Clients also make limited investments in Digital Assets (defined in the section titled, “Risks Related to Digital Assets” in “**Item 8. Methods of Analysis, Investment Strategies & Risk of Loss**”). The Adviser’s investment advisory services consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments. From time to time, where such investments consist of portfolio companies, senior principals or other personnel of the Adviser or its affiliates serve on such portfolio companies’ respective boards of directors or otherwise act to exert influence or control over the management, operations or other business activities of portfolio companies in which the Clients have invested.

Investment advice is provided directly to the Clients and not individually to the Investors in the Clients. The scope of the Adviser’s advisory services to each Client will be detailed in the applicable offering documents (which could include a private placement memorandum or other disclosure statement, as applicable, and a subscription agreement), investment management agreements, advisory agreements, limited partnership, limited liability company or other operating agreements or governing documents,

and/or side letter agreements negotiated with Investors in the applicable Client (collectively, the “**Governing Documents**”) and are further described below under “**Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.**”

In performing investment advisory services for its Clients, the Adviser has an arrangement with TSI and other entities affiliated with the Adviser (referred to herein collectively as the “**Two Sigma Affiliates,**” and the Adviser together with all of its affiliates, “**Two Sigma**”) whereby the Two Sigma Affiliates provide TSV with advisory personnel and services with respect to certain investments made by such Clients. The advisory services of the Two Sigma Affiliates are described herein. Such advisory personnel will generally provide advice on the review and diligence of potential investments and for other types of support after an investment has been made. TSI will also provide (i) certain services (including legal, compliance and operations), (ii) other administrative services, infrastructure and shared office space, and (iii) the services of shared employees who will be jointly employed by the Adviser and TSI. Such shared employees will be under the direction and supervision of the Adviser in the performance of their duties related to the Adviser. In addition, the Adviser may hire certain employees that are not employees of TSI.

As the investment adviser to a Fund, the Adviser is subject to the investment objectives, guidelines, and any investment restrictions described in the relevant Governing Documents for the relevant Client and generally not tailored to the needs of individual Investors in the vehicle. The Adviser will generally enter into side letters or other similar agreements with certain Investors of Funds that have the effect of establishing rights (including economic or other terms) under, or altering or supplementing the terms of, the other relevant Governing Documents.

Additionally, from time to time and as permitted and governed by a Client’s Governing Documents, the Adviser may provide (or agree to provide) co-investment opportunities (including the opportunity to participate in co-invest vehicles) that it controls to certain Investors or other persons, including other sponsors, market participants, finders, consultants and other service providers, the Adviser’s personnel and/or certain other persons associated with the Adviser and/or its affiliates (*e.g.*, a vehicle formed by the Adviser’s or the Two Sigma Affiliates’ principals) on terms it deems appropriate but will be under no obligation to provide such opportunities (absent a contractual agreement with the specific investor). The Adviser may allocate such available investment opportunities among its Clients, Investors, any co-investors, its affiliates and/or other persons associated with the Adviser and any third parties as it may determine in its sole discretion. The terms of a co-investment may differ from those of a Client, including with respect to the payment of management fees, carried interest and expenses and may include preferential terms and conditions offered only to one or more co-investors. Expenses incurred in connection with any investment that involves a co-investment will generally be allocated among the participating Client and any co-investors on the basis of capital committed to each of the relevant investments or as otherwise set forth in a Client’s Governing Documents. The Adviser shall, in its sole discretion and subject to a Client’s Governing Documents, be authorized to structure any investment opportunity for a Client involving co-investors, other Clients, Two Sigma Affiliates or their clients, or third parties (collectively, “**Other Parties**”) such that the Other Parties do not bear any expenses in connection with unconsummated transactions, and such Client bears all expenses in connection with unconsummated transactions (including the portion that would have been allocated to one or more Other Parties). For more information relating to co-investments and the potential conflicts of interest relating to such transactions, please see “**Item 8. Methods of Analysis, Investment Strategies & Risk of Loss – F. Conflicts of Interest**” in this Brochure.

*The descriptions set forth in this Brochure of specific advisory services that the Adviser offers to Clients, and investment strategies pursued and investments made by the Adviser on behalf of its Clients, should not be understood to limit in any way the Adviser’s investment or other activities. The Adviser may offer any advisory services, engage in any investment strategy and make any investment, including any not described*

*in this Brochure, that the Adviser considers appropriate, subject to each Client's investment objectives and guidelines. The investment strategies the Adviser pursues are speculative and entail substantial risks. Clients should be prepared to bear a substantial or full loss of any invested capital. There can be no assurance that the investment objectives of any Client will be achieved.*

All discussions of the Clients in this Brochure, including but not limited to their investments, the strategies used in managing the Clients, the fees and other costs associated with an investment in the Clients, the risks associated with making an investment in the Clients, and conflicts faced by the Adviser in connection with managing the Clients are qualified in their entirety by reference to each Client's respective Governing Documents.

**C. Wrap Fee**

The Adviser does not provide advisory services under wrap fee programs.

**D. Assets Under Management**

As of December 31, 2023, the Adviser has assets under management of \$1,559,255,432, that it generally manages on a discretionary basis, although investments on behalf of a certain fund-of-one vehicle are subject to an opt-out right.<sup>1</sup>

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<sup>1</sup> *The Assets under Management provided here and in Item 5F of Form ADV Part 1A are partially calculated using estimates.*

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## Item 5. Fees & Compensation

Subject to the terms of the relevant Governing Documents of a Client, the Adviser generally receives a management fee or other asset-based fee (“**Management Fee**”) and/or incentive-based compensation, which may be in the form of a fee or an allocation based on realized profits (the “**Carried Interest**”). In addition to Management Fees and Carried Interest, and consistent with each Client’s Governing Documents, Clients bear certain out-of-pocket expenses incurred by the Adviser in connection with the services provided to the Clients and/or their portfolio companies. Further details about such fees and expenses are set forth below. Expenses charged to a Client are subject to negotiation and adjustment, and the description below is not intended to be exhaustive.

The Adviser may and from time to time does share any compensation it receives, in whole or in part, with any other person, including Two Sigma Affiliates and service providers to a Client.

### A. Asset-Based Compensation

As described further in the relevant Governing Documents, the Adviser generally receives an annual Management Fee from each Client as compensation for investment supervisory services rendered to that Client. The precise amount of, and the manner and calculation of, the Management Fees for each Client are established by the Adviser and are set forth in such Client’s Governing Documents. The Management Fee is typically based on a percentage of either the Client’s aggregate capital commitments or on the capital contributions due from a Client’s Investors for the full contractual term. Management Fees may also be based on a percentage of the Client’s aggregate capital commitments during the investment period (*i.e.*, the period during which a Client may make new investments), and thereafter based on a percentage of the lower of cost basis or the net asset value of the Client’s portfolio investments. Management Fees are typically payable quarterly, in advance. As a result, with certain exceptions, Client Governing Documents do not generally provide that Management Fees will be calculated and charged on a basis that is tied to the Client’s then-current net asset value, and the amount of Management Fees generally will not correspond with fluctuations in a Client’s net asset value or be reduced in connection with any investment write downs, sales of investments or distributions of assets or proceeds. A Client’s Governing Documents will set forth the full list of terms under which Management Fees will be reduced, offset or otherwise limited, and consequently Investors should expect to bear the full specified Management Fee rate indicated in the Governing Documents unless and until they are reduced in the circumstances and on the date(s) specified therein. The Adviser (or its affiliates, as applicable) in its sole discretion may waive, reduce and/or modify (or calculate differently) the Management Fee for certain Clients and does so from time to time for certain Investors in its Clients (including principals and employees of the Adviser or any Two Sigma Affiliates) both voluntarily and on a negotiated basis with selected Investors via side letter and other arrangements, which are not typically disclosed to other Investors in the same Client.

Management Fees vary Client by Client, a portion of which may be payable quarterly in advance and a portion of which may be payable quarterly in arrears. Additionally, certain Investors, by virtue of their, or their affiliates’, ownership interest in the Adviser, may be entitled to receive a percentage of the Management Fees. The fee structures described herein may be modified from time to time. Fees may differ from one Client to another, as well as among Investors in the same Client. Clients may pay different Management Fee rates and certain Clients do not pay Management Fees.

If specified in the applicable Governing Documents, Management Fees may be reduced, but not below zero, by certain Other Fees (as defined in “**Other Fees and Expenses**” below.)



## **B. Performance-Based Compensation**

As described under “*Item 6. Performance-Based Fees and Side-by-Side Management*,” the Adviser is generally entitled to a Carried Interest on realized and/or unrealized profits of a Client’s investment portfolio.

As set forth in a Client’s applicable Governing Documents, the Adviser generally will receive a Carried Interest with respect to a Client. The Carried Interest distributed to the Adviser is generally subject to a potential giveback at the end of the life of a Client if the Adviser has received excess cumulative distributions. The Adviser (or its affiliates, as applicable) in its sole discretion may waive, reduce and/or modify (or calculate differently) the performance-based compensation for certain Clients and certain Investors in its Clients (including principals and employees of the Adviser or any Two Sigma Affiliates). The Carried Interest may differ from one Client to another, as well as among Investors in the same Client. The Adviser, in its sole discretion may share all or any portion of the performance-based compensation with respect to any Client with any other person or entity including its affiliates, their personnel or employees. The existence of performance-based compensation has the potential to create an incentive for the Adviser to make more speculative investments on behalf of a Client than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation as a better alignment of its interests with those of Investors.

The Adviser has in the past allowed and expects in the future to allow certain employees of the Adviser or Two Sigma Affiliates to invest in one or more Clients as Investors. Such Investors generally do not pay Management Fees or Carried Interest.

Additionally, as further described in the Governing Documents of each applicable Client, it is the Adviser’s practice to retain certain operating partners and/or advisers or other similar professionals (who could also be called “consultants” (including specialized consultants, external executives, and industry advisory roundtable members), “entrepreneur partners,” “entrepreneurs-in-residence,” “executives-in-residence,” “venture partners,” “contractors,” or “venture experts,” (as those terms are generally understood in the venture capital industry)) (“**Operating Partners**”) to provide services to (or with respect to) one or more Clients or certain current or prospective portfolio companies in which one or more Clients invest or may invest. Operating Partners generally provide services in relation to the identification, acquisition, holding, improvement and disposition of portfolio companies, including operational aspects of such companies. Operating Partners include persons affiliated with or employed by Two Sigma Affiliates, the Adviser and third parties. Operating Partners may or may not technically qualify as “employees” of the Adviser under applicable law. Services provided by Operating Partners may be high-level insight or extensive day-to-day roles, and may include support to a Client’s general partner on behalf of the Clients or to portfolio companies regarding, among other things, the company’s management (including serving in management positions or participating in determining corporate strategy), data intelligence, finance (including generating metrics and reporting and business restructuring), legal, human capital management (including recruiting personnel and determining executive/incentive compensation), information technology, corporate communications, customer service, sustainability (including, strategy, policy and reporting development), real estate matters and similar operational matters. The nature of the relationship with each such Operating Partner and the time devotion requirements of each such Operating Partner may vary significantly. It is possible that an Operating Partner would be subject to contractual obligations to exclusively provide certain services to the Adviser in connection with the Clients and/or their portfolio companies. Arrangements with Operating Partners may be memorialized in a formal written agreement or may be informal and are negotiated individually, depending upon the anticipated Operating Partner services to be provided. Operating Partners may be offered the ability (or may have a preferred right) to co-invest alongside Clients or may be offered the opportunity directly by the portfolio company to invest in the

company, or may have pre-existing investments in such portfolio company, including in investments in which such Operating Partner is involved or participates in managing. The Adviser also from time to time agrees to provide such Operating Partners with the right to invest in one or more Clients on different terms, a portion of the Carried Interest received by the Adviser, and such other rights or privileges as the Adviser may determine.

Fees, compensation, expenses and any attributable overhead associated with Operating Partners (“**Operations Expenses**”) may be paid and/or reimbursed by the Adviser, portfolio companies and/or the Clients. Operations Expenses (including Operations Expenses incurred in connection with an affiliated Operating Partner) may include reimbursement of an allocable portion of any affiliated Operating Partner’s compensation (including, without limitation, salary, bonus, payroll taxes and benefits (including vacation time and sick leave)) and overhead (including, without limitation, rent, property taxes and utilities allocable to the workspaces), an annual fee or retainer, a discretionary bonus, a success fee (in the form of cash or equity) based on pre-determined targets or milestones, a profits or equity interest in the Clients and/or portfolio company or other incentive-based compensation to the Operating Partner. Operating Partners also generally will be reimbursed for certain travel and travel-related expenses, entertainment and accommodation expenses and other costs in connection with their services. The determination of whether a particular party is an Operating Partner will be made by the Adviser, in its sole discretion.

Operations Expenses will from time to time also be incurred in respect of portfolio companies prior to the closing of the investment. To the extent services may be provided for the benefit of a Client without reference to a particular portfolio company, Operations Expenses incurred in connection with such services are borne by the Client and, indirectly, the Investors in such Client. In the event one or more Operating Partners (directly or indirectly) is providing services with respect to the Clients, such Operations Expenses will be allocated among the Clients as determined by the general partner or the Adviser, consistent with the Governing Documents of the applicable Clients and as described below (see “*Allocation of Expenses*”).

Operations Expenses (including those paid to an affiliated Operating Partner) will not be considered Other Fees (as defined in “*Other Fees and Expenses*” below) and, subject to any limitations set forth in a Client’s Governing Documents, will be retained by such Operating Partner and will not reduce the Management Fee or any other fees otherwise payable to the Adviser or its affiliates. The general partner’s good faith determination as to whether a service is an Operating Partner service, the categorization of any fees and expenses (e.g., as Operations Expenses) and the allocation of such fees and expenses shall be binding on the Client and its Investors. Over time, certain existing and former employees of the Adviser (including senior personnel) may transition to an Operating Partner role, which may shift the burden of compensating such persons from the Adviser to the applicable Client and/or its portfolio companies and any fees received by such persons may not reduce the Management Fee.

### **C. Other Fees and Expenses**

***Other Fees and Management Fee Reduction.*** In addition to the Management Fees and Carried Interest, the Adviser and its affiliates from time to time receive a variety of other cash, equity and other non-cash fees relating to the investment activities of a Client, its portfolio companies and prospective portfolio companies. Subject to any requirements under the applicable Governing Documents, in certain circumstances, Management Fees may be reduced, but not below zero, by certain directors’ fees, consulting fees, break-up fees, employment compensation or equivalent compensation whether in cash or kind, received by a Client’s general partner, the Adviser, or a member of the relevant Client’s general partner (for so long as such person is a member thereof) from a company in which the Client then holds an interest, in each case net of all applicable taxes and directly related expenses not reimbursed by the relevant Client (collectively, “**Other Fees**”), and generally only to the extent such fees or other amounts would not, if

earned directly by the Client, cause the Client to cease to qualify as an “investment partnership” for U.S. tax purposes. The amount and timing of Other Fees received by the Adviser or its affiliates are generally specified in the agreement or other documentation governing the applicable transaction.

Any reduction in Management Fees payable by the Client would be subject to the provisions of such Client’s Governing Documents and subject to pro-ration if another Client (which may include a Client that does not pay Management Fees or Carried Interest) or third party also has an investment in the applicable portfolio company. In such case, the Adviser would be entitled to retain any amount of Other Fee allocable to such other Client or third party without any corresponding fee offset. Such Management Fee offset provisions also do not apply to (and therefore a Client will not benefit from) fees or other remuneration received in cash (or sold or exchanged for cash) by the Adviser or its affiliates in an amount that exceeds the remaining amount of Management Fees payable by such Client to the Adviser or its affiliates. Other Fees may be substantial and may be paid in cash, in securities of portfolio companies or investment vehicles (or rights thereto), or otherwise.

In addition, it is possible that the Adviser or its personnel, on behalf of the Adviser, could receive stock of a portfolio company as an Other Fee due to the service of such personnel on the board of such portfolio company or as compensation for other services provided to such portfolio company. In such event, subject to a Client’s Governing Documents, the recipient may act in its own interest with respect to the stock received as an Other Fee (including, for instance, determining to sell the distributed securities, or hold on to the distributed securities for such time as such recipient shall determine in its sole discretion). The ability of such recipients to act in their own interest with respect to the stock received as an Other Fee creates a conflict of interest between the Adviser, as an adviser to the Clients and its personnel, on the one hand, and the Clients, on the other hand because the recipient’s interests may not be aligned with those of the Clients and the recipient may determine to sell the stock received at a different time, or on different terms, than the Client would sell its interest.

The payment of Other Fees and reimbursements by portfolio companies and prospective portfolio companies (as discussed below) creates a conflict of interest between the Adviser and its affiliates and the Clients and their Investors because the amounts of these Other Fees and reimbursements can be substantial and the Clients and their Investors generally do not have a direct interest in these fees and reimbursements. The Adviser may determine the amount and timing of these Other Fees for the services provided and reimbursements in its own discretion, subject to agreements with sellers, buyers, and management teams, the board of directors of or lenders to portfolio companies, and/or third party co-investors in its transactions, and the amount of such fees and reimbursements often will not (except in connection with the reductions described herein or as otherwise provided in a Client’s Governing Documents or required by applicable law) be disclosed to Investors in the Clients.

See also “*Other Activities of the Adviser Personnel*” in “*Item 8. Methods of Analysis, Investment Strategies & Risk of Loss – F. Conflicts of Interest.*”

***Certain Fees and Reimbursements Excluded from Other Fees.*** Certain fees and reimbursements are excluded from the definition of “Other Fees” and do not reduce the Management Fee.

Subject to any requirements under the applicable Governing Documents, the following generally would not offset Management Fees: (i) amounts paid by a portfolio company to a Two Sigma Affiliate in consideration for office space provided by an affiliate of the Adviser or reimbursement for other office-related overhead, costs and expenses incurred by an affiliate of the Adviser in providing incubation support or services to a Client’s portfolio company and (ii) amounts paid to a Two Sigma Affiliate (which for this purpose excludes funds managed by a Two Sigma Affiliate and their respective portfolio companies) for services provided

to a Client's portfolio company in the ordinary course of such portfolio company's business, and in the case of clause (ii), solely to the extent that such amounts do not exceed the amounts that would be otherwise payable under an agreement negotiated at arms-length.

From time to time Adviser personnel may be asked to serve (or continue to serve) as directors of, or observers or advisors with respect to, certain entities in which a Client has fully exited its ownership interest. Such companies are no longer portfolio companies of the Client and, as a result, any compensation received by such Adviser personnel that would have been subject to the Management Fee offset provisions described above if such companies were still portfolio companies is not subject to the Management Fee offset, or otherwise shared with the Client or its Investors.

A portfolio company from time to time reimburses the Adviser for expenses, including, without limitation, certain legal expenses incurred by the Adviser in connection with its performance of services for such portfolio company. Any such reimbursed expenses are generally not included in the definition of "Other Fees" under the terms of the applicable Governing Documents, and such reimbursements do not reduce the Management Fee. Because certain expenses are paid for by a Client and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Client and/or its portfolio companies, the Adviser may not necessarily seek out the lowest cost options when incurring (or causing a Client or its portfolio companies to incur) such expenses.

From time to time, the Adviser (in its sole discretion) may agree to pay a portion of an Other Fee received from an actual or prospective portfolio company to another third party, such as a consultant, advisor, Operating Partner, finder, broker, co-investor and/or investment bank. The Adviser is not required to share the portion of the Other Fee paid to such other party with the Clients (or their Investors) and, therefore, the portion of an Other Fee paid to such other party will not reduce the Management Fee.

For the avoidance of doubt, any fees paid to the Adviser or its personnel after a Client has exited (or is in the process of exiting) an investment are not considered "Other Fees" and do not reduce the Management Fee.

Any fees that accrue to the benefit of former Adviser personnel or other persons who are or become unaffiliated with the Adviser (even if any such fee is earned during their tenure with the Adviser) are not considered "Other Fees" and do not reduce the Management Fees or otherwise benefit the Clients or their Investors. Similarly, any fees that accrue to the benefit of Adviser personnel or other persons who are affiliated with the Adviser prior to their association with the Adviser (even if any fee received in kind is realized or otherwise converted to cash during their tenure with the Adviser) are not considered "Other Fees" and do not reduce the Management Fees or otherwise benefit the Clients or their Investors.

***Client Expenses.*** In addition to paying Management Fees and/or Carried Interest to the Adviser, Clients typically pay all of their own operating and investment expenses including, but not limited to: (i) all costs, expenses and other obligations attributable to evaluating, sourcing, acquiring, holding, monitoring, disposing of a portfolio investment or a proposed portfolio investment, including, but not limited to, travel and travel-related expenses, entertainment and accommodation expenses, due diligence expenses (including but not limited to the costs of expert networks, databases, or information services), real property or personal property taxes on investments, broken-deal expenses, fees and expenses of investment advisers and independent consultants incurred in investigating and evaluating investment opportunities, other third-party costs and extraordinary expenses relating to such portfolio investments; (ii) all underwriting, private placement, investment banking, financing, appraisal, filing and other fees and expenses attributable to the portfolio investment or a Client as well as filing and similar fees paid on behalf of a Client, including reimbursements of any fees and expenses to advisers, fees and expenses related to environmental, social

and governance (“**ESG**”) and impact consultants, service providers and other third parties; (iii) all legal (including fees of counsel and actual or threatened litigation expenses), audit and accounting (including expenses associated with the preparation of a Client’s financial statements, tax returns and schedules K-1), tax and other professional (including costs related to the establishment or maintenance of any such activities or services), consulting (including consulting, retainer or similar fees incurred by the Client for the benefit of its portfolio company and fees of affiliated consultants, performing operational analyses, establishing best practices at portfolio companies, identifying, diagnosing and addressing operational issues at specific portfolio companies, serving as an executive or similar officer of a portfolio company or subsidiary thereof, serving as a director of a portfolio company or subsidiary thereof, supporting carve-out activities in corporate divestiture investments, and assisting with operational due diligence reviews of prospective investments), ESG assessment (if applicable), impact assessment (if applicable), borrowing, financing and similar fees and expenses (including the costs and expenses incurred in obtaining, negotiating, entering into, effecting, maintaining, varying, refinancing or terminating such borrowings and commitments and interest arising therefrom), insurance (including insurance premiums of any director and officer liability, general partner liability, errors and omissions, or other insurance and extraordinary administrative or operating expenses), including insurance of which the Adviser and its affiliates are beneficiaries, cybersecurity insurance premiums, travel and travel-related expenses (including entertainment and accommodations), arbitration, litigation (including discovery requests), settlement and indemnification costs, expenses, judgments and settlements, and expenses attributable to the portfolio investment or the relevant Client; (iv) fees and expenses related to the support of portfolio companies, including, but not limited to, conferences and network gatherings (including travel and travel-related expenses, entertainment and accommodation expenses related thereto) and fees and expenses related to advisory, consulting, outsourced human resources and/or marketing services provided to portfolio companies; (v) administration expenses, including maintaining the books and records of a Client (including any related internal costs that the Adviser may incur to produce any such books and records or external costs for a third-party administrator to maintain and oversee a Client’s books and records), as well as all costs, expenses and other obligations attributable to the Adviser, the Client’s administrator, the Client’s custodian and other similar service providers, including costs, expenses and other obligations for services that a limited partner of the Client requires the Adviser to obtain (including in respect of Digital Assets (as defined below)); (vi) all fees, costs and expenses related to regulatory, reporting, licensing or similar matters in any jurisdiction attributable to the Client and the portfolio investments, including without limitation the SEC, the U.S. Commodity Futures Trading Commission (the “**CFTC**”), the National Futures Association, the Financial Industry Regulatory Authority, Inc. (“**FINRA**”), the U.S. Internal Revenue Service, the U.S. Treasury and other U.S. national, state, provision or local regulatory authorities or bodies in any country or territory (for example, “blue sky” and “world sky” requirements, Directive 2011/61/EU on Alternative Investment Fund Managers, SEC Form PF, compliance programs, examinations, regulatory inquiries and other regulatory filings or compliance with applicable laws and regulatory requirements, including any depository expenses and registered office filing fees); (vii) all judgments, fines, penalties, interest and settlements associated with all litigation attributable to the portfolio investment or the relevant Client; (viii) all costs, expenses and other obligations attributable to the administration, maintenance and governance of a Client, including with respect to the relevant Client’s independent investor representatives (including, without limitation, the Client’s advisory committee and its members, if any, including expenses of any such advisory committee meetings and reimbursement of reasonable out-of-pocket costs for the advisory committee members and the Adviser to attend such meetings), reporting (including the preparation and delivery of financial statements, reports or tax returns, including mailing and printing costs or the fees, costs and expenses of establishing and maintaining a secure website or other electronic methods of reporting) and annual and other meetings (not including the individual expenses of the Investors), including any costs, fees or expenses relating to software used for any of the foregoing; (ix) all costs, expenses and other obligations associated with hedging; (x) any taxes, fees, duties, penalties or other governmental charges levied against the relevant Client; (xi) out-of-pocket expenses of the Adviser for transactions not

consummated and for incubation support and similar services described below (subject to the limitations set forth below); (xii) all organizational and offering expenses (as described below); (xiii) any costs attributable to investor-related services, the administering of and complying with side letters, the process of compiling compendia of side letter provisions and tracking and implementing applicability in accordance with any “most favored nations” provisions contained in any side letters and any Client-compliance checklists; (xiv) variable administrative expenses such as Bloomberg fees, research and software expenses and other expenses incurred in connection with data services, and fees for attendance of industry conferences, the primary purpose of which is sourcing investments; (xv) obtaining research and other information for the benefit of a Client, including information service subscriptions, as well as the operation and maintenance of information systems used to obtain such research and other related information (including, for the avoidance of doubt, any Adviser developed proprietary data-driven workflow tools); (xvi) fees and expenses related to information, appraisal, advisory, valuation (including third-party valuations, fairness opinions, appraisals or pricing services); (xvii) without duplication, all other costs and expenses of a nature similar (including with respect to wind-up and liquidation) to those described in clauses (i) through (xvi) that are related to the relevant Client and its portfolio investment; and (xviii) costs and expenses incurred in connection with managing and facilitating stakeholder relationships, which may include attendance at or sponsorship of civic events in such communities, as well as contributions to charitable initiatives or other non-profit organizations, to the extent that the Adviser believes such activities could, directly or indirectly, enhance the value of a Client’s investments or otherwise serve a business purpose for, or be beneficial to, the Client or its portfolio companies. For purposes of this brochure, “travel and travel-related expenses” include, without limitation, first class and business class, commercial and non-commercial transportation costs, accommodations, and meals. This list is general in nature and not exhaustive, and is subject to additional expenses or modifications to the above expenses, as described in the Client’s Governing Documents, such as expenses related to incubation support and similar services. As a matter of practice, the Adviser will generally advance amounts for expenses and receive reimbursement from the applicable Client. The decision of the Adviser to cover a portion of any of the above costs or expenses at a given time for a particular Client does not preclude a later decision to charge these costs and expenses to any other Client, or to that same Client in the future, so long as the charge is permissible under the Governing Documents.

Typically, a Client will also bear all or some of the organizational and offering expenses incurred in connection with (i) the formation and qualification of the Client, the Adviser and any other related or affiliated entities, and (ii) offering the interests in the Client, in the case of each of clauses (i) and (ii) above, including (a) travel and travel-related expenses, entertainment and accommodation expenses and fees and expenses paid or payable to attorneys and accountants in connection with the offering of such interests, (b) registration fees, filing fees and taxes for the relevant Client, the Adviser and any other related or affiliated entities (including foreign marketing registration and filing fees and expenses) and (c) the costs of qualifying, reproducing, amending, supplementing, mailing and distributing offering materials, including telephone and other communications and transmittal costs. The relevant Client will pay or reimburse the Adviser for any organizational and offering expenses incurred by the Adviser or any of its affiliates on behalf of the Client.

Clients bear fees and expenses associated with the identification, sourcing, due diligence, analysis and evaluation of investment ideas and opportunities, which has in the past and may in the future include such fees and expenses in connection with investments sourced by the Adviser but ultimately allocated to a Two Sigma Affiliate in lieu of such Client. The Adviser will allocate any such fees and expenses in accordance with its policies and procedures, and the Two Sigma Affiliate will not necessarily reimburse the Client for fees and expenses incurred prior to the Two Sigma Affiliate’s commitment.

Subject to the terms of their Governing Documents, Clients are generally permitted to invest in other pooled investment funds or similar structures, including in funds of Two Sigma Affiliates (“**Underlying Funds**”). As an investor in such an Underlying Fund, a Client will itself bear a proportionate share of the organizational, offering and ongoing operating expenses, fees and other asset-based or performance-based compensation of such Underlying Fund. Such expenses, fees and other compensation could be significant. As a result, a Client and indirectly the Investors will bear multiple levels of fees and expenses which, in the aggregate, will exceed the expenses typically incurred by an investment in a single Underlying Fund, and will offset a Client’s profits. In addition, because of fees and expenses payable by a Client, its returns on Underlying Funds will be lower than the returns to a direct investor in the Underlying Funds.

*Please refer to Item 8 of this brochure for further discussion of conflicts of interest relating to expenses. Please refer to Item 12 of this brochure for further discussion of the Adviser’s brokerage practices.*

Generally, Governing Documents permit the Adviser to exempt certain Investors in the relevant Client from payment of all or a portion of the Management Fee or Carried Interest, including the Adviser, its affiliates and their respective personnel. Any such exemption may be made by a direct waiver or a rebate by the Adviser and/or its affiliates, or through other funds which co-invest with a Client. Principals or other current or former employees of the Adviser or the Two Sigma Affiliates may, indirectly as employees or owners thereof, benefit from Management Fee, Carried Interest or other compensation received by the Adviser or its affiliates indirectly in their capacity as owners or employees. Further as described in “**Item 8. Methods of Analysis, Investment Strategies & Risk of Loss – F. Conflicts of Interest**”, certain Investors (or former Investors) or their affiliates may have a direct or indirect interest in the Adviser or a Two Sigma Affiliate, and therefore, will benefit from Management Fee, Carried Interest or other compensation received by the Adviser or its affiliates.

As is typical for private funds, the relevant Client will likely bear additional and greater expenses, directly or indirectly, than many other pooled investment products, such as mutual funds. To the extent brokerage fees are incurred, they will be incurred in accordance with the general practices set forth in “**Item 12. Brokerage Practices.**”

**Dead Deal Allocation.** In the event a proposed transaction is not consummated, the full amount of any expenses relating to such proposed but not consummated transaction (“**Dead Deal Costs**”) would be borne by the Client or Clients expected to invest in the deal and not by potential co-investors in the deal. If two Clients may invest in an opportunity that is not consummated and the anticipated allocation is not yet determined, or if it’s not yet determined whether a Client will invest at all (*e.g.*, if an Opportunity Fund (as defined below) may be allocated certain excess of a Core Fund (as defined below) opportunity), the Adviser will make allocation decisions based on its judgment of what is fair and equitable under the circumstances, and if the participation of a particular Client has not been committed by the time the deal dies, there can be no assurance that Client will bear any portion of the expense, in which case Dead Deal Costs would be borne entirely by the other Client that would have invested.

**Allocation of Expenses.** From time to time the Adviser will be required to decide whether certain fees, costs and expenses should be borne by the Adviser, a Client, a portfolio company, co-investors and/or a third-party (each, an “**Allocable Party**”) and if so, how such fees costs and expenses should be allocated among the relevant Allocable Parties. Certain fees, costs and expenses may be the obligation of one particular Allocable Party and may be borne by such Allocable Party or, fees, costs and expenses may be allocated among multiple Allocable Parties. The Adviser allocates fees, costs and expenses in accordance with a Client’s Governing Documents. To the extent not addressed in the Governing Documents of a Client, the Adviser will make allocation determinations among Allocable Parties in a manner that it believes in good faith is fair and equitable to its Clients under the circumstances, notwithstanding its interest (if any)

in the allocation (which such methodologies may include pro rata allocation based on the respective capital commitments of a Client, pro rata allocation based on the respective investment (or anticipated investment) of an Allocable Party in an investment, relative benefit received by an Allocable Party, or such other fair and equitable method as determined by the Adviser in its sole discretion). The allocations of such expenses may not be proportional, and any such determinations involve inherent matters of discretion, *e.g.*, in determining whether to allocate pro rata based on number of funds or co-investors receiving related benefits or proportionately in accordance with asset size. A conflict of interest could arise in the Adviser's determination whether certain costs or expenses that are incurred in connection with the operation of a Client meet the definition of partnership expenses for which a Client is responsible, or whether such expenses should be borne by the Adviser. Subject to applicable legal, contractual or similar restrictions, a Client will be reliant on the determinations of the Adviser in this regard, and also in regard to the allocation of investment expenses and any common operating expenses as among Clients, the Adviser, and Two Sigma Affiliates, including with respect to the determination of whether unconsummated transactions would have been allocated to a Client and therefore are properly allocable in whole or in part to a Client. Further, despite the Adviser's good faith judgment to arrive at a fair and equitable expense allocation methodology, the use of any particular methodology may lead a Client to bear relatively more expense in certain instances and relatively less in other instances compared to what a Client would have borne if a different methodology had been used. From time to time, the Adviser in its good faith judgment may revise or change previously determined allocation methodologies in an effort to ensure that such expenses remain fairly and reasonably allocated among Clients, the Adviser, and Two Sigma Affiliates. The particular methodology used to allocate such amounts where services are provided are expected to vary depending on the types of services provided and could, in certain circumstances, change from one period to another. The Adviser will make any corrective allocations and take any mitigating steps if it determines in its sole discretion that such corrections are necessary or advisable to ensure allocations are equitable on an overall basis in its good faith judgment. Notwithstanding the foregoing, the portion of an expense allocated to a Client for a particular service will not always reflect the relative benefit derived by such Client from that service in any particular instance and the Adviser can determine an allocation of expenses to be fair and equitable even where a Client is required to bear more than its proportional share of such fees or expenses relative to other Allocable Parties receiving the same service or participating in the same transaction. In addition, a Client will bear more or less of a particular expense based on the methodology used and a Client will bear more or less of a particular expense based on the number of Allocable Parties the Adviser selects to bear the expense in its initial allocation determination. When making expense allocation determinations, the Adviser generally will allocate an expense to one or more Allocable Parties that are in existence and identified as such at the time the expense allocation determination is made. Accordingly, it can be expected that in certain cases Allocable Parties that were not in existence or otherwise identified as Allocable Parties at the time an expense is allocated will ultimately benefit from a particular expense, without having borne any portion of such expense, and in such cases the Adviser will not re-allocate the expense to each such future Allocable Party, and such future Allocable Part(ies) will benefit at the expense of other Allocable Parties, including the Clients.

In the event the Adviser is making any determination regarding whether an allocation is fair and equitable, the Adviser will have discretion in such determination, and will typically evaluate facts and circumstances relevant to the particular allocation, which may include consideration of a number of factors that include, without limitation, some or all of the following: timing of the transaction, benefit to a Fund to have co-investors participate, relative negotiating power, any contractual requirements or limitations, relevant disclosures to the Allocable Parties, whether costs and expenses are incurred for the benefit of one party, and whether costs and expenses are incurred in connection with regulatory, tax, accounting, or similar requirements applicable to a particular party. The application of such considerations is in certain circumstances expected to result in the Adviser determining that it is fair and equitable for a Fund bearing more than its pro rata portion of certain fees, costs and expenses (including Dead Deal Costs). This



Adviser's discretion in making such determination creates a potential conflict of interest as the Adviser may have an incentive to allocate expenses to a particular Fund over another Fund or other co-investor.

The Adviser may cause the Clients to purchase or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Clients, their general partners, the Adviser itself and their respective directors, officers, employees, agents, representatives, members of the Clients' advisory committees, and other indemnified parties, against liability in connection with the activities of the Clients. This may include a portion of any premiums, fees, costs and expenses for one or more "umbrella" or other insurance policies maintained by the Adviser or its affiliates that cover one or more Clients and the Adviser itself (including their respective directors, officers, employees, agents, representatives, members of advisory committees, and other indemnified parties). The Adviser will make judgments about the allocation of premiums, fees, costs and expenses for such "umbrella" or other insurance policies among the Clients and/or the Adviser itself, on a fair and equitable basis, and, to the extent other facts and circumstances arise or evolve over time, including, without limitation, the evolution of alternative methodologies or updates to industry or regulatory trends or requirements, may reevaluate allocations should it determine subsequently that other allocations are necessary or advisable. There can be no assurance that a different allocation would not result in a Client bearing less (or more) premiums, fees, costs and expenses for insurance policies. Co-investment vehicles may not bear a portion of such expenses that are allocated to the other Clients even if such co-investment vehicles benefit from the relevant insurance coverage.

There may be occasions when one Allocable Party (the "**Payor Allocable Party**") pays an expense common to multiple Allocable Parties (the "**Allocated Parties**") (*e.g.*, legal expenses for a transaction in which multiple funds and/or co-investors participate). On such occasions, each Allocated Party will reimburse the Payor Allocable Party for its share of such expense, generally without interest, promptly after the payment is made by the Payor Allocable Party. In addition, there may be occasions where a Client procures borrowing through a subscription line or credit facility in order to make an investment, syndicating out a portion of the investment to another Allocable Party. Subject to the Governing Documents, the borrowing Client will bear the entire cost of interest from the borrowing, even though the investment may ultimately be made by other Allocable Parties. Furthermore, while highly unlikely, it is possible that one of the Allocated Parties could default on its obligation to reimburse the Payor Allocated Party. The Adviser, from time to time, may enter into arrangements with third-party advisers and consultants who provide services relating to deal-sourcing and investment opportunities, for which such advisers and consultants would be paid compensation or other fees and/or are reimbursed for certain expenses. Any fees and expenses associated with such investment opportunities will be allocated to the applicable Client(s), consistent with the allocation process described above.

In addition, the Adviser generally engages one or more fund administrators or similar service providers (including software providers) to perform certain functions in relation to the Clients, which services can include execution and recordkeeping associated with applicable tax elections and filings, support for the valuation process and investor reporting and correspondence, investor data management and reporting requests, data collection for various regulatory reporting requirements with which the Clients must comply and coordination of the Clients' legal entity management function, as well as software used to assist with the foregoing. These expenses related to such service providers are generally borne by the Clients. In addition, the Clients will bear the expenses of all third-party administrator service providers even if there is some overlap in services performed by such third-party administrator and Adviser personnel.

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## Item 6. Performance-Based Fees & Side-by-Side Management

### A. General

As described under “*Item 5. Fees and Compensation*,” it is expected that the Adviser will receive Carried Interest on certain realized and/or unrealized profits of a Client on a gross or a net basis. The Adviser will generally have the authority to waive, reduce or calculate differently a Carried Interest allocation with respect to certain Investors as described under “*Item 5. Fees and Compensation*.” Adviser personnel generally invest in the Clients indirectly through the Clients’ general partners, and therefore will generally not pay Carried Interest with respect to their indirect investments in the Clients.

The existence of performance-based compensation has the potential to create an incentive for the Adviser to make more speculative investments on behalf of the relevant Client than it would otherwise make in the absence of such arrangement, although the Adviser generally considers performance-based compensation as a better alignment of its interests with those of its Investors. The payment by some, but not all, Clients of Carried Interest or the payment of Carried Interest at varying rates (including varying effective rates based on the performance of a Client) creates an incentive for the Adviser to disproportionately allocate time, services, and functions to Clients paying Carried Interest or Clients paying Carried Interest at a higher rate, or allocate investment opportunities to such Clients. Generally, and except as may be otherwise set forth in the Governing Documents of the Clients, this conflict is mitigated by (i) certain limitations on the ability of the Adviser to establish new investment funds, and (ii) contractual provisions and procedures setting forth investment allocation requirements. Please also see “*Conflicts of Interest*” in “*Item 8. Methods of Analysis, Investment Strategies & Risk of Loss*” below for additional information relating to how conflicts of interests are generally addressed by the Adviser.

### B. Certain Conflicts of Interest Associated with Side-By-Side Management

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and the Two Sigma Affiliates, certain of which are described below. The discussion below does not purport to be a comprehensive discussion of all of the conflicts of interest associated with the Adviser and an investment in a Client. The Governing Documents of the relevant Client or other disclosure, as applicable, contain additional information with respect to the actual and potential conflicts associated with an investment in a Client.

The Two Sigma Affiliates (as well as their respective principals and certain personnel) engage in a wide range of investment and other financial activities (advisory and non-advisory), many of which are not offered to all Clients (or Investors therein). The growth of the Adviser and the Two Sigma Affiliates may increase competition between and among Clients, clients of the Adviser’s affiliates and the Adviser’s affiliates themselves, and may decrease the number of investment opportunities available to Clients and clients of the Adviser’s affiliates. Such competition may create inherent conflicts of interest among the Two Sigma Affiliates and the Adviser.

The Adviser and certain Two Sigma Affiliates engage in investment, financial and other activities for themselves on a proprietary basis (including on behalf of personnel of the Adviser and Two Sigma Affiliates) and on behalf of their own clients and third parties (such as strategic investors or other market participants), which may compete or substantially overlap with the investment activities of Clients. This may present a potential conflict of interest with respect to the types of (and degree of participation in) investment opportunities available to Clients, the resources made available to the Adviser (as an affiliate of

the Two Sigma Affiliates), the investment recommendations and decisions made by the Adviser for Clients (e.g., disposition, restructuring and recapitalization), and the management of Client assets by the Adviser. For example, it is possible that a Client may invest in a portfolio company in which another Client or Two Sigma Affiliate already has an interest in a different part of the capital structure. Moreover, Investors and holders of beneficial interests in Two Sigma Affiliates include other participants in the financial services and asset management industry (including persons affiliated with investment advisers, their funds, joint venture partners and clients); Two Sigma Affiliates may also from time to time invest in such Investors (including for this purpose investment funds and other clients managed or advised by such Investors or their affiliates). Such arrangements introduce potential conflicts of interest relative to Investors with whom Two Sigma Affiliates do not have such relationships (or relationships to differing degrees), including without limitation, rights and access to information, investment opportunities and voting/consent issues. As the businesses of the Adviser and the Two Sigma Affiliates evolve, new and other potential conflicts may also arise which cannot be predicted at this time. The Adviser will adopt and implement policies and procedures to address such potential conflicts when/if they may arise.

The Adviser will generally value the assets held by the Clients and will be responsible for the determination of asset valuations for all purposes, including the determination of the Management Fee and the Carried Interest. If the Adviser determines that the market price does not fairly represent the value of an asset or liability, or that liquidation or third-party market valuations are unavailable to value an asset or liability, the Adviser will value such investment as it, in its sole discretion, reasonably determines. In certain circumstances, a Client may retain third-party service providers in connection with calculating net asset value, capital account maintenance and the independent verification of the calculation of Management Fees and Carried Interest, if any. In addition, the Adviser may, in its sole discretion, engage third parties at a Client's expense to conduct independent valuations of certain liquid or illiquid assets on a periodic basis.

For more information please see “*Conflicts of Interest*” in “*Item 8. Methods of Analysis, Investment Strategies & Risk of Loss*” below.

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## Item 7. Types of Clients

### A. Clients

As noted in “**Item 4. Advisory Business**” above, the Adviser provides advisory services to Clients that are private investment funds, consisting of commingled vehicles and funds of one (which may be organized as domestic or foreign partnerships, corporations, incorporated or unincorporated entities, or other similar entities), corporations, or similar structures. With respect to the Funds advised by the Adviser, investment advice is provided to the relevant Fund and not individually to each of the Investors in the Funds.

The Funds advised by the Adviser generally admit Investors that are both “accredited investors” as defined in Section 501(a) of Regulation D under the Securities Act and “qualified purchasers” under the 1940 Act. The Investors participating in these Funds generally include individuals, other investment entities, public and corporate pension funds, foundations, family offices, university endowments, family offices, trusts, estates or charitable organizations or other business entities and, directly or indirectly, principals or other employees of the Adviser and the Two Sigma Affiliates, members of their families or other service providers retained by the Adviser. Although participation in a Client by the Adviser, the Two Sigma Affiliates, and their affiliates and personnel will vary from Client to Client, the Adviser expects that such participation will continue and will represent a significant proportion of certain Clients.

Applicable investment minimums (if any) and investor eligibility requirements are stated in a Client’s Governing Documents. The Adviser has the discretion to waive, reduce or modify any investment minimums, depending on the complexity and nature of the advisory services provided, subject to certain limitations in accordance with applicable law or regulation.

### B. Certain Conflicts

Investors should be aware that potential and actual conflicts of interest may occur between Clients, on the one hand, and the Adviser, on the other. Clients and the Investors thereof should evaluate certain potential conflicts of interest carefully before engaging the Adviser’s services. Please also see “**Conflicts of Interest**” in “**Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.**”

The Adviser manages a number of Clients that have investment objectives or investment programs that are similar to or overlap with each other. The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the current Clients. For these reasons, Clients may participate with each other in investments. It is the policy of the Adviser to allocate investment opportunities for Clients fairly and equitably, to the extent possible, over a period of time. The Adviser will have no obligation to purchase, sell or exchange any security or financial instrument for a Client which the Adviser may purchase, sell or exchange for another Client if the Adviser believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for a particular Client. The Adviser may give advice or take action with respect to the investments of one or more of its Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives, and strategies. Accordingly, Clients with similar strategies may not hold the same securities or instruments or achieve the same performance. The Adviser also may advise Clients with differing objectives or strategies.

The conflicting interests of different Clients may relate to or arise from, among other things, the nature of investments, the acquisition of investments and the timing of the disposition of investments. As a consequence, conflicts of interest may arise in connection with decisions made by the Adviser, including with respect to investments that may be more beneficial for one Client than for another Client.

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## Item 8. Methods of Analysis, Investment Strategies & Risk of Loss

### A. General

An investment in any of our strategies involves risk, including the risk that an Investor can lose money. An investment in any of these strategies by itself is not a balanced investment program for purposes of an Investor's portfolio diversification needs. Investors should consult with their financial adviser regarding the appropriateness of an investment in any of these strategies for their overall investment program.

The investment strategies implemented by the Adviser consist of identifying and evaluating investment opportunities, negotiating the terms of investments, managing and monitoring investments and achieving dispositions for such investments.

The Adviser provides advice to Clients regarding venture capital investments, including early-stage and growth-stage investments. From time to time, where such investments consist of portfolio companies, the senior principals or other personnel of the Adviser or its affiliates may serve on such portfolio companies' respective boards of directors or otherwise act to exert influence over the management, operations or other business activities of portfolio companies in which one or more Clients have invested. In addition to the investment strategies described above, the Adviser or its affiliates may, from time to time, establish new or complementary investment strategies.

The following is a summary of material risks that may apply to the Adviser's investment strategies. Please note that certain risks, other than "***Risk Related to the Investment Strategies***" and "***Risk Related to General Economic and Market Conditions***", may not apply to all the Adviser's strategies or apply to a material degree. Investors should refer to the applicable Governing Documents that may contain additional or different risk disclosure.

### B. Investment Strategies and Related Risks

***Risk Related to the Investment Strategies.*** The Adviser provides advice to Clients regarding venture capital investments, including negotiated transactions in portfolio companies that utilize advanced science, technology, computing, engineering, and/or mathematics to innovate in their selected market, in which the Adviser believes that its experience provides an edge in the sourcing, evaluation, and/or strategic advising on the operation of such companies. However, venture capital investing involves a high degree of business and financial risk that can result in substantial losses including the potential for a loss of an Investor's entire investment in a Client. In order for a Client to succeed, the Adviser must be able to accurately identify potentially successful enterprises, a process which is difficult even for those with extensive experience in the venture capital field and/or extensive experience or expertise in the fields in which such portfolio companies operate. Portfolio companies may be operating at a loss or with substantial variations in operating results from period to period and may need substantial additional capital to support expansion or to achieve or maintain a competitive position and such additional capital may not be available from any given source in any given case.

***Risk Related to General Economic and Market Conditions.*** General economic or market conditions may adversely affect the performance of the investments in a Client, and reduce the availability of attractive investment opportunities for a Client. Factors affecting economic conditions, including, for example, public market volatility, inflation rates, rising interest rates, currency devaluation, exchange rate fluctuations, industry conditions, competition, technological developments, domestic and worldwide political, military

and diplomatic events and trends and innumerable other factors, none of which will be in the control of a Client, the Adviser or a Client's portfolio companies, can substantially and adversely affect the business and prospects of a Client and the portfolio companies in which it has invested. A general economic downturn could also result in the diminution or loss of value of the investments made by a Client due to a number of factors, including a reduced demand for the products or services produced by a Client's portfolio companies. In addition, a downturn or contraction in the economy or in the capital markets, or in certain industries or geographic regions thereof, may restrict the availability of suitable investment opportunities for a Client and opportunities to liquidate a Client's investments on favorable economic terms, each of which could prevent a Client from meeting its investment objectives. A Client's performance can be affected by deterioration in the capital markets and by market events, which, among other things, can impact the public market comparable earnings multiples used to value privately held portfolio companies and Investors' risk-free rate of return. Movements in foreign exchange rates may adversely affect the value of investments in portfolio companies and a Client's performance. Volatility and illiquidity in the financial sector may have an adverse effect on the ability of a Client to sell and/or partially dispose of its portfolio company investments. Such adverse effects may include the requirement of a Client to pay break-up, termination or other fees and expenses in the event a Client is not able to close a transaction (whether due to the lenders' unwillingness to provide previously committed financing or otherwise) and/or the inability of a Client to dispose of investments at prices that the Adviser believes reflect the fair value of such investments.

**Market Volatility.** General fluctuations in the securities markets, which may be impacted by, among other things, macro-economic events, inflation, or changes in interest or currency rates, will also affect the value of investments held by a Client. Volatility and instability in the securities markets will also likely increase the risks inherent in a Client's investments. The duration and ultimate effect of current market conditions and whether such conditions may worsen cannot be predicted. There can be no assurance that such economic and market conditions will be favorable in respect of both the investment and disposition activities of a Client. In reaction to changing economic and market conditions, regulators in the United States and several other countries have undertaken in the past and may undertake in the future regulatory actions and implement other measures to ensure stability in the financial markets. Despite these efforts and the efforts regulators of other jurisdictions, global financial markets could become and remain extremely volatile. In addition, new regulations and any changes in the political environment could limit a Client's activities and investment opportunities or change the functioning of capital markets. Unpredictable changes in social and political patterns and trends may have an impact on consumer behavior and create a negative effect on the profitability of a Client's investment program. A Client may be adversely affected to the extent that it seeks to dispose of any of its investments into an illiquid or volatile market, and a Client may find itself unable to dispose of investments at prices that the Adviser believes reflect the fair value of such investments.

**Inflation.** Inflation is a sustained rise in overall price levels. Moderate inflation is associated with economic growth, while high inflation can signal an overheated economy. Inflation risk is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (*i.e.*, as inflation increases, the values of a Client's assets can decline). Inflation may pose a risk to investors because it can reduce savings and investment returns. Central banks, such as the U.S. Federal Reserve, generally attempt to control inflation by regulating the pace of economic activity. They typically attempt to affect economic activity by raising and lowering short-term interest rates. At times, governments may attempt to manage inflation through fiscal policy, such as by raising taxes or reducing spending, thereby reducing economic activity; conversely, governments can attempt to combat deflation with tax cuts and increased spending designed to stimulate economic activity. Inflation rates may change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy

and changes in economic policies, and a Client's investments may not keep pace with inflation, which may result in losses to a Client and its Investors.

***Risk of Venture Capital Investments.*** All or a substantial portion of a Client's investments will be in equity or equity-related investments that by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. Among these risks are the general risks associated with investing in companies at the growth stage of development or with limited operating history, companies operating at a loss or with substantial variations in operating results from period to period, companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position and companies dependent on new or developing technology. There generally will be little or no publicly available information regarding the status and prospects of these companies. Such companies may face intense competition, including competition from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. There also can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of a Client's activities. As a result, a Client's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

***Risk of Early-Stage/Start-Up Investments.*** The portfolio companies may be unseasoned, unprofitable, have no established operating histories or earnings and may lack technical, marketing, financial and other resources. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Although the Adviser may seek to aid or influence certain of its investment companies, a Client will not have an active role in the day-to-day management of the companies in which it invests. To the extent that the management of a portfolio company performs poorly, a Client's investment in such company could be adversely affected. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities.

In early-stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source. As such, these types of investments involve a high degree of business and financial risk that can result in substantial losses.

***Risk of Growth Stage Investments.*** Clients will make venture capital investments in privately held, growth-stage companies that leverage science, technology, engineering and/or mathematics in a variety of industries. Investments in growth-stage companies may present features that are different from those of investments in early-stage companies. For example, financings of later stage companies may yield relatively smaller available ownership percentage amounts, fewer or non-standard investor rights and

reduced opportunities to communicate with management. In addition, these companies often have limited revenues and may not be profitable and may require considerable additional capital to develop products, technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Furthermore, the products, technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. Typically, although a Client may be represented by a member of the Adviser's investment team (the "**Investment Team**") on a portfolio company's board of directors, each portfolio company will be managed by its own officers (who generally will not be affiliated with the Client or the Adviser). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

There also can be no assurance that the Investment Team will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect a Client's results. As a result, the Client's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

A Client's portfolio companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of its manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. Although the Investment Team may seek to aid or influence certain of its portfolio companies, Clients will not have an active role in the day-to-day management of the companies in which it invests. To the extent that the management of a portfolio company performs poorly, a Client's investment in such company could be adversely affected. Furthermore, these companies may be more vulnerable to competition and to overall economic condition than larger, more established entities.

In growth-stage enterprises, a major risk exists that widespread adoption of a service or product will not be achieved with the resources available to a portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated. The services and products may also be subject to a high degree of technical obsolescence. There is no assurance that any portfolio company can successfully develop future generations of its services or products. Additional funds may be necessary to complete such development, and there is no assurance that such funds will be available from any particular source.

The receptiveness of potential acquirers to a Client's portfolio companies will vary over time and, even if a portfolio company investment is disposed of pursuant to a merger, consolidation or similar transaction, the Client's stock, security or other interests in the surviving entity may not be marketable. The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of a Client to dispose of investments and the value of investment securities on the date of sale or distribution by a Client. In particular, the receptiveness of the public market to initial public offerings by a Client's portfolio companies may vary dramatically from period to period. An otherwise successful portfolio company may yield poor investment returns if it is unable to consummate an initial public offering at the proper time. Even if a portfolio company effects a successful public offering, the relevant Client(s) or such portfolio company's



securities typically will be subject to contractual “lock-up,” securities law or other restrictions which may, for a material period of time, prevent the Client(s) of the relevant Investors from disposing of such securities. There can be no guarantee that any investment will result in a liquidity event through a merger, acquisition, public offering or otherwise, and there is a significant risk that some or all a Client’s investments will yield little or no return.

***Lack of diversification.*** Except as set forth in the applicable Governing Documents, Clients are not subject to any diversification requirements and may invest in a limited number of companies, sectors, countries or regions. To the extent a Client concentrates its investments in a particular company, sector, country or region, its investments will become more susceptible to fluctuations in value resulting from adverse business or economic conditions affecting that particular company, sector, country or region. As a consequence, the aggregate return of a Client may be adversely affected by the unfavorable performance of one or a small number of companies, sectors, countries or regions in which it has invested. In certain cases, a Client may acquire a majority or supermajority of the interests in portfolio companies, which could further increase the vulnerability of its portfolio.

***Availability of investment capital.*** Early- and growth-stage investments often require one or more additional rounds of capital infusions before the portfolio company reaches full maturity. Following a Client’s initial investment in portfolio companies, the Adviser generally anticipates that such portfolio companies may require additional funding. In some cases, a Client may have the opportunity to increase its investment in successful portfolio companies. In other cases, a portfolio company may simply need additional investment to continue to pursue its objectives. If a Client does not have funds available to participate in subsequent rounds of financing, that shortfall may have a significant negative impact on both the portfolio company and the value of the Client’s original investment. Although Clients may reserve sufficient liquidity to allow them to participate in follow-on rounds of financings, Clients generally do not intend to provide all necessary follow-on capital required by a portfolio company. Accordingly, third-party sources of financing will likely be required. Furthermore, Clients often have the ability to reinvest, or “recycle,” investment proceeds, and may rely on the availability of investment proceeds to help fund follow-ons. A Client’s inability to realize investments on the anticipated timetable could leave it without sufficient funds to make additional follow-ons. Any decision by a Client not to make follow-on investments, or its inability to make such investments, may have a substantial adverse effect on a portfolio company in need of such an investment or may result in a missed opportunity for a Client to increase its participation in a successful enterprise. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the Client. Furthermore, a Client’s capital is generally limited and may not be adequate to protect the Client from dilution in subsequent rounds of portfolio company financing.

***Risk Related to Minority Investments.*** A Client will often make minority investments in portfolio companies, which typically afford investors limited influence over such investments. Such a portfolio company may have economic or business interests or goals that are inconsistent with those of the Adviser, and the Adviser may not be in a position to limit or otherwise protect the value of a Client’s investment in the company, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect a Client’s investments. The Adviser’s control over the investment policies of these companies may also be limited.

***Risk Related to Intellectual Property.*** Many portfolio companies in the technology, engineering and advance sciences sectors are highly dependent upon intellectual property rights, both to ensure a company’s freedom to operate and/or to foreclose others, but intellectual property rights can be subject to substantial uncertainty and risk. Actual or alleged infringement of another’s patents may constrain or entirely foreclose a company’s freedom to pursue its business or may impair its economic returns by requiring the payment

of royalties. Conversely, the intellectual property upon which a company relies to protect its business may be challenged by third parties. Such challenges may succeed in whole or in part, and even if unsuccessful, may impose a substantial drain on a company's economic and human resources. Intellectual property risks are often difficult to foresee, and, even when these risks are recognized, it can be difficult to assess the potential value or liability associated with intellectual property disputes.

***Risk Related to Investments in Restructurings of Portfolio Companies.*** Although Clients are not generally expected to invest in restructurings or distressed opportunities, portfolio companies in which a Client is invested may in the future experience financial difficulties, need additional infusions of capital, or may become subject to restructuring or bankruptcy proceedings. Restructurings may be adversely affected by laws relating to, among other things, fraudulent conveyances, voidable preferences, lender liability and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims or re-characterize investments made in the form of debt as equity contributions. To the extent a Client has exposure to any such restructurings, such investments could, in certain circumstances, subject a Client to certain additional potential liabilities that may exceed the value of its original investment.

***Risk Related to Uncertain Market Reaction to Portfolio Companies.*** The receptiveness of potential acquirers to a Client's portfolio companies will vary over time and, even if a portfolio company investment is disposed of pursuant to a merger, consolidation or similar transaction, a Client's stock, security or other interests in the surviving entity may not be marketable. The public market for high technology and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Adviser to dispose of a Client's investments and the value of investment securities on the date of sale or distribution by a Client. In particular, the receptiveness of the public market to initial public offerings by a Client's portfolio companies may vary dramatically from period to period. An otherwise successful portfolio company may yield poor investment returns if it is unable to consummate an initial public offering at the proper time. Even if a portfolio company effects a successful public offering, a Client or the portfolio company's securities typically will be subject to contractual "lock-up," securities law or other restrictions which may, for a material period of time, prevent a Client or Investors therein from disposing of such securities. There can be no guarantee that any investment will result in a liquidity event through a merger, acquisition, public offering or otherwise, and there is a significant risk that some or all of a Client's investments will yield little or no return.

***Risk Related to Equity Investments.*** A principal risk of investing in a Client is equity risk, which is the risk that the value of equity securities held by a Client will fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by a Client participate, and the circumstances, financial condition and performance of particular companies whose securities a Client holds. An investment in a Client represents an indirect investment in the securities owned by a Client. The value of these securities, like other market investments, may move up or down, sometimes rapidly and unpredictably. The value of an investment in a Client may at any point in time be worth less than the original investment.

***Risk Related to Leverage.*** The Adviser may, in limited circumstances, use leverage in pursuing investment opportunities for Clients. While leverage presents opportunities for increasing a Client's total return, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment of a Client's account would be magnified to the extent the investment is leveraged. The cumulative effect of the use of leverage in a market that moves adversely to such Client's investments could result in a substantial loss to a Client which would be greater than if such investment was not leveraged.

***Subscription Lines.*** A Client may enter into a subscription line with one or more lenders in order to finance its operations (including the acquisition of the Client's investments). Client-level borrowing subjects

Investors to certain risks and costs. For example, because amounts borrowed under a subscription line typically are secured by pledges of the Client's general partner's right to call capital from the Investors, Investors may be obligated to contribute capital on an accelerated basis if the Client fails to repay the amounts borrowed under a subscription line or experiences an event of default thereunder. Moreover, any Investor claim against the Client would likely be subordinate to the Client's obligations to a subscription line's creditors.

In addition, fund-level borrowing will result in incremental Client expenses that will be borne by Investors. These expenses typically include interest on the amounts borrowed, unused commitment fees on the committed but unfunded portion of a subscription line, an upfront fee for establishing a subscription line, and other one-time and recurring fees and/or expenses, as well as legal fees relating to the establishment and negotiation of the terms of the borrowing facility. Because a subscription line's interest rate is based in part on the creditworthiness of the relevant Client's Investors and the terms of the Governing Documents, it may be higher than the interest rate an Investor could obtain individually. To the extent a particular Investor's cost of capital is lower than the Client's cost of borrowing, fund-level borrowing can negatively impact an Investor's overall individual financial returns even if it increases the Client's reported net returns in certain methods of calculation. Though a Client's general partner uses such Client's capital call line of credit primarily for administrative convenience to reduce the overall number of capital calls from the Investors and avoid having excess cash on hand, each Client's net IRR (at both the fund and investor levels) is expected to be higher than it would be in the absence of such capital call line of credit, since each Client's net IRR will be based on the time investor contributions are actually made and use of the capital call line of credit will delay such contributions. Co-investment vehicles are less likely to have borrowing capability.

A credit agreement may contain other terms that restrict the activities of a Client and its Investors or impose additional obligations on them. For example, a subscription line may impose restrictions on the relevant Client's general partner's ability to consent to the transfer of an Investor's interest in the Client. In addition, in order to secure a subscription line, the relevant Client's general partner may request certain financial information and other documentation from Investors to share with lenders. The Client's general partner will have significant discretion in negotiating the terms of any subscription line and may agree to terms that are not the most favorable to one or more Investors.

Client-level borrowing involves a number of additional risks. For example, drawing down on a subscription line allows the Client's general partner to fund investments and pay partnership expenses without calling capital, potentially for extended periods of time. Calling a large amount of capital at once to repay the then current amount outstanding under a subscription line could cause short-term liquidity concerns for Investors that would not arise had the relevant Client's general partner called smaller amounts of capital incrementally over time as needed by a Client. This risk would be heightened for an Investor with commitments to other funds that employ similar borrowing strategies or with respect to other leveraged assets in its portfolio; a single market event could trigger simultaneous capital calls, requiring the Investor to meet the accumulated, larger capital calls at the same time. A Client may also utilize fund-level borrowing when the Client's general partner expects to repay the amount outstanding through means other than Investor capital, including as a bridge for equity or debt capital with respect to an investment. If the Client ultimately is unable to repay the borrowings through those other means, Investors would end up with increased exposure to the underlying investment, which could result in greater losses.

***Other Client or Investment-Level Borrowing.*** Subject to their Governing Documents, Clients are generally authorized to incur indebtedness that is secured by any of the Client's assets (e.g., asset-based borrowing, as well as "back leverage" and net asset value (NAV) facilities), and are generally permitted directly or indirectly through one or more intermediate entities (e.g., special purpose vehicles) to incur indebtedness, including to borrow money from any person, to make guarantees or provide other credit support to any

person or to incur any other obligation (including other extensions of credit). Indebtedness is generally permitted to be incurred for any purpose relating to a Client's activities, including without limitation to finance any investment-related activities, increase the Client's buying power, provide interim financing to consummate investments prior to the receipt of permanent financing or capital contributions or distributions (as applicable), pay for a Client's expenses or fund payment of Management Fees, fund the payment of amounts to a withdrawing Investor or distributions to Investors, and/or provide collateral to secure outstanding letters of credit or to create reserves, in each case in accordance with the Governing Documents. Although in many cases the applicable Governing Documents impose limits on borrowings at the Client level, portfolio investments and any intermediate entities generally do not have such limits with respect to all or a portion of the relevant investments.

**Bridge Financings.** From time to time, a Client may enter into bridge financings with portfolio companies, which will generally be structured on a short-term, unsecured basis in anticipation of a future issuance of equity or long-term debt securities. Such bridge financings would typically be convertible into a more permanent, long-term security. However, for reasons not always in a Client's control, such long-term securities may not be issued and such bridge financings may remain outstanding. In such event, the interest rate on such instruments may not adequately reflect the risk associated with the unsecured position taken by the Client.

**Expedited Transactions.** The Adviser may be required to undertake investment analyses and decisions for a Client on an expedited basis in order for a Client to take advantage of available investment opportunities, in particular with regard to later-stage investments. In such cases, the information available to the Adviser at the time of an investment decision may be limited, and the Adviser may not have access to the detailed information necessary for a full evaluation of the investment opportunity. The Adviser may conduct its due diligence activities over a very brief period of time and may assume the risks of obtaining certain consents or waivers under contractual obligations. In addition, the Adviser may rely upon independent consultants or advisors in connection with the evaluation of proposed investments. There can be no assurance that these consultants or advisors will accurately evaluate such investments. While the Adviser expects to negotiate purchase price adjustments, termination rights and other protections, such rights may not be available or, if available, the Adviser may elect not to exercise them.

**Risks in Effecting Operating Improvements.** In some cases, the success of a Client's investment strategy will depend, in part, on the ability of the Client to influence a portfolio company to restructure and effect improvements in its operations. The activity of identifying and implementing operating improvements at portfolio companies entails a high degree of uncertainty. There can be no assurance that the Client will be able to successfully identify or influence a portfolio company to implement such improvements.

**Risk Related to Non-U.S. Investments.** A Client may invest in portfolio companies that are organized or headquartered or have substantial sales or operations outside of the United States, its territories, and possessions. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations (as such regulations may be given effect during the terms of a Client), the application of complex U.S. and non-U.S. tax rules to cross-border investments, possible imposition of non-U.S. taxes on a Client and/or the partners with respect to a Client's income, and possible non-U.S. tax return filing requirements for a Client and/or the Investors therein.

Additional risks of non-U.S. investments include: (1) economic dislocations in the host country; (2) less publicly available information; (3) less well-developed and/or more restrictive laws, regulations, regulatory institutions and judicial systems; (4) greater difficulty of enforcing legal rights in a non-U.S. jurisdiction; (5) civil disturbances; (6) government instability; and (7) nationalization and expropriation of private assets.

Moreover, non-U.S. companies may not be subject to uniform accounting, auditing and financial reporting standards, practices and requirements comparable to those that apply to U.S. companies.

**Limited Ability to Negotiate.** In certain circumstances, the Adviser may have limited ability to negotiate the legal and other terms and conditions of a Client investment. This may be due to a variety of factors, including, without limitation, the number of interested investors, the timing of the investment, the size of the financing round, the stage of the round, whether a Client is leading the round, the overall valuation of the portfolio company, the liquidity available to a Client and/or its or their affiliates, the jurisdiction of the portfolio company's incorporation or organization, the degree to which legal control is closely held, the size and number of board seats, as well as tax, legal, regulatory and other factors.

**Risk Related to Publicly Traded Securities.** A Client's investment portfolio may contain publicly traded securities as well as other securities or instruments issued by publicly held companies (i.e., a "PIPE"). Such portfolio investments may subject Clients to risks that differ in type or degree from those involved with portfolio investments in private companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations of such companies to disclose information, limitations on the ability of a Client to dispose of such securities or instruments at certain times, increased likelihood of shareholder litigation against such companies' board members and increased costs associated with each of the aforementioned risks. In addition, to the extent that a Client has designated an individual to serve on the board of directors of a public company, such person will be subject to fiduciary and other duties to the portfolio company on whose board they serve, which duties may on occasion conflict with the best interests of a Client. For example, a Client's ability to sell the publicly traded securities of a portfolio company may be limited if any of them are in possession of material nonpublic information relating to such portfolio company.

**Risks Related to Investments with Third Parties.** A Client may co-invest in a portfolio company with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of a Client or may be in a position to take (or block) action in a manner contrary to a Client's investment objectives.

**Risk Related to Restricted Securities.** All or substantially all of a Client's investments may consist of securities that are subject to restrictions on resale by such Client because they were acquired in a "private placement" transaction or because such Client is deemed to be an affiliate of the issuer of such securities. Generally, a Client will be able to sell such securities only under Rule 144 under the Securities Act, which permits limited sales under specified conditions, or pursuant to a registration statement under the Securities Act. When restricted securities are sold to the public, Clients may be deemed to be an "underwriter," or possibly a controlling person, with respect thereto for the purposes of the Securities Act and be subject to liability as such under that Act. In addition, there can be no assurance that Clients can sell restricted securities at the same trading price as the equivalent securities that are not restricted.

**Risk Related to Junior Securities.** A Client may invest in securities that are among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, there will be no collateral to protect a Client's investment once made.

**Valuation Risk.** A Client may invest in early-stage portfolio companies that do not have a clear valuation. In some cases, conventional valuation methods may be inappropriate or impossible to employ. There is no assurance that the valuation obtained by a Client for any given portfolio investment will be at all representative of the ultimate profit or loss obtained by a Client with respect to such investment. There can be no assurance that the Adviser will have all the information necessary to make valuation decisions in

respect of these investments, or that any information or valuations provided by third parties on which such decisions are based will be correct. There can be no assurance that the valuation decision of the Adviser with respect to an investment will represent the value realized by a Client on the eventual disposition of such investment or that would, in fact, be realized upon an immediate disposition of such investment on the date of its valuation. Accordingly, the valuation decisions made by the Adviser may cause it to ineffectively manage a Client's investment portfolios and risks, and may also affect the diversification and management a Client's portfolio of investments. In addition, for Clients with allocations to Digital Assets (as defined below), given the complexities involved in valuing Digital Assets and the difficulty in confirming ownership of such assets, direct or indirect investments in Digital Assets could result in delays in the issuance of financial opinions by a Client's auditors or the qualification, in whole or in part, of such opinions.

***Risk Related to Limitations on Ability to Exit Investments.*** A Client will generally exit investments in two principal ways: (i) private sales (including mergers with or acquisitions of its portfolio companies) and (ii) initial and secondary public offerings. At any particular time, one or both of these avenues may not be available to a Client, or timing with respect to these exit mechanisms may be inopportune. As such, the ability to exit from and liquidate portfolio holdings may be constrained at any particular time.

***Risk Related to Service on Boards of Directors; Director Liability.*** Certain senior principals or other personnel of the Adviser or Two Sigma Affiliates may serve as directors of certain of a Client's portfolio companies. Such service, especially in light of new statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose a Client or the Two Sigma Affiliates and its members and affiliates to regulatory action and/or claims by a portfolio company, its security holders and its creditors. While the Adviser intends to manage a Client in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory actions cannot be eliminated, and such events may have a significant adverse effect on a Client.

In their capacity as directors, such individuals may become subject to fiduciary or other duties to the portfolio company on whose board they serve, which duties could conflict with and adversely affect a Client. On the other hand, a Client's Governing Documents may not require that a representative of a Two Sigma Affiliate serve as a director of each portfolio company, and accordingly there can be no assurance that the Adviser will have a legal right to influence the management of each portfolio company.

***Issuer and non-issuer transactions.*** Clients may acquire investments through both issuer and non-issuer transactions. In the case of a non-issuer transaction, a Client will purchase securities from existing shareholders (either directly or by means of a secondary market). In many cases, the price that a Client must pay to acquire securities in a non-issuer transaction will exceed the price that a Client would have paid if it were able to have acquired such securities directly from the issuer. Furthermore, in the event of a non-issuer transaction, there is no guarantee that a Client will accede to the same rights (*e.g.*, information, voting and right of first refusal) as the selling shareholder.

## **C. Other Risks of Investing and Trading**

***Risk Related to Industry Regulations Applicable to Portfolio Companies.*** It is anticipated that Clients will invest in portfolio companies in the technology industry. Companies operating in this industry are sometimes subject to extensive state, federal and foreign regulations governing their business activities. The failure to comply with applicable regulations, obtain applicable regulatory approvals, or maintain those approvals so obtained, may subject the applicable portfolio company to civil penalties, suspension or withdrawal of any regulatory approval obtained, product recalls and seizures, injunctions, operating

restrictions and criminal prosecutions and penalties, which could, individually or in the aggregate, have a material adverse effect on a Client's investment in such company.

***Lack of Follow-on Investments.*** Following the initial investment in portfolio companies, it is anticipated that portfolio companies will require additional funding and that a Client may have the opportunity to increase its investment in certain portfolio companies. There can be no assurance that a Client will make follow-on investments or that a Client will have sufficient funds to make all such investments. Any decision by the Adviser not to make follow-on investments, or a Client's inability to make such investments, may have a substantial adverse effect on a portfolio company in need of such an investment or may result in a missed opportunity for a Client to increase its participation in a successful enterprise. If a Client does not participate in a follow-on investment opportunity and other Investors provide the requested financing, a Client's investment in the portfolio company may be substantially diluted. In addition, while the Adviser may offer to certain other Investors the opportunity to invest in follow-on opportunities from which a Client is precluded, such opportunities will not be independently evaluated by the Adviser or any other Investors and no Investor should construe any decision to make or not make an investment under these circumstances to be a fiduciary decision with respect to a Client.

***Risk Related to Competition for Investments.*** The venture capital business is highly competitive, and it has become more so in recent years due to increased flows of capital into venture funds and similar investment organizations. A Client and the Adviser will be competing with other entities, including other investment Clients, institutional investors, investment managers, industrial groups, operating companies and merchant banks, established companies and funds, many of which have substantially greater resources and experience or are owned by large and well-capitalized investors, as well as industrial and financial companies investing directly in companies, instead of through venture capital entities. Moreover, the volume of attractive investment opportunities varies greatly from period to period. A Client may be unable to find a sufficient number of attractive opportunities to meet its investment objectives.

***Risk Related to Changes in Business Environment.*** A Client's investment program is intended to extend over a period of years, during which the business, economic, political, regulatory and technology environment within which a Client operates may undergo substantial changes, some of which may be adverse to the relevant Client. The Adviser will have the exclusive right and authority (within limitations set forth in a Client's Governing Documents) to determine the manner in which a Client will respond to such changes, and Investors generally will have no right to withdraw from a Client or to demand specific modifications to a Client's operations in consequence thereof. Prospective Investors are particularly cautioned that the investment strategies used by the management of the Adviser in the past may not be successful, or even practicable, during a Client's term, and the Adviser will have the right and authority to cause a Client's investment sourcing, selection, management and liquidation strategies and procedure to deviate from those described in a Client's Governing Documents.

***Risk Related to Long-Term Investments.*** A Client's investments will generally be illiquid and long-term. At the time of the Client's investment, a portfolio company may lack one or more key attributes (*e.g.*, successful product, competent management team or strategic alliances) necessary for success. Many or most of a Client's portfolio companies will be dependent for their success upon the development, implementation, marketing and customer acceptance of new technologies that can be rendered obsolete or otherwise unattractive at any time. In most cases, investments will require several years from the date of initial investment before disposition. It is possible that a Client will still hold some illiquid securities at the end of a Client's term, with the result that such securities may need to be distributed in-kind or sold for a price that reflects their illiquid nature. There can be no assurance that a Client will ultimately be able to sell such investments at attractive prices or otherwise be able to effect a successful realization or exit

strategy. Illiquidity may result from the absence of an established market for investment securities as well as from legal or contractual restrictions on the resale of such securities by a Client.

***Risk Related to Currencies.*** A Client may invest in securities denominated in currencies other than the U.S. dollar or the price of which is determined with reference to currencies other than the U.S. dollar. Unless the relevant Adviser hedges the currency exchange risk, the value of such assets (measured in U.S. dollars) will fluctuate with U.S. dollar exchange rates as well as with price changes in the applicable local markets and currencies.

***Hedging Policies/Risks.*** A Client may, directly or indirectly, employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices, currency exchange and other factors (including risks associated with the use of derivative instruments). While such transactions may reduce certain risks, such transactions themselves may entail certain other risks. Thus, while a Client may benefit from the use of these hedging mechanisms, unanticipated changes in interest rates, securities prices, currency exchange rates and other factors may result in a poorer overall performance for a Client than if it had not entered into such hedging transactions.

***Risk Related to Contingent Liabilities on Disposition of Investments.*** In connection with the disposition of an investment in a portfolio company, a Client may be required to make representations about the business and financial affairs of the portfolio company, typical of those made in connection with the sale of any business. A Client may also be responsible for the content of disclosure documents under applicable securities laws and may be required to indemnify the purchasers of such investments to the extent that any such representation turns out to be inaccurate. These arrangements may result in contingent liabilities, which might ultimately have to be funded by Investors to the extent of their commitments or previous distributions made to them. It is also possible that other claims could be made against a Client in connection with its investments and business operations. To the extent that a Client does not have sufficient uncalled capital or other available resources to satisfy such liabilities, Investors may be required to return amounts previously distributed by a Client to satisfy such liabilities, subject to limitations set forth in the Client's Governing Documents.

***Limited Liability of the Adviser and Indemnification.*** Generally, a Client's Governing Documents set forth circumstances under which the Adviser, its affiliates, stockholders, members, managers, partners, directors, officers, employees, agents and representatives (collectively, the "**Indemnified Parties**") are to be excused from liability to the Client and the Investor therein for damages or losses that the Client or the Investors therein may incur by virtue of any such Indemnified Party's performance of services for the Client. As a result, the Client and the Investors therein may have a more limited right of action in certain cases against these persons than they might have otherwise. Notwithstanding any applicable provisions of the Governing Documents, Investors may have, or be entitled to, rights, claims, causes of action or remedies that cannot be waived or forfeited under applicable law. In particular, Investors should consult with their own legal counsel before concluding that any particular claims against the Adviser of the Client or its respective members have been waived or forfeited by virtue of the Governing Documents or otherwise. Additionally, if a claim is made against an Indemnified Party, such Indemnified Party may be entitled to be indemnified by the Client, in which case the assets of the Client would have to be used to indemnify such Indemnified Party. Although Governing Documents generally contain broad exculpation and indemnification provisions, the Adviser will not interpret such provisions to constitute a waiver of any person's non-waivable federal fiduciary duties to the relevant Client under the Advisers Act.

***Investment Due Diligence and Investment Research.*** When conducting due diligence and investment research, the Adviser may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and



investment banks may be involved in the due diligence and investment research process in varying degrees depending on the type of investment. When conducting due diligence and investment research and making an assessment regarding an investment, the Adviser may rely on information provided by such persons, or by the management or shareholders of the target of the investment or their advisors. The due diligence investigation and investment research that the Adviser carries out with respect to any investment opportunity may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity, may lead to inaccurate or incomplete conclusions, or may be manipulated by fraud. Moreover, such an investigation will not necessarily result in the investment being successful.

***Risk Related to Material Non-Public Information.*** As a result of the operations of a Client and its affiliates, the Adviser may come into possession of confidential or material non-public information. Therefore, the Adviser may have access to material, non-public information that may be relevant to an investment decision to be made by a Client. Consequently, a Client may be restricted from initiating a transaction or selling an investment which, if such information had not been known to it, may have been undertaken on account of applicable securities laws or a Client's internal policies. Due to these restrictions, a Client may not be able to make an investment that it otherwise might have made or sell an investment that it otherwise may have sold. The inability to buy or sell securities could materially adversely affect the investment results of a Client.

***Audit Risks.*** It is possible that an audit of a Client's tax return by the U.S. Internal Revenue Service (the "Service"), if conducted, may result in an audit of an Investor's U.S. tax return, if any. Generally, an Investor that files a U.S. tax return must report each Client item for U.S. federal income tax purposes consistent with its treatments on the Client's return, unless such Investor files a statement with its return that identifies the inconsistency. In the event of an audit, the tax treatment of all Client items may be determined at the Client level in a single proceeding rather than in separate proceedings with each Investor. The Adviser may take primary responsibility for contesting federal income tax adjustments proposed by the Service, to extend the statute of limitations as to all Investors and, in certain circumstances, the Adviser may be able to bind the Investors to a settlement with the Service. The Adviser will inform each Investor of a commencement and disposition of any such administrative proceeding. Nevertheless, an Investor's participation in administrative or judicial proceedings relating to Client items would be restricted.

***Withholding and other Taxes.*** The Adviser intends to structure the Clients' investments in a manner that is intended to achieve the Clients' investment objectives and, notwithstanding anything contained herein to the contrary, there can be no assurance that the structure of any investment will be tax efficient for any particular Investor or that any particular tax result will be achieved. In addition, tax reporting requirements may be imposed on Investors under the laws of the jurisdictions in which Investors are liable for taxation or in which a Client makes portfolio investments. Prospective Investors should consult their own professional advisors with respect to the tax consequences to them of an investment in a Client under the laws of the jurisdiction in which they are liable for taxation. Furthermore, a Client's returns in respect of its investments may be reduced by withholding or other taxes imposed by jurisdictions in which a Client's portfolio companies are organized.

***Sanctioned Investors.*** If, after subscribing to a Client, an Investor is included on a list of prohibited persons maintained by a relevant regulatory or governmental authority (including OFAC or equivalent non-U.S. authorities) (a "Sanctions List"), the relevant general partner will have sole discretion to determine the resolution, remedy and manner of compliance of such Client with applicable laws, including without limitation a "freeze" on distributions and/or capital calls from the relevant Investor and reporting to the relevant authorities. Adverse actions by any such authorities, including temporary or permanent stays or holds on a Client's activities, could materially and adversely affect the Client.

***European Union Alternative Investment Fund Managers Directive and the United Kingdom Alternative Investment Fund Managers Regulations.*** The Alternative Investment Fund Managers Directive including any implementing national laws, rules or regulations (the “AIFMD”) and the United Kingdom Alternative Investment Fund Managers Regulations 2013 (as amended, including by the Alternative Investment Fund Managers (Amendment etc.) (EU Exit) Regulations 2019) (the “AIFM Law”) regulate the activities of fund managers undertaking fund management activities in the European Economic Area (“EEA”) or the United Kingdom, respective, or marketing fund interests to investors in the EEA or the United Kingdom (as applicable). The Adviser is not a United Kingdom or EEA authorized alternative investment fund manager under the AIFMD or the AIFM Law but may be required to comply with certain provisions of the AIFMD or the AIFM Law if it markets interests or shares in certain Clients in the EEA or the United Kingdom under applicable national private placement regimes established therein. Compliance with the provisions of the AIFMD and/or the AIFM Law by the Adviser may impose: (i) reporting, disclosure and other compliance obligations on the Adviser with respect to such Clients; (ii) restrictions on certain activities of such Clients in relation to EEA and/or United Kingdom portfolio companies (as applicable), including, in some circumstances, the Clients’ ability to recapitalize, refinance or potentially restructure such portfolio companies within the first two years of ownership; (iii) in certain circumstances a requirement to appoint a depositary or paying agent over the Clients; and (iv) restrictions on the extent to which the Adviser can market the Clients in an EEA member state or in the United Kingdom. Each of the aforementioned compliance obligations may result in additional costs being incurred by such Clients and the Adviser, including any costs incurred caused by their non-compliance, in each case reducing the returns for Investors. These restrictions on marketing may limit the Clients’ ability to attract Investors based in certain EEA member states or in the United Kingdom.

In November 2023, the European Parliament and the Council of the European Union published their agreed compromise text for a directive (known as “AIFMD II”) to amend AIFMD as it applies in the EEA. The final text is expected to be published in the first half of 2024. AIFMD II (which is not expected to come into force before 2026 and is further subject to grandfathering provisions) includes significant new or amended requirements in respect of, among other things, delegation, loan origination, liquidity risk management, data reporting, depositaries and public disclosure via the European Single Access Point. Each of the new or amended requirements under AIFMD II could have an impact upon the Adviser, the Clients, their investments and/or other costs or expenses which Investors are required to bear. At this stage, the Adviser cannot quantify the impact of these changes or rule out that the new requirements could change further or that new changes could be introduced as AIFMD II continues through the European Union legislative process.

***CFIUS Reviews.*** Pursuant to the Defense Production Act of 1950, as amended, the U.S. Government has the authority to restrict and prevent foreign acquisitions of and investments in U.S. companies (collectively, “Foreign Investments”) on national security grounds, actions that could adversely affect a Client’s investments. The Committee on Foreign Investment in the United States (“CFIUS”), a U.S. government interagency committee, conducts national security reviews of Foreign Investments and, in the interest of national security, may impose mitigation (*i.e.*, restrictions) on such investments. CFIUS-imposed mitigation can take a variety of forms, including (i) restrictions on the foreign investor’s access to the U.S. company’s technology or facilities, (ii) restrictions on the foreign investor’s role in the governance or decision making of the U.S. company, (iii) mandatory divestiture of a foreign non-managing member’s capital contribution and termination of its participation in the Client, (iv) mandatory U.S. Government approvals of changes to the U.S. company’s suppliers or the locations of its source code repositories, and (v) the appointment of a U.S. Government-approved monitor to verify the transaction parties’ compliance with the mitigation. The President of the United States may block a Foreign Investment that threatens to impair U.S. national security or order a foreign investor to divest of its Foreign Investment. If a Client is controlled by foreign persons or has foreign non-managing members, its investments are potentially subject

to CFIUS review. Foreign non-managing members' indirect investments in U.S. companies through a Client also could be subject to CFIUS review. Finally, subsequent proposed investments, acquisitions, or mergers or other transactions related to a Client's portfolio company investments involving foreign persons also could be subject to CFIUS review. If a Client is subject to a CFIUS review, the Client could incur increased costs, including legal fees.

#### **D. Risks Related to Digital Assets**

**Digital Asset Investments.** Clients may acquire in connection with its portfolio instruments, or otherwise invest in, cryptocurrencies, decentralized application tokens, protocol tokens, app coins and other similar digital and cryptofinance instruments and assets, the ownership or transmission of which is recorded or verified by a distributed ledger (including a "blockchain" or directed acyclic graph) or other similar technology, and securities and instruments that are related to, derived from or convertible into or exchangeable for such assets or that represent interests in pools of such assets (collectively, "**Digital Assets**"). Digital Assets are loosely regulated and there is no central marketplace for currency exchange. Supply is determined by a computer code or other action, not by a central actor, and prices have been extremely volatile.

**Digital Asset Trading Is Volatile and Speculative.** Digital Assets represent a speculative investment and involve a high degree of risk. As relatively new products and technologies, Digital Assets have not been widely adopted as means of payment for goods and services by major retail and commercial outlets. Conversely, a significant portion of the demand for Digital Assets is generated by speculators and investors seeking to profit from the short- or long-term holding of Digital Assets. The relative lack of acceptance of Digital Assets in the retail and commercial marketplace limits the ability of end-users to pay for goods and services with Digital Assets. A lack of expansion by Digital Assets into retail and commercial markets, or a contraction of such use, may result in increased volatility.

**Emerging Technology and Malicious Actors.** The ownership or transmission of Digital Assets is recorded or verified by a distributed ledger or other similar technology. The marketplace for such Digital Assets is still in its early stages of development, which may increase the risk of loss with respect to investments in Digital Assets in a number of ways. Digital Assets and their functions are generally governed by software run on a network of computers associated with such Digital Assets. Various issues related to such software and such computer networks could result in the diminution in value of Digital Assets, including, without limitation, undiscovered flaws in software, advancement in computing technology and third-party attacks on computer networks.

**Risk of Loss of Private Keys.** Various Digital Assets are controllable only by the possessor of unique private keys relating to the addresses in which the Digital Assets are held. The theft, loss or destruction of a private key required to access a Digital Asset is irreversible, and any such private key would not be capable of being restored by a Client. Any loss of private keys relating to digital wallets used to store Digital Assets could result in the loss of such Digital Assets, and a Client could incur substantial, or even total, loss of capital invested in Digital Assets.

**Uncertain Regulatory Environment for Digital Assets.** Most Clients have the ability to invest a limited portion of aggregate commitments in Digital Assets, which are currently either not regulated or are in the early stages of regulation by U.S. federal and state governments, foreign governments and/or self-regulatory organizations. As Digital Assets have grown in popularity, certain U.S. agencies, such as the SEC, the CFTC and the Financial Crimes Enforcement Network, have begun to examine Digital Assets and the operations of Digital Assets in depth. Currently, the SEC has not formally asserted regulatory authority over Digital Assets, although it released a report on July 25, 2017 that Digital Assets may be securities for

purposes of U.S. federal securities laws and, as such, there may be enforcement actions brought against initial coin offerings (“ICOs”) if they are unregistered securities offerings that lack a valid exemption. Whether a Digital Asset is a security for purposes of U.S. federal securities laws will depend on the facts and circumstances of the offering in question. Furthermore, the SEC has taken various actions against persons or entities misusing Digital Assets in connection with fraudulent schemes (*i.e.*, Ponzi schemes), inaccurate and inadequate publicly disseminated information, and the offering of unregistered securities. Commissioners of the CFTC have expressed the belief that certain Digital Assets meet the definition of a commodity and that the CFTC has regulatory authority over futures and other derivatives based on Digital Assets, subject to facts and circumstances. To the extent that any type of Digital Asset is determined to be a security, commodity, future or other regulated asset, or to the extent that a U.S. or foreign government or quasi-governmental agency exerts additional regulatory authority over the Digital Assets, Clients with Digital Asset investments may be adversely affected. Whether and to what extent Digital Assets will be regulated by any existing federal agencies or by new legislation passed by the U.S. Congress is unknown, as is the effect on the value of Digital Assets overall. State regulatory agencies may also create their own set of regulations of Digital Assets, which might further negatively impact the value of Digital Assets. Regulatory activity in any of these areas may restrict the ability of a Client both to make investments in Digital Assets and to realize the value of any investments by restricting the conversion of such assets into U.S. dollar-based assets.

Digital Assets currently face an uncertain regulatory landscape not only in the United States but also in many foreign jurisdictions, such as the European Union and China. For example, the People’s Bank of China initiated a ban on ICOs within the People’s Republic of China on September 4, 2017, and Ecuador, Bolivia and Bangladesh banned the use of bitcoin and other digital currencies in 2014. Various foreign jurisdictions may, in the near future, adopt laws, regulations or directives that affect Digital Asset networks and their users, particularly Digital Asset exchanges and service providers that fall within such jurisdictions’ regulatory scope. Such laws, regulations or directives may conflict with those of the United States and may negatively impact the acceptance of Digital Assets by users, merchants and service providers outside of the United States and may therefore impede the growth of the Digital Asset economy. The effect of any future regulatory change on Clients with Digital Asset investments is impossible to predict, but such change could be substantial and adverse.

***Lack of Management Rights in Digital Asset Investments.*** In many cases, a Client will be investing directly in a Digital Asset that lacks the governance aspects that generally pertain to equity securities. For example, a holder of a Digital Asset does not have the right to appoint board members or otherwise vote on corporate actions of the entity that has issued the Digital Asset. As a result, the Adviser will have limited, if any, ability to influence the actions of the issuer of the Digital Asset and such lack of influence may negatively impact the value of any particular investment.

***Tax Risk of Digital Asset Investments.*** There is substantial uncertainty regarding the tax treatment of Digital Assets. As such, the Adviser may take certain tax positions that may ultimately be treated differently in the course of an audit by the Internal Revenue Service (the “IRS”), or the regulations promulgated by the IRS may change over time. As a result, Investors may be subject to adverse tax consequences associated with their investment in a Client.

***Other Regulatory Risks Related to Digital Assets.*** Subject to their Governing Documents, Clients may invest in early-stage projects that are developing protocols or tokens that are not yet available in a distributed and liquid network. Launching a network is often accomplished through processes referred to as airdrops, mining, ICOs, or initial exchange offerings (“IEOs”). ICOs and IEOs allow for investors or users of the network to purchase certain Digital Assets offered or created by blockchain based companies on various platforms in exchange for dollars or already established Digital Assets, which can then be

converted to dollars on a Digital Asset exchange. Clients may also invest in later stages once a token is liquid and available to be traded through exchanges or peer to peer. In addition, a Client with a Digital Asset allocation may acquire presale tokens by entering into an investment contract (a “SAFT”), whereby, in exchange for a fixed payment, the Client will be entitled to receive future tokens. As SAFTs are contracts entered into for investment purposes, they may be considered securities for U.S. securities law purposes, and their offer and sale subject to federal securities laws, even where the token ultimately received is not.

There is substantial uncertainty over the regulatory treatment of presales, ICOs, IEOs, airdrops and tokens in general, including how development-stage protocols can achieve sufficient functionality and decentralization such that the SEC would not deem the underlying token a security. For example, in October 2019, the SEC filed a complaint and obtained a restraining order against Telegram Group Inc. halting distribution of digital tokens to accredited investors who had purchased the tokens under a security instrument. The SEC has claimed, among other things, that the underlying tokens should continue to be regulated as securities and the investors of the Telegram development project could be deemed underwriters who are involved in the distribution of securities. This action was settled in June 2020. Under the terms of the settlement, Telegram agreed to return capital to investors and pay a civil penalty. Similarly, the SEC filed a complaint against Kik Interactive Inc. in April 2019 alleging securities law violations in connection with an unregistered distribution of tokens. In October 2020, a federal district court entered judgement against Kik permanently enjoining Kik from violating registration provisions of the Securities Act with regards to the issuance of digital assets and further requiring Kik to notify the SEC before engaging in any future offer or sale of digital assets for a three-year period. These actions and others could restrict the ability of companies to raise funds, investors to receive tokens, investors to sell tokens and create liquidity, protocols to achieve distribution and materially and adversely impact the adoption of crypto and blockchain technology and the potential return of Clients that own such investments.

The industry of Digital Assets and the various token presales are also subject to fraud, security breaches, adverse regulatory developments, enforcement actions and technological developments. There is no guarantee that any Digital Asset purchased will have any value or worth or is compliant with applicable regulations. Digital Assets can at any point become subject to federal and state securities laws, federal commodity laws, state and federal lending laws, money transmission and Bank Secrecy Act/FinCEN regulations and various international regulations, among other restrictions. Such restrictions may have an adverse impact on a Client’s Digital Asset investments or on a Client’s ability to sell such investments. A Client with a Digital Asset allocation may invest in Digital Assets that it may not subsequently be able to legally sell, or regulation may be so unclear that such a Client may decide to hold Digital Assets until a time that there is sufficient clarity of its status, which may not come in a reasonable timeframe or the Digital Asset may lose its value in the interim.

***Legality of Digital Currencies.*** It may be illegal, now or in the future, to own, hold, sell or use digital currencies in one or more countries, including the United States. Although currently digital currencies are not regulated or are lightly regulated in most countries, including the United States, one or more countries may take regulatory actions in the future that severely restricts the right to acquire, own, hold, sell or use digital currencies or to exchange digital currencies for fiat currency. Such an action may restrict a Client’s ability to hold or trade digital currencies and could result in loss of value of any positions held.

***Ineligibility.*** A Client may be ineligible to participate in certain ICOs or presale tokens, particularly, ICOs or presale tokens issued by non-U.S. sponsors that limit participation to non-U.S. persons or entities. While a Client may seek to participate in such sales through a non-U.S. subsidiary, there is no guarantee that a non-U.S. subsidiary of a Client will be permitted to take part, or, where such a non-U.S. subsidiary is permitted to participate, that the rules or regulatory interpretations on which such participation is predicated may not subsequently change or be challenged.

***Digital Asset Risks from Technological Change.*** The technology enabling Digital Assets has been developed only within the last decade and, as a result, there is little data on their long-term investment potential. Additionally, due to the rapidly evolving nature of the Digital Asset market, including the development of new Digital Assets and advancements in the underlying technology, it is not possible to predict which Digital Assets a Client may own in the future or even to fully describe those potential Digital Assets. New Digital Assets or changes to existing Digital Assets may expose Investors in Clients with Digital Asset investments to additional risks which are impossible to predict. This uncertainty exacerbates the risk of Digital Asset investments generally.

***Technology and Security.*** Any security breach caused by hacking, which involves efforts to gain unauthorized access to information or systems, or to cause intentional malfunctions or loss or corruption of data, software, hardware or other computer equipment, and the inadvertent transmission of computer viruses, could result in the halting of a Client's operations or a loss of Client assets. Furthermore, Clients must adapt to technological change in order to secure and safeguard Client accounts. While the Adviser believes it has developed an appropriate security system reasonably designed to safeguard Digital Assets from theft, loss, destruction or other issues relating to hackers and technological attack, such assessment is based upon known technology and threats. As technological change occurs, the security threats to Digital Assets will likely adapt and previously unknown threats may emerge. Furthermore, the Adviser believes that Clients may become a more appealing target of security threats as the size of their assets grow. To the extent that the Adviser is unable to identify and mitigate or stop new security threats, Digital Assets may be subject to theft, loss, destruction or other attack, which could have a negative impact on the performance of Clients or result in loss of assets.

It is not uncommon for businesses in the Digital Asset space to experience large losses due to fraud and breaches of their security systems. For example, in September 2015, the global Bitcoin payment agent, BitPay, lost approximately \$1.8 million of Bitcoins due to a hacker's fraudulent impersonation of BitPay's Chief Financial Officer, or CFO, whereby the hacker was able to access the CFO's email account and successfully request BitPay's custodian to transfer funds. Furthermore, the Client's private keys required to transfer the Client's Digital Assets could be stored on systems or vaults located across the world, depending on the practices and procedures of the Client's custodians or security vendors, which could be subject to (i) hostile regulatory treatment of Digital Assets, (ii) unforeseen social, economic or political unrest and (iii) natural or man-made disaster.

***Trading on Digital Asset Networks; Counterparty Risk.*** To make Digital Asset investments, a Client will convert U.S. dollar contributions made by Investors to Digital Assets over specific networks, as applicable. A Client may use certain Digital Assets to purchase other Digital Assets. Many Digital Asset networks are online end-user-to-end-user networks that host a public transaction ledger, known as the blockchain, and the source code that comprises the basis for the cryptographic and algorithmic protocols governing such networks. In many Digital Asset transactions, the recipient of the Digital Asset must provide its public key, which serves as an address for a digital wallet, to the party initiating the transfer. In the data packets distributed from Digital Asset software programs to confirm transaction activity, each Digital Asset user must "sign" transactions with a data code derived from entering the private key into a "hashing algorithm," which signature serves as validation that the transaction has been authorized by the owner of such Digital Asset. Although transaction details are logged on the blockchain, a buyer or seller of Digital Assets may not have any means to verify and therefore may never know to whom the public key belongs or the true identity of the counterparty with whom it is transacting. Public key addresses are randomized sequences of alphanumeric characters that, standing alone, do not provide sufficient information to identify users. In addition, this process is vulnerable to hacking and malware, and could lead to theft of a Client's digital wallets and the loss of a Client's Digital Assets. Many Digital Asset exchanges have been closed

due to fraud, failure or security breaches. In many of these instances, the customers of such Digital Asset exchanges were not compensated or made whole for the partial or complete losses of their account balances in such Digital Asset exchanges. Furthermore, the participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as are members of more traditional “exchange-based” markets, and many of the protections afforded to participants on some traditional organized exchanges may not apply. The lack of any meaningful and independent evaluation of counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by Clients that invest in Digital Assets.

***Risk to Digital Asset Networks from Malicious Actors.*** If a malicious actor or botnet (a volunteer or hacked collection of computers controlled by networked software coordinating the actions of the computers) obtains a majority of the processing power dedicated to mining on certain Digital Asset networks, it may be able to alter the blockchain on which the Digital Asset transaction relies by constructing alternate blocks if it is able to solve for such blocks faster than the remainder of the miners on the Digital Asset network can add valid blocks. In such alternate blocks, the malicious actor or botnet could control, exclude or modify the ordering of transactions, though it could not generate new Digital Assets or transactions using such control. Using alternate blocks, the malicious actor could double-spend its own Digital Assets and prevent the confirmation of other users’ transactions for so long as it maintains control. To the extent that such malicious actor or botnet does not yield its majority control of the processing power on various Digital Asset networks or the Digital Asset community does not reject the fraudulent blocks as malicious, reversing any changes made to the blockchain may not be possible. Such changes could adversely affect an investment in a Client or the ability of a Client to transact.

***Staking.*** A staking reward is granted to holders of a Digital Asset when the holders lock up that Digital Asset as collateral to secure fairness when validating transactions or other network actions. Staking rewards require agency on the part of crypto asset holders and also introduces liquidity restrictions, since the act of staking “locks up” crypto assets for a period of time. When considering whether or not to participate in staking activities, a Client will consider whether the staking activities present possible and prudent opportunities to generate additional returns for a Client, the risks associated with the staking activities, the potential for the loss of all or part of the staked amounts, and whether or not the activity is supported by a Client’s custodian. While a Client currently may not participate in any staking activities, it may in the future engage in further staking activities if a Client deems such activity to be in the best interests of the Investors. Staking activity may require withdrawals of Digital Assets and such withdrawals may result in the Digital Assets being vulnerable to security breaches, including hacking and other efforts to obtain the Digital Assets. Staking activity may require a Client to make certain types of trades or to deposit certain Digital Assets within various protocols. Digital Assets transferred to exchanges or other trading venues or protocols, such as smart-contracts that facilitate staking or other reward-generating activity, are subject to increased risk of loss or theft due to reliance on the security procedures of the trading venue or protocol (when the Digital Assets are no longer in the custody of the Client or its custodian) or the risk of the smart contract operating appropriately. Staking may introduce additional security risks, including the potential for an incorrect transaction or a technical error that could cause a Client to lose staked Digital Assets. Given the novelty of staking, new vulnerabilities continue to be exposed and addressed. Any such occurrence could result in losses to a Client related to the staked Digital Asset. Certain staking activities require portfolio Digital Assets to be restricted within a protocol for a specific period of time, and such restrictions may result in a Client being unable to rebalance its holdings. If the Adviser decides to pursue staking activities that require Digital Assets to be restricted within a protocol for a specific period of time, a Client could be unable to sell the restricted assets when it otherwise believes it would be advantageous to do so.

Certain Digital Assets utilize decentralized finance protocols, and such protocols permit holders of the protocol’s native Digital Asset to participate in activities such as governance voting, staking, lending and

liquidity provision, in exchange for compensation. If a Client is unable to engage in such activities, or elects not to engage in such activities, its holdings can be diluted in favor of other token holders. A Client may hold certain Digital Assets that utilize decentralized finance protocols. Certain decentralized finance protocols choose to incentivize holders of the protocol's native Digital Asset to actively participate in the protocol by directing rewards, such as newly minted Digital Assets, transaction fees, or other mechanisms, to the Digital Asset holder if the Digital Asset holder participates in these activities. These rewards can represent a significant share of the total supply of the Digital Asset, and, if a Client is unwilling or unable to engage in such activities, the holdings of these specific assets can be diluted in favor of other token holders who opt to engage in such activities. At the same time, if a Client decides to engage in activities allowed by some decentralized finance protocols such as governance voting, staking, lending and liquidity provision, the Client may experience losses as a result of those activities.

***Risks of Flawed Source Code.*** If the source code or cryptography underlying a Digital Asset proves to be flawed or ineffective, malicious actors may be able to steal a Digital Asset held by others, which could negatively impact the demand for a Digital Asset and therefore adversely impact the price of a Digital Asset. In the past, flaws in the source code for Digital Assets have been discovered, including those that resulted in the loss of users' Digital Assets. Discovery of flaws in, or exploitations of, the source code that allow malicious actors to take or create money in contravention of known network rules have occurred. In addition, the cryptography underlying a Digital Asset could prove to be flawed, ineffective or potentially insufficiently tested, or developments in mathematics and/or technology, including advances in digital computing, algebraic geometry and quantum computing, could result in such cryptography becoming ineffective. In any of these circumstances, a malicious actor may be able to steal a Client's Digital Assets, which would adversely affect an investment in the Client. Even if a Client did not hold the affected Digital Asset, any reduction in confidence in the source code or cryptography underlying Digital Assets generally could negatively impact the demand for Digital Assets and therefore adversely affect an investment in a Client holding Digital Assets.

***Cryptographic Protection.*** Cryptography is evolving and there can be no guarantee of security at all times. Advancement in cryptography technologies and techniques, including but not limited to code cracking, hacking, the development of artificial intelligence and/or quantum computers, may create risks to all cryptography-based systems, including Digital Assets. Such technologies and/or techniques can be applied by bad actors with a view towards the theft, destruction, devaluation or other compromise of Digital Assets and their networks. Hackers or other malicious groups or organizations may attempt to interfere with the Digital Assets in a variety of ways, including but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. Further, many networks rely on open-source software and unpermissioned distributed ledgers. Accordingly, anyone may intentionally or unintentionally compromise the core infrastructural elements of a network and its underlying technologies. This may result in the loss of Digital Assets. The security of Digital Assets cannot be guaranteed due to the unpredictability of cryptography and potential interference by hackers or other malicious groups.

***Digital Asset Exchanges and Trading Venue Risks.*** Venues through which Digital Assets trade (including, but not limited to, Digital Asset exchanges) are new and, in many cases, largely unregulated. Many such Digital Asset exchanges and trading venues, including OTC trading venues, do not provide the public with significant information regarding their ownership structure, management teams, corporate practices or regulatory compliance. Moreover, in the current regulatory environment, unregulated Digital Asset exchanges have little incentive to become regulated (*e.g.*, register with the SEC or the CFTC) because doing so would prohibit them from facilitating the trading of Digital Assets that are unregistered. As a result of the largely unregulated nature and lack of transparency surrounding the operations of Digital Asset exchanges and trading venues, the marketplace may lose confidence in, or may experience problems relating to, Digital Asset exchanges and trading venues, including the most prominent exchanges or those



that handle a significant volume of trading. Digital Asset exchanges and trading venues may impose daily, weekly, monthly or customer-specific transaction or distribution limits or suspend withdrawals entirely, rendering the exchange of Digital Assets (including cryptocurrencies) for fiat currency difficult or impossible. Participation in Digital Asset exchanges and trading venues requires users to take on credit risk by transferring Digital Assets from a personal account to a third party's account.

Over the past several years, a number of Digital Asset exchanges and trading venues have been closed due to fraud, failure or security breaches. In many of these instances, the customers of such Digital Asset exchanges and trading venues were not compensated or made whole for the partial or complete losses of their account balances in such Digital Asset exchanges and trading venues. While smaller Digital Asset exchanges and trading venues are less likely to have the infrastructure and capitalization that make larger Digital Asset exchanges and trading venues more stable, larger Digital Asset exchanges and trading venues are more likely to be appealing targets for hackers and "malware" (*i.e.*, software used or programmed by attackers to disrupt computer operation, gather sensitive information or gain access to private computer systems). A Digital Asset exchange's failure could adversely affect a Client's investments in Digital Assets.

Digital Asset exchanges and trading venues that are regulated typically must comply with capital, cybersecurity, and anti-money laundering requirements, but are not typically subject to the same types of customer protection, transparency, and fair dealing requirements as markets that are SEC-regulated securities exchanges or CFTC-regulated futures exchanges. For example, most U.S. state and federal regulatory regimes for Digital Asset exchanges and trading venues generally have no specific requirements that exchanges detect, report or prevent manipulative trading activity, such as spoofing. Trading platforms, including some licensed by the New York State Department of Finance Services, may have substantial conflicts of interest, may not yet have implemented serious efforts to impede abusive trading activity, and may not have implemented sufficient protections of customer funds. Further, Digital Asset exchanges utilized by the Client may operate outside of the United States and be subject to the laws thereof, and a Client may have difficulty pursuing claims or enforcing judgments in such foreign jurisdictions, which may adversely affect a Client and its Digital Asset investments.

Most centralized Digital Asset exchanges require customers to open an account with the exchange and deposit Digital Assets prior to any trading. Unlike broker-dealers registered with the SEC, Digital Asset exchanges are not subject to any requirements to maintain possession of the Digital Assets deposited by customers. As a result, Digital Assets held in an account at an exchange are subject to the risk that the exchange operator may sell, lend or otherwise rehypothecate those Digital Assets, subjecting them to risk of loss. Exchanges may take risky positions with deposited Digital Assets. To the extent that a Digital Asset exchange, as a result of the rehypothecation of customer assets or otherwise, becomes insolvent or fails to return its customers' Digital Assets upon a withdrawal request, the rights of the exchange's customers to recover deposited Digital Assets are uncertain and those customers could incur material losses.

Furthermore, many Digital Asset exchanges and trading venues lack certain safeguards put in place by more traditional exchanges to enhance the stability of trading on the exchange and prevent flash crashes, such as limit-down circuit breakers. As a result, the prices of Digital Assets on Digital Asset exchanges and trading venues may be subject to larger and/or more frequent sudden declines than assets traded on more traditional exchanges.

Many Digital Assets exchanges and trading venues support the trading of a wide variety of Digital Assets, including those that are likely to be considered securities under U.S. federal and state securities laws, and therefore may be acting improperly without licenses, for example as unlicensed national securities exchanges.

A lack of stability in Digital Assets exchanges and trading venues, manipulation of Digital Assets markets by Digital Asset exchange and trading venue customers and the closure or temporary shutdown of such exchanges and venues due to fraud, business failure, hackers or malware, or government-mandated regulation may reduce confidence in the Digital Assets generally and result in greater volatility in the market price of Digital Assets. Furthermore, the closure or temporary shutdown of a Digital Assets exchange and trading venue may impact a Client's ability to determine the value of its Digital Assets holdings. These potential consequences of an exchange's failure or failure to prevent market manipulation could adversely affect a Client's investment in Digital Assets.

The price of Digital Assets on Digital Asset exchanges may also be impacted by policies on or interruptions in the deposit or withdrawal of fiat currency into or out of larger Digital Asset exchanges. On large Digital Asset exchanges, users may buy or sell Digital Assets for fiat currency or transfer Digital Assets to other wallets. Operational limits (including regulatory, exchange policy or technical or operational limits) on the size or settlement speed of (i) fiat currency deposits by users into Digital Asset exchanges may reduce demand on such Digital Asset exchanges, resulting in a reduction in Digital Asset prices on the Digital Asset exchanges and (ii) fiat currency withdrawals by users from Digital Asset exchanges may reduce supply on those Digital Asset exchanges, resulting in an increase in Digital Asset prices on such Digital Asset exchanges. To the extent that a Digital Asset exchange imposes fees or limits on the transfer or withdrawal of Digital Assets or fiat currencies, those fees or limits may impact Digital Assets prices on that exchange as a result of "exchange shopping" among Digital Asset exchange users. For example, a delay in U.S. dollar withdrawals on one exchange may temporarily increase the price on such exchange by reducing supply (*i.e.*, sellers transferring Digital Assets to another Digital Assets exchange without operational limits in order to settle sales more rapidly), but the resulting increase in price will also reduce demand because bidders on Digital Assets will follow increased supply on other Digital Asset exchanges not experiencing operational limits. To the extent that users are able or willing to utilize or arbitrage prices between more than one Digital Asset exchange, exchange shopping may mitigate the short-term impact on and volatility of Digital Assets prices due to operational limits on the deposit or withdrawal of fiat currency into or out of larger Digital Asset exchanges. It is possible Clients will trade Digital Assets on an over-the-counter or "OTC" basis. Opportunities to trade Digital Assets OTC may be limited and OTC platforms may impose minimum trade size or other requirements that a Client is unable to satisfy.

***Decentralized Exchange Risk.*** Clients that invest in Digital Assets could execute trades on decentralized exchanges. Decentralized exchanges are peer-to-peer marketplaces where users can trade Digital Assets without the need for an intermediary. Unlike centralized exchanges, users retain custody of their Digital Assets and trades are executed directly between users' wallets. Transactions are facilitated and executed by a suite of interconnected smart contracts, which subjects users to the risks that those smart contracts may not operate as intended, or as expected, and that any transactions effected by the smart contracts may not be reversible. In particular, many decentralized exchanges rely on complex smart contracts (or collections of smart contracts) called automated market makers to fill buy and sell orders placed on the exchange. Automated market makers, as a general rule, only execute trades at the market price, as determined by an algorithm embedded in the automated market maker's smart contract(s). As a result, it may be difficult or impossible to guarantee the price at which a buy or sell order will settle on a decentralized exchange, and in some cases, the sale or purchase price may not, in the General Partner's opinion, reflect the true market price of the relevant Digital Asset. All trades on a decentralized exchange are reflected on the relevant blockchain, and will therefore be subject to any transaction fees applicable to the network, which may be prohibitively high during times of network congestion (*e.g.*, often correlating to periods of market stress and volatility). Users of decentralized exchanges are not subject to any anti-money laundering, anti-terrorism financing, or sanctions screening. To the extent that a Client trades Digital Assets on decentralized exchanges, it may unintentionally and/or unknowingly transact directly with a person or entity subject to sanctions, which may have material adverse consequences for the Client.

Many Digital Assets custodians do not permit customers to trade on decentralized exchanges directly from custodial accounts. As a result, such a Client may be required to withdraw Digital Assets held with custodians and “self-custody” those Digital Assets or hold them with a custodian that is not a “qualified custodian” for purposes of the Advisers Act in order to engage with decentralized exchanges. Self-custody, in particular, could expose a Client to risk of loss as a result of a security breach, loss of private keys, or other circumstances mitigated by the use of a third-party custodian.

***Digital Assets & Governance Risk.*** A Client making Digital Assets investments is likely to invest in Digital Assets that lack the governance aspects that generally pertain to equity securities. Governance of decentralized networks is typically by voluntary consensus and open competition. Many Digital Asset networks have no central decision-making body or clear manner in which participants can come to an agreement other than through overwhelming consensus. The lack of clarity on governance may adversely affect a network’s utility and ability to grow and face challenges, both of which may require solutions and directed effort to overcome problems, especially long-term problems. A holder of a Digital Asset generally does not have the right to appoint board members or otherwise vote on corporate actions of the entity that has issued the Digital Asset and, in any event, the entity that issued a Digital Asset generally does not retain any direct control rights with respect to the decentralized network of the Digital Asset, beyond those of an ordinary holder of the Digital Asset (although it may exert indirect control via development resources and economic investment in the related ecosystem). As a result, a Client holding such investments will have limited, if any, ability to influence the actions of the issuer of the Digital Asset and/or the governance of the decentralized network of the Digital Asset.

Governance of the networks for other Digital Assets may be formally directed by the companies that founded such networks. However, users may disagree with updates proposed by these companies, which may also lead to a lack of clarity on the governance of those networks. To the extent lack of clarity in governance of Digital Asset systems leads to ineffective decision-making that slows development and growth, the value of a Client’s investment in such Digital Assets may be adversely affected.

Moreover, a Client or the Adviser’s participation in the governance of decentralized networks, including without limitation Decentralized Autonomous Organizations (“**DAOs**”), could result in judgments, fines, penalties, and liabilities for a Client and the Adviser. While in many cases DAOs implement legal structures (such as nonprofits, foundations, limited partnerships, or limited liability companies, collectively “**Legal Wrappers**”) as a means to shield participants in the DAO from the general liability of an unincorporated association or general partnership, when a Client invests in a DAO it is not a member of any Legal Wrapper and there is no guarantee that the implementation of a Legal Wrapper will insulate a Client or the Adviser from the theoretically unlimited liability of an unincorporated association or general partnership. Furthermore, even if a Client uses intermediate holding companies as a means of limiting the potential liability of a Client from participation in a DAO, there is no guarantee that such structures will be effective at limiting the risk from participation in the DAO and a Client or the Adviser could face fines, penalties, or judgments for engaging in the governance of a DAO, including from the SEC, the CFTC, other regulatory bodies, and other participants in the DAO even with those structures in place.

***Stolen or Incorrectly Transferred Digital Assets May Be Irretrievable.*** Once a transaction has been verified and recorded in a block that is added to the blockchain, an incorrect transfer of Digital Assets or a theft of Digital Assets generally will not be reversible and Clients may not be capable of seeking compensation for any such transfer or theft. It is possible that, through computer or human error, or through theft or criminal action, a Client’s Digital Assets could be transferred in incorrect amounts or to unauthorized third parties. To the extent that a Client is unable to seek a corrective transaction with such third party or is incapable of identifying the third party which has received the Client’s Digital Assets through error or theft, the Client will be unable to revert or otherwise recover incorrectly transferred Digital

Assets. To the extent a Client is unable to seek redress for such error or theft, it would sustain losses on the investment.

***Custody of Digital Assets.*** The Adviser will be responsible for arranging custody of Digital Assets. This may include any number of solutions, including, without limitation, via qualified or non-qualified custodians, multi-sig solutions, threshold cryptosystems, cold wallets, and/or in such other manner as reasonably determined by the Adviser to be industry practice and in the best interest of a Client. Digital Asset exchanges, custodians, and third-party wallet providers may require the Adviser to provide control of applicable private keys when such exchanges or wallets are utilized by the Client. The Adviser will take such reasonable steps as it determines are necessary to maintain access to these keys and to prevent their exposure to hacking, malware and general security threats, but the Client may not or may not be able to perform detailed diligence on such providers and exchanges, and, as a result, may not be aware of all security vulnerability and risks relating thereto; therefore, there can be no assurance that such steps will be adequate to protect such keys or the Client's Digital Assets from such threats or that there will be no failure or penetration of the applicable security systems.

Clients may use third-party wallet providers to hold a portion of their Digital Assets. A Client may have a high concentration of its Digital Assets in one location or with one third party wallet provider, which may be prone to losses arising out of hacking, loss of passwords, compromised access credentials, malware, or cyber-attacks. Subject to the terms of their Governing Documents, Clients are not required to maintain a minimum number of wallet providers to hold its Digital Assets. The Client may not (or may not be able to) perform detailed diligence on such third-party wallet providers and, as a result, may not be aware of all security vulnerabilities and risks. Certain third-party wallet providers may not indemnify a Client against losses of Digital Assets. Furthermore, there also can be no assurance that third-party custodial services utilized by a Client maintain required certifications with the SEC or other regulatory agencies, and therefore may not be deemed qualified custodians by various regulatory agencies. To the extent a Client employs other systems to safeguard cryptocurrencies holdings, such as "cold storage" or "deep storage," such systems will increase the time required to access certain cryptocurrency, and may, therefore, cause delays when the Client seeks to exit the positions. Additionally, as this is an evolving space, it will be difficult to judge best practice among custodians.

In general, the Adviser expects to utilize third-party custodians for its Digital Assets. However, qualified third-party custodians are not always available, and Clients may be required to self-custody Digital Assets either temporarily or permanently. Moreover, even where there are qualified custodians, the Adviser may conclude that it is not in the best interests of a Client to maintain digital assets with such custodians because to do so would require the Client to forgo potential risk-adjusted returns or take on unnecessary security risk vis-a-vis alternative custody solutions, among other potential reasons. There can be no assurance that self-custody will adequately protect the security of Digital Assets. In addition, regulators may not agree with a decision to self-custody a Client's Digital Asset(s), resulting in the possibility of sanctions, fines or other regulatory reparations imposed on the Client or the Adviser by the SEC.

***Limited History of Digital Asset Companies and Digital Assets.*** Due to the limited history of Digital Assets and the companies that issue them ("**Digital Asset Companies**") and the rapidly evolving nature of the Digital Asset industry, it is not possible to know all the risks involved in making an investment in the debt and/or equity of Digital Asset Companies, and new risks may emerge at any time. Digital Asset Companies and Digital Assets have gained commercial acceptance only within the past decade and, as a result, there is little data on the long-term sustainability of Digital Assets, as well as the business models among Digital Asset Companies that will provide for long-term profitability. Additionally, due to the rapidly evolving nature of the Digital Asset market, including the development of new Digital Assets, advancements in the underlying technology and the emergence of new Digital Asset Companies, it is not

possible to predict which Digital Assets the Client may have economic exposure to in the future or even to fully describe those potential Digital Assets. New Digital Assets or changes to existing Digital Assets may expose Investors to additional risks which are impossible to predict. This uncertainty makes the Client's investments in this area very risky.

***Risks of Internet Disruptions.*** A disruption of the internet may affect the use of Digital Assets and subsequently the value of investments in them. Many Digital Assets are dependent upon the internet. A significant disruption in internet connectivity could disrupt a currency's network operations until the disruption is resolved and have an adverse effect on the price of Digital Assets. In particular, some variants of Digital Assets have been subjected to a number of denial-of-service attacks, which have led to temporary delays in block creation and in the transfer of the currency. While in certain cases in response to an attack, an additional "hard fork" has been introduced to increase the cost of certain network functions, the relevant network has continued to be the subject of additional attacks. Moreover, it is possible that as Digital Assets increase in value, they may become more attractive targets for hackers and subject to more frequent hacking and denial-of-service attacks.

Digital Assets are also susceptible to border gateway protocol hijacking (or "BGP hijacking"). Such an attack can be a very effective way for an attacker to intercept traffic en route to a legitimate destination. BGP hijacking impacts the way different nodes and miners are connected to one another to isolate portions of them from the remainder of the network, which could lead to a risk of the network allowing double-spending and other security issues. If BGP hijacking occurs on a Digital Asset network, participants may lose faith in the security of Digital Assets, which could affect the value of those Digital Assets and consequently the value of the interests in the Client. Any future attacks that affect the ability to transfer the Digital Asset could have a material adverse effect on the value of the Digital Asset held, and thereby on an investment in the Client.

#### **E. Other Risks Relating to Investing in Private Funds**

***Limited Operating History.*** The Adviser's Clients generally will have little operating history, and there can be no assurance that one or more investments made on behalf of a Client will not result in losses. Although certain employees of the Adviser have backgrounds in venture capital and private equity, there can be no assurance that a Client will experience the same level of returns as prior venture capital investments or private equity investments made at the Adviser's direction in the past.

***Management by General Partner or Managing Member.*** Investors in a Client will have no right or power to participate in the management or control of the business of such Client. All aspects of management of a Client are entrusted to the Adviser. As a result, Investors will not have an opportunity to evaluate the specific investments made by a Client or the terms of any investment made by such Client prior to the consummation of such investments, subject to exception for any specific investment approval or opt-out rights set forth in a Client's Governing Documents. Many investment decisions by the Adviser will be dependent upon the ability of its members and agents to obtain relevant information from non-public sources, and the Adviser will be required to make decisions without complete information or in reliance upon information provided by third parties that is impossible or impractical to verify.

***Reliance on TSI.*** TSI provides various services to the Adviser, including, but not limited to, administrative, legal, technical and clerical services, access to technology equipment and office facilities, maintenance and support services, and other related and miscellaneous services. Pursuant to a services agreement (the "**Services Agreement**"), the Adviser pays TSI a fee for the provision of these services. Such fee is borne by the Adviser and not directly or indirectly by its Clients. All personnel of the Adviser have a direct employment relationship with TSI and not with the Adviser. Because of the services provided to the

Adviser by TSI, the Adviser's performance will be materially dependent on TSI and the talents and efforts of individuals employed by TSI. TSI is not a fiduciary to the Adviser or to any of its Clients. The success of the Adviser and the Clients will largely be dependent upon TSI's ability to continue to provide services to the Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and the Clients will be adversely affected. The Adviser has no control over TSI, and TSI may make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser or the investment objective of the Clients (subject to the Services Agreement).

***Certain Risks Associated with Management and Governance Challenges.*** There continue to be a variety of management and governance challenges that have the potential to directly or indirectly impact the Adviser. Specifically, the Management Committee of the Adviser's general partner (the "**Management Committee**") has been unable to reach agreement on a number of topics that, to the extent involving the Adviser, principally relate to the activities and functions that support one or more Two Sigma Affiliates and the Adviser ("**Platform Activities**"). These topics include: (i) defining roles, authorities, responsibilities and/or compensation for some C-level officers, including for the various roles of the members of the Management Committee and other very senior leaders responsible for activities and functions that support Platform Activities; (ii) organizational design and management structure of various teams; (iii) corporate governance and oversight matters; and (iv) succession plans. These disagreements have affected and could continue to affect Two Sigma's ability to retain and attract employees (including very senior employees) and to implement key initiatives. As such disagreements continue, the Adviser's ability to achieve Client objectives could be impacted over time.

***Unspecified Use of Proceeds.*** Except as otherwise described in the relevant Client's Governing Documents, generally a Client does not conclusively select investments that it will make in advance of accepting of capital commitments from Investors. Purchasers of interests in a Client will not have an opportunity to evaluate for themselves the relevant economic, financial and other information regarding the investments to be made by such Client and, accordingly, will be dependent upon the judgment and ability of the Adviser in investing and managing the capital of such Client.

***Defaulting Members.*** Failure of an Investor to fund any portion of its commitment when due could have material adverse consequences on such Investor, including, without limitation, forfeiture of all or a portion of its interest in a Client pursuant to the terms of the Governing Documents. Further, any failure by Investors to meet a capital call may impair the ability of a Client to pursue its investment program, force such Client to borrow, or cause other damage.

***Return of Distributions.*** An Investor in a Client that receives a distribution subject to certain contingencies or giveback requirements (including, in certain circumstances, if the Client should become insolvent), or in violation of certain applicable laws, rules or regulations, will, under certain circumstances, be obligated to recontribute such distribution to such Client. The applicable Governing Documents of a Client generally will also require Investors therein to return to such Client distributions they previously received, subject to certain limitations.

***Distributions of Assets other than Cash.*** The Adviser may distribute certain of a Client's investments in securities or other non-cash property. An Investor that receives assets other than cash from a Client may incur substantial costs and delays in converting those assets to cash as distributed assets may be subject to a variety of legal or practical limitations on sale. For example, immediately following a distribution of securities, trading volume may be insufficient to support sales by Investors without such sales triggering a price decline which makes it difficult or impossible for all Investors to sell such securities at the distribution price. Investors may also be unable to sell such securities at the distribution price due to general market volatility or volatility in the price of the distributed security. Nevertheless, the distribution price of such

securities will be established under the provisions of the applicable Governing Documents and will not be adjusted to reflect actual sale prices obtained by the Investors. Further, distributions in kind on dissolution of a Client may result in the receipt by Investors of highly illiquid unregistered securities.

***Economic Interest of General Partner or Managing Member.*** Because the percentage of profits allocated to a Client's general partner or managing member (as applicable) or a Two Sigma Affiliate will exceed the capital contribution percentage of such affiliate, and because certain net losses otherwise allocable to such affiliate will be specially allocated to all the Investors (up to the point that the Investors' capital account balances reach zero), the Adviser may have an incentive to make investments that are riskier or more speculative than if the Adviser or its affiliate received allocations on a basis identical to that of the Investors. Moreover, the manner in which the Adviser determines allocations may create a conflict between the Adviser's interests and the Investor's interests as to the manner, timing and sequencing of the disposition of investments, which could result in adverse consequences for the Investors, including, but not limited to, reduced returns and less efficient tax treatment.

***Lack of Liquidity and Limited Transferability of Interests in a Client.*** An investment in a Client is a long-term commitment and there is no assurance of any distribution to the Investors. Interests in a Client will not be registered under the Securities Act or any state securities laws and may not be transferred unless registered under applicable federal and state securities laws or unless an exemption from such laws is available. A Client will have no plans, and is under no obligation, to register such interests under such laws. No market exists for interests in a Client, and none is expected to develop. In addition, interests in a Client are not transferrable except with the consent of the Adviser. Withdrawal of capital from a Client generally will not be permitted, although the Governing Documents of a Client may specify certain circumstances under which an Investor may be entitled, or required, for legal reasons to withdraw from a Client. Consequently, Investors may not be able to liquidate their investment in the event of a change of circumstances or for any other reason. Investment in a Client requires the ability and willingness to accept such lack of liquidity as well as a high degree of risk.

***No Assurance of Profit or Distributions.*** There is no assurance that a Client's investments will be profitable or that any distributions will be made to the Investors. Any return on investment to the Investors will depend upon successful investments being made by a Client. The marketability and value of any such investment will depend upon many factors beyond the control of a Client. A Client may not have sufficient cash available to make tax distributions to the Investors. The expenses of a Client may exceed its income, and the Investors could lose the entire amount of their contributed capital.

***Prior Rates of Return May Not Be Indicative of Client's Returns.*** Two Sigma Affiliates, including TSI, pursue and implement investment strategies that are different from the investment strategies pursued and implemented by the Adviser. There can be no assurance that investments by a Client will yield comparable results to those previously obtained by the Adviser or any Two Sigma Affiliates in the past, even if the investment strategies may be similar or comparable. Prior experience that the Adviser and the Two Sigma Affiliates, its employees, managers, Investors, directors or partners may have in making investments of the type expected to be made by a Client necessarily was obtained under different market conditions, by exposure to different industries and sectors, and with different technologies at the forefront of development, and there can be no assurance that these or comparable returns will be achieved by a Client's investments individually or in the aggregate. In pursuing investment opportunities for a Client, it is possible that the Adviser is able to achieve a higher and, at times, substantially higher returns for many, if not all, of the other Clients than another Client. In addition, certain Clients may have lower Management Fees and Carried Interest and a different methodology for calculating Carried Interest in comparison to other Clients.

***Dependence on Key Personnel.*** The activities of a Client will depend significantly upon the services of certain key individuals of the Adviser (including members of the investment team). The loss of the services of any of these key personnel for any reason could have a significant adverse impact upon the business and results of a Client's operation. Moreover, principals or employees of the Adviser will not be required to devote their time and attention exclusively to a Client.

Furthermore, from time to time the Adviser relies on certain Two Sigma Affiliates' employees for advice on the review and diligence of potential investments and for other types of support after an investment has been made. This support is not guaranteed by those affiliates, and the Adviser will have to compete for such affiliates' employees' time and attention, and there is no guarantee that the Adviser will be able to secure it. This support could be discontinued in its entirety at any time. The failure to receive this support could potentially cause the Adviser to make unsuccessful investments which could have been avoided or to pass on potential investments that may be successful. Furthermore, the Adviser has previously relied on Two Sigma Affiliates to source opportunities; however, this reliance will be subject to certain restrictions and limitations as described herein and in the Governing Documents of the applicable Client.

***Limited Diversification of Risk.*** Clients generally participate in a limited number of portfolio investments and, as a consequence, the aggregate return of a Client may be materially and adversely affected by the unfavorable performance of even a single portfolio investment. In addition, there is no assurance that sufficient diversification of investments can be properly achieved. A Client may be subject to certain diversification limits. A Client will be focused on investments in certain sectors of the information technology industry, and, therefore, will involve more risk and will be subject to greater market fluctuations than a portfolio of securities that is not concentrated in a particular industry or sector. If the overall state of this industry or the specific segments or companies in which a Client invests perform poorly, a Client will be adversely affected. There can be no assurance that a Client will be able to find a sufficient number of attractive investments, joint ventures or strategic alliances to enable investment of the full amount of the capital committed to a Client.

***Restricted Withdrawal and Transfer Rights.*** The interests in a Client will not be registered under the Securities Act or any other applicable securities laws. It is anticipated that there will be no public market for the interests in a Client, and none is expected to develop. In addition, the interests in a Client will not be transferable except with the consent of the Adviser, which generally may be withheld by the Adviser in its sole discretion, and are subject to the terms and conditions of the Governing Documents of a Client. Investors generally may not withdraw capital from a Client. Consequently, Investors may not be able to liquidate their investments prior to the end of a Client's term.

***Side Letters.*** In accordance with common industry practice, the Adviser and/or a Client may enter into other written agreements with one or more Investors, including its affiliates, which may grant to such investor specific rights, benefits or privileges in connection with its investment in a Client that are not made available to other Investors. Such additional rights, benefits or privileges may affect the interests of other Investors of such Client.

It is also expected that the Adviser will from time to time confirm factual matters to incoming Investors, make statements of intent or expectation to such Investors or acknowledge statements by such incoming Investors that relate to a Client and/or the Adviser's activities pertaining thereto in one or more respects. Additionally, it is expected that Investors who designate representatives to participate on a Client's advisory board may, by virtue of such participation, have more information about a Client and its investments in certain circumstances than other Investors and may be provided information in advance of communication to other Investors. Any such statements, confirmations, agreements or acknowledgements, including those made in response to an Investor's due diligence requests, will not involve the granting of any legal right or



benefit, and therefore will not be subject to the “most favored nations” process or election by the Investors, and, except in the circumstances and on the timing required by the applicable Governing Documents and/or applicable law, Investors generally will as a result not typically receive notice thereof or copies of the documentation (if any) in which they are contained. There can be no assurance that any such arrangements will not have an adverse effect on a Client or that such arrangements will not influence the activities of the Adviser or the operation of a Client. See also “*Conflicts of Interest-- Side Letters; Governing Document Conflicts*” in “*Item 8. Methods of Analysis, Investment Strategies & Risk of Loss*” below.

**Confidential Information.** The Governing Documents of a Client will contain confidentiality provisions intended to protect proprietary and other information relating to a Client and a Client’s portfolio companies. To the extent that such information is publicly disclosed, competitors of a Client and/or its portfolio companies, and others, may benefit from such information, thereby adversely affecting a Client, its portfolio companies, the Adviser, and the economic interests of the Investors.

**Regulatory Concerns: Private Funds Rules.** A Client will be subject to a variety of securities laws and other types of governmental regulation that may limit the scope of its operations or impose material compliance costs and other burdens. While the Adviser believes that a Client will not be subject to the registration requirements of the 1940 Act, there can be no assurance that this belief is, or will continue to be, correct. If a Client were subject to such registration requirements, a Client’s performance could be materially adversely affected.

In recent years, the SEC has proposed and adopted, and continues to adopt, various changes to the rules relating to private funds and their advisers. On August 23, 2023, the SEC adopted previously proposed new rules and amendments to existing rules (collectively, the “**Private Funds Rules**”) under the Advisers Act specifically related to advisers of private funds. The Private Funds Rules will impose new and substantial requirements on advisers and the funds they advise, including with respect to quarterly reporting, restricted activities, preferential treatment of investors, audit requirements, adviser-led secondaries and annual compliance reviews. The Private Funds Rules, in addition to any other new rules adopted by the SEC, are expected to significantly impact the business of the Adviser and its affiliates, a Client and/or its investments. As a result of the new rules, the Adviser may be restricted or refrain from providing information regarding a Client in response to Investor requests. The Adviser will be required to circulate to all Investors the material terms of any preferential treatment agreed in connection with investments in a Client (*i.e.*, all side letter terms), without regard to any most favored nation provision. This may ultimately impact the Adviser’s decisions with respect to agreeing to certain preferential rights. Further, many provisions of the Private Funds Rules require the Adviser to make a variety of subjective determinations as to whether and how such rules apply to a Client and the Adviser’s related obligations. The Adviser will face conflicts of interest in making such determinations, including for example with respect to whether certain fees and expenses may be charged to a Client, whether certain provisions may have a material negative impact on certain Investors and whether certain allocations are fair and equitable. The Adviser’s and a Client’s compliance burdens and associated costs including, without limitation, insurance expenses, are also expected to increase. The Adviser also will be subject to increased risk of exposure to additional regulatory scrutiny, litigation, censure and penalties for noncompliance or perceived noncompliance as a result of the Private Funds Rules, and any noncompliance or perceived noncompliance with such rules may negatively impact the Adviser’s reputation as well as its Clients’ investment activities, which could materially reduce returns to Investors.

Several trade groups representing private fund managers have filed a legal challenge to the Private Funds Rules and other legal challenges to the Private Funds Rules may be forthcoming. Regardless of the outcome of these lawsuits, the implementation of these new rules is expected to create additional burdens for advisers to private funds.

In general, the Adviser will seek to minimize the degree of governmental regulation and oversight to which a Client is subject. While it is anticipated that this approach will reduce compliance and other costs, this approach will also eliminate a variety of investor protections (including certain protections arising under the Securities Act, the U.S. Securities Exchange Act of 1934, and the 1940 Act) that would be available if the Client were subject to greater governmental regulation and oversight. In particular, prospective Investors are cautioned against assuming the applicability of investor protections generally associated with public offerings of securities.

**Limited Access to Information.** The rights of Investors to information regarding a Client and its portfolio companies will be specified, and strictly limited, in the applicable Governing Documents. In particular, it is anticipated that the Adviser will obtain certain types of material information that will not be disclosed to Investors. For example, the Adviser may obtain information regarding portfolio companies (*e.g.*, via employees, partners or affiliates of the Adviser serving as advisors to, or officers/directors of, portfolio companies) that is material to determining the value of securities issued by such portfolio companies. Such information may be withheld from Investors in order to comply with duties to such portfolio companies or otherwise to protect the interests of such portfolio companies or a Client.

With respect to its Clients that are Funds, decisions by the Adviser to withhold information may have adverse consequences for Investors in a variety of circumstances. For example: (i) an Investor that seeks to sell its interest in a Fund may have difficulty in determining an appropriate price for such interest; (ii) decisions by the Adviser to withhold information may make it difficult for Investors to subject to the Adviser to rigorous oversight; and (iii) each communication from the Adviser to one or more Investors must be interpreted in light of the realistic possibility that the Adviser is in possession of undisclosed information relating to a Fund or its portfolio companies that could be material to a comprehensive assessment of such communication. Overall, prospective Investors should not expect a Fund to be operated with the same degree of transparency as a publicly traded corporation.

**Computation of Capital Accounts.** The Adviser's discretion with respect to all matters concerning the computation of capital accounts may result in potential or actual conflicts of interest between the Adviser and Investors, and the Adviser's determinations with respect to such matters may be materially different than if such determinations were made by a third party.

**Client Advisory Boards.** The Adviser may appoint one or more Investors as representatives to advisory boards ("**Advisory Board**") established with respect to a Client. The Governing Documents may provide that to the fullest extent permitted by applicable law, none of the Advisory Board members shall owe any fiduciary duties to such Client or any other Investor, other than the duty to act in good faith. In addition, representatives of the Advisory Board may have various business and other relationships with the Adviser and its partners, employees and affiliates. These relationships may influence their decisions as members of the Advisory Board.

**Reserves.** The Adviser may establish reserves for follow-on investments by a Client in portfolio companies (subject to certain limitations under the Governing Documents of a Client), operating expenses, Management Fees, and other matters. Estimating the appropriate amount of such reserves is difficult, especially for follow-on investment opportunities, which are directly tied to the success and capital needs of portfolio companies. Inadequate or excessive reserves could impair the investment returns to the Investors. If reserves are inadequate, a Client may be unable to take advantage of attractive follow-on or other investment opportunities or to protect its existing investments from dilutive or other punitive terms associated with "pay-to-play" or similar provisions.

***Litigation Risks.*** A Client will be subject to a variety of litigation risks, particularly if one or more of a Client's portfolio companies face financial or other difficulties during the term of a Client's investment. Legal disputes, involving any or all of a Client, the Adviser, or the Two Sigma Affiliates may arise from the foregoing activities (or any other activities relating to the operation of a Client, the Adviser or a Two Sigma Affiliate) and could have a significant adverse effect on a Client. For example, litigation risks may arise because an Operating Partner or employee of the Adviser provides services to a portfolio company or actively assists a portfolio company that is in financial distress. A Client may also participate in portfolio company financings at implicit portfolio company valuations lower than the valuations implicit in preceding rounds of financing. In the event of a dispute arising from any of the foregoing activities (or other activities relating to the operation of a Client or the Adviser), it is possible that a Client, the Adviser or a Two Sigma Affiliate may be named as defendants. Portfolio companies may have insurance to protect directors and officers, but any such insurance may be inadequate. In connection with such actions, in most circumstances, a Client would be obligated to bear defense, settlement and other costs, and the Adviser would generally be entitled to indemnification by a Client. Such costs and indemnification could adversely affect a Client's rate of return. Beyond direct costs, such disputes may adversely affect a Client in a variety of ways, including by distracting the Adviser and harming relationships between a Client and its portfolio companies or other Investors in such portfolio companies.

***Social Media and Publicity Risk.*** The use of social networks, message boards, internet channels and other platforms has become widespread within the United States and globally. As a result, individuals now have the ability to rapidly and broadly disseminate information or misinformation, without independent or authoritative verification. Any such information or misinformation regarding the Adviser, the Clients or one or more portfolio companies could have a material and adverse effect on the value of the Clients and/or their portfolio companies.

***Cybersecurity Risks.*** Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The Adviser, the Two Sigma Affiliates, Clients, and their portfolio companies' and service providers' information and technology systems may be vulnerable to damage or interruption from cybersecurity breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, power outages and catastrophic events (including fires, tornadoes, floods, hurricanes and earthquakes), or usage errors by their respective professionals or service providers. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to Investors (and their beneficial owners) and material nonpublic information. They may also be able to disrupt the operations of, encrypt or otherwise prevent access to these systems of the Adviser, the Clients' service providers, and counterparties as well as the data stored by these systems. Although the Adviser has implemented, and portfolio companies and service providers may implement, various measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information. The Adviser does not control the cyber security plans and systems put in place by third party service providers, and such third-party service providers may have limited indemnification obligations to the Adviser, the Two Sigma Affiliates, Clients, Investors and/or a portfolio company, each of whom could be negatively impacted as a result.

Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's, Two Sigma Affiliates', a Client's and/or a portfolio company's operations and result in a

failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Investors (and their beneficial owners), material nonpublic information and the intellectual property and trade secrets and other sensitive information in the possession of the Adviser and/or portfolio companies.

Furthermore, breach of the Adviser's technology systems through cyber-attacks, or failure to manage and secure the Adviser's technology environment, could result in malfunctions in the operations of the Adviser's business, loss of valuable information, loss of investments, liability for stolen assets or information, remediation costs to repair damage caused by a breach, additional costs to mitigate against future incidents and litigation costs resulting from an incident. Moreover, loss of confidential client information could harm the Adviser's, a Two Sigma Affiliate's, a Client's and/or a portfolio company's reputation and subject any such entity and its respective affiliates to liability and legal claims under the laws that protect personal data, resulting in increased costs or loss of revenues or otherwise affect their business and financial performance.

The Adviser, a Client and/or a portfolio company could be required to make a significant investment of time and/or expenses to remedy the effects of any such failures, harm to their reputations, legal claims that they and their respective affiliates may be subjected to, regulatory action or enforcement arising out of applicable privacy and other laws, adverse publicity, and other events that may affect their business and financial performance. In addition, the Adviser may incur substantial costs related to investigation and remediation of the cybersecurity incident, increasing and upgrading cybersecurity, protections including its administrative, technical, organizational and physical controls, acts of identity theft, unauthorized use or loss of proprietary information, adverse investor reaction, increased insurance premiums or difficulties obtaining insurance coverage or litigation, regulatory actions or other legal risks.

Another potential result of the interruption of the Adviser's (and its affiliates') systems and/or implementation of disaster recovery plans is a remote working or distributed workforce environment for employees of the Adviser and its affiliates, which presents certain risks discussed below in "Distributed Workforce."

***Risks of Artificial Intelligence ("AI").*** The Adviser's ability to use, manage and aggregate data may be limited by the effectiveness of its policies, systems and practices that govern how data is acquired, validated, used, stored, protected, processed and shared. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit the Adviser's ability to manage current and emerging risks, as well as to manage changing business needs and to adapt to the use of new tools, including AI. While the Adviser expects that it might restrict certain uses of third-party and open source AI tools, such as ChatGPT, the Adviser's employees and consultants and a Client's portfolio companies may use these tools, which poses additional risks relating to the protection of the Adviser's and such portfolio companies' proprietary data, including the potential exposure of the Adviser's or such portfolio companies' confidential information to unauthorized recipients and the misuse of the Adviser's or third-party intellectual property, which could adversely affect the Adviser, a Client or its portfolio companies. Use of AI tools may result in allegations or claims against the Adviser, a Client or its portfolio companies related to violation of third-party intellectual property rights, unauthorized access to or use of proprietary information and failure to comply with open-source software requirements. Additionally, AI tools may produce inaccurate, misleading or incomplete responses that could lead to errors in the Adviser's and its employees' and consultants' decision-making, portfolio management or other business activities, which could have a negative impact on the Adviser or on the performance of a Client and its portfolio companies. AI tools could also be used against the Adviser, a Client or its portfolio companies in criminal or negligent ways. As the use and availability of AI tools has grown, the U.S. Congress and a number of U.S. federal and state agencies have been examining AI tools and their use in a variety of industries, including financial services.

These agencies have issued proposed or adopted a variety of rules and other guidance regarding the use of AI. AI similarly faces an uncertain regulatory landscape in many foreign jurisdictions. Ongoing and future regulatory actions with respect to AI generally or AI's use in any industry in particular may alter, perhaps to a materially adverse extent, the ability of the Adviser, a Client or its portfolio companies to utilize AI in the manner it has to date and may have an adverse impact on the ability of the Adviser, a Client or its portfolio companies to continue to operate as intended.

***Risks of ML Technologies.*** The Adviser utilizes machine learning and similar AI tools and techniques, and may in the future utilize generative AI and large language models (collectively with machine learning and similar tools, “**ML Technologies**”) in the course of its business, for example in connection with data analysis, research, and potentially other activities. ML Technologies can be developed in whole or in part by third parties (including open source materials) and by Two Sigma Affiliates. There are risks associated with the use of ML Technologies, and the Adviser's use of ML Technologies (as well as the use of ML Technologies by third parties, as discussed above in “Risks of Artificial Intelligence,” or by Two Sigma Affiliates) will tend to amplify the risks faced by the Adviser and Clients, including those risks described under “Risks of Artificial Intelligence” and “Cybersecurity Risks,” and could introduce additional risks, all of which could adversely impact the Adviser and Clients.

Certain ML Technologies are typically highly reliant on the collection and analysis of large amounts of data. It is not possible or practicable to screen all available data incorporated into or reviewed by ML Technologies, and it is inevitable that not all desired and/or relevant data will be available to, or processed by, the ML Technologies, and that such data will be incomplete or incorrect. The Adviser will also not necessarily be aware of the importance assigned to any particular piece of data by the ML Technologies. ML Technologies will sometimes generate incomplete or inaccurate outputs that could negatively impact the Adviser's data analysis, research, and other activities. In addition, ML Technologies can make underlying logic for computations and results difficult to interpret, and therefore unexpected behavior can be difficult to detect and/or remediate; improvements can similarly be difficult to implement as well. Further, the Adviser may utilize ML Technologies developed by third parties, and the Adviser does not necessarily have visibility into the data used to train the models or the specific technologies that comprise such ML Technologies and it could be even more difficult to detect and/or remediate errors or other unexpected behavior of such ML Technologies. The Adviser's use of ML Technologies could therefore adversely impact Clients.

As noted above under “Risks of Artificial Intelligence,” Clients will also be exposed to risks to the extent third-party service providers and/or counterparties of the Adviser or the Clients use ML Technologies in their business activities. The Adviser has limited transparency into the use of such ML Technologies, and to the extent it is aware of such use, will likely not be in a position to control the manner in which third-party products are developed or maintained or the manner in which third-party services utilizing ML Technologies are provided.

***Financial Institution Risk; Distress Events.*** The Clients will maintain funds with one or more banks or other financial or depository institutions (“**financial institutions**”), which may include US and non-US financial institutions, and may have brokerage accounts at or enter into credit facilities or have other financial relationships with financial institutions. The distress, impairment or failure of one or more financial institutions with whom the Clients, their portfolio companies, and/or the Adviser transact may inhibit the ability of the Clients or their portfolio companies to access depository accounts, securities or lines of credit at all or in a timely manner. Such distress events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In such cases, the Clients may be forced to delay or forgo investments or to call capital when it is not desirable to do so, resulting in lower performance for the Clients. In the event of failure of a

financial institution where a Client or one or more of its portfolio companies holds depository and/or brokerage accounts, access to such accounts could be restricted, and U.S. Federal Deposit Insurance Corporation (“**FDIC**”) protection, in the case of bank accounts, or Securities Investor Protection Corporation (“**SIPC**”) protection, in the case of certain broker-dealers, may not be available for balances in excess of amounts insured by the FDIC or SIPC, as applicable (and similar considerations would apply to financial institutions in non-US jurisdictions, and any accounts in jurisdictions without similar protections would pose increased risk of loss). In such instances, the Clients and their affected portfolio companies may not recover such excess, uninsured amounts. The loss of amounts maintained with a financial institution or the inability to access such amounts for a period of time, even if ultimately recovered, could be materially adverse to the Clients or their portfolio companies, including having potentially adverse effect on the ability of the Adviser to manage its Clients and their investments, and on the ability of the Adviser, any Client and/or portfolio companies to maintain operations, which in each case could result in significant losses and unconsummated investment acquisitions and dispositions. One or more Investors or a Client’s general partner or managing member (as applicable) could also be similarly affected and unable to fund capital calls, further delaying or preventing new investments. In addition, the Adviser may not be able to identify all potential solvency or stress concerns with respect to a financial institution or to transfer assets from one financial institution to another in a timely manner in the event a financial institution comes under stress or fails.

Many financial institutions require, as a condition to using their services as custodian or otherwise, that the Adviser and/or the relevant Client(s) maintain all or a set amount or percentage of their respective accounts or assets in the custody of the financial institution, which heightens the risks associated with a distress event with respect to that financial institution. Although the Adviser seeks to do business with custodians that it believes are creditworthy and capable of fulfilling their respective obligations to the Clients, the Adviser is under no obligation to use a minimum number of custodians with respect to any Client, or to maintain account balances at or below the relevant insured amounts.

***Tax Reform Risks.*** Tax law is subject to change and various historic and current legislative proposals could affect the Clients and the Investors. Under current law, capital gains in respect of a general partner’s right to Carried Interest will be subject to a three-year “holding period” in order to be classified as “long term capital gains,” while the corresponding holding period requirement with respect to capital gains that Investors are allocated is one year. This Carried Interest holding period requirement could affect investment decisions, including the timing and structure of dispositions and other realization events, and it could adversely impact returns for Investors. For example, the holding period requirement may incentivize the general partner to cause a Client to hold an investment for longer than three years in order for the general partner to obtain a preferential tax rate on Carried Interest, even if there are attractive realization opportunities prior to that time. Further, there are currently administrative and legislative proposals to further change the tax treatment of “carried interest” in ways that may be adverse to partners in the general partner. A general partner and the Adviser may take these potential adverse consequences into account in their management and operation of the Clients. In addressing these adverse consequences, the interests of the general partner and the Adviser, on the one hand, may diverge from the interests of the Investors, on the other hand.

***Public Health Emergencies; COVID-19.*** Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, have resulted in historic market disruptions, and future such emergencies have the potential to materially and adversely impact economic production and activity in ways that are impossible to predict, all of which may result in significant losses to Clients.

Any public health emergency, or the threat thereof, could have a significant adverse impact on a Client and its investments and could adversely affect a Client's ability to fulfill its investment objectives. The extent of the impact of any public health emergency on the operational and financial performance of a Client will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of a Client's investments as well as the ability of a Client to source, diligence and execute new investments and to manage, finance and exit investments in the future, and governmental mitigation actions may constrain or alter existing financial, legal and regulatory frameworks in ways that are adverse to the investment strategy a Client intends to pursue, all of which could result in significant losses to the Client. In addition, the operations of a Client, its investments and the Adviser may be significantly impacted, or even halted, either temporarily or on a long-term basis, as a result of government quarantine and curfew measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel. T. They may also impair the ability of portfolio companies or their counterparties to perform their respective obligations under debt instruments and other commercial agreements (including their ability to pay obligations as they become due), potentially leading to defaults with uncertain consequences. These factors may also hinder such entities' ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

***Distributed Workforce Risks.*** In early 2020, the Adviser and its affiliates transitioned the majority of employees across their offices to remote work-from-home arrangements due to the outbreak of the novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) discussed above. The Adviser has since transitioned to a "hybrid" work model, wherein generally employees work partly from Two Sigma offices, and partly remotely. While certain of the Adviser's and its affiliates' employees were accustomed to working remotely or working with other remote employees, remote work increases risks relating to cybersecurity, data protection, employee supervision, workforce engagement and cohesion of operations, which could negatively impact the Adviser and its Clients.

Notwithstanding these risks, the Adviser believes that a hybrid working environment provides certain benefits to the Adviser, its affiliates and their employees (including in respect of workforce flexibility and the ability to recruit and retain personnel). The Adviser and its affiliates will endeavor to appropriately protect against the risks and will employ workplace policy arrangements designed to balance the benefits and potential drawbacks of remote work and a distributed workforce going forward. However, there can be no assurance that the operations of Clients will not be adversely affected.

***Possibility of Fraud or Other Misconduct of Employees and Service Providers.*** Misconduct by (i) the employees, officers, directors, partners, members and managers of the Adviser and portfolio companies, (ii) service providers to portfolio companies, the Adviser, Clients and/or their respective affiliates, and (iii) third-party operators could undermine the due diligence efforts of a Client and/or the Adviser and cause significant losses to a Client. Misconduct may include entering into transactions without authorization, failing to comply with operational and risk procedures (including due diligence procedures), making misrepresentations regarding prospective investments, improperly using or disclosing confidential or material non-public information, failing to comply with applicable laws or regulations, and the concealing of any of the foregoing. Such misconduct may result in reputational damage, litigation, business disruption,

market or industry segment volatility and/or financial losses to a Client. The Adviser has controls and procedures through which it seeks to minimize the risk that any such misconduct will occur, however, there can be no assurance that such misconduct will be identified or prevented.

***Reliance on Adviser Personnel*** Although many of the Adviser's strategies and tools are reliant on technology (as discussed above), the Adviser's investment strategies are materially reliant on individuals and their judgment. In particular, certain employees performing a range of activities and functions have significant responsibility and broad discretion that can impact Clients and their investments. With respect to Two Sigma, there have been instances where employees have taken actions that are outside the scope of their employment and failed to perform actions that are required by the scope of their employment (including actions or inactions that deviate from best practices, or the applicable adviser's policies or procedures), which have adversely impacted such adviser's clients. While the Adviser seeks to maintain policies, procedures and supervisory structures designed to mitigate the risk of such conduct and detect it should it occur, no guarantee or representation can be made that such conduct will not occur in the future or that, should such conduct occur, it will be promptly detected. Further, there is no guarantee that personnel will act in an appropriate manner, meet the Adviser's expectations or fulfill such personnel's obligations.

***Climate Change.*** The Clients may acquire investments that are located in, or have operations in, areas that are subject to climate change. Any investments located in coastal regions may be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. There may be significant physical effects of climate change that have the potential to have a material effect on the Clients' business and operations. Physical impacts of climate change may include increased storm intensity and severity of weather (e.g., floods or hurricanes), sea level rise, fires, and extreme and changing temperatures. As a result of these impacts from climate-related events, the Clients may be vulnerable to the following: risks of property damage to the Clients' investments; indirect financial and operational impacts from disruptions to the operations of the Clients' investments from severe weather; increased insurance premiums and deductibles or a decrease in the availability of coverage for investments in areas subject to severe weather; decreased net migration to areas in which investments are located, resulting in lower than expected demand for both investments and the products and services of the Clients' investments; increased insurance claims and liabilities; increase in energy costs impacting operational returns; changes in the availability or quality of water, food or other natural resources on which the Clients' business depends; decreased consumer demand for consumer products or services resulting from physical changes associated with climate change (e.g., warmer temperature or decreasing shoreline could reduce demand for residential and commercial properties previously viewed as desirable); incorrect long-term valuation of an equity investment due to changing conditions not previously anticipated at the time of the investment; and economic distributions arising from the foregoing.

***International Conflicts.*** Wars and other international conflicts, such as the Russian invasion of Ukraine in 2022 and resulting ongoing conflict and the Israel-Hamas War sparked by the Hamas terrorist attack on Israel in October 2023, have caused disruption to global financial systems, trade and transport, among other things. In response, multiple other countries have put in place sanctions and other severe restrictions or prohibitions on certain of the countries involved, as well as related individuals and businesses. However, the ultimate impact of these conflicts and their effect on global economic and commercial activity and conditions, and on the operations, financial condition and performance of the Clients or any particular industry, business or investee country and the duration and severity of those effects, is impossible to predict. A further geopolitical expansion of any of these conflicts could have significant international ramifications. These conflicts may have a significant adverse impact and result in significant losses to the Clients or their portfolio companies. This impact may include reductions in revenue and growth, unexpected operational



losses and liabilities and reductions in the availability of capital or supplies. Developing and further governmental actions (military or otherwise) may cause additional disruption and constrain or alter existing financial, legal and regulatory frameworks and systems in ways that are adverse to a Client's investment strategy and adversely affect a Client's ability to fulfill its investment objectives.

## **F. Conflicts of Interest**

**General.** The Governing Documents of a Client establish complex arrangements among the Clients, the Adviser, Investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Governing Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Client or Investors. Certain of these conflicts of interest, as well a description of how the Adviser addresses such conflicts of interest, can be found below, as well as in the Governing Documents of the Clients.

A Client's Governing Documents contain a number of detailed provisions designed to address actual and potential conflicts of interest and other activities and considerations that may affect the Adviser's business and strategy. The Governing Documents, however, cannot and do not fully anticipate and address all situations, developments, scenarios, investment opportunities, investment considerations, investment allocations, investment structures, disposition opportunities, disposition considerations and disposition decisions, as the foregoing can vary on a case-by-case basis depending on a variety of facts and circumstances. While the disclosures in this brochure are not intended to be exhaustive, they are an attempt to provide further disclosure, transparency, visibility and understanding of the Adviser's business and strategy and certain potential conflicts of interest that may arise in connection with the Client. Other conflicts may be disclosed in the Governing Documents and/or private placement memorandum of a Client and throughout this brochure and the brochure should be read in its entirety for other conflicts. By engaging the Adviser, each Client will be deemed to have acknowledged the existence of such actual and potential conflicts of interest.

**Diverse Investor Group.** Investors in a Client include persons or entities organized in various tax jurisdictions, which may have conflicting investment, tax and other interests with respect thereto. As a result, conflicts of interest may arise in connection with decisions made by the Adviser that may be more beneficial for one type of Investors than for other types of Investors, especially with respect to Investors' individual tax situation (including with respect to the nature or structuring of investments). In making decisions, the Adviser intends to consider the investment objectives of a Client as a whole, and not the investment objectives of any Investor of a Client individually.

Because the commitments contributed by a Client's Investors may be primarily composed of commitments by certain founding members and Managing Directors of the Adviser and the Two Sigma Affiliates (the "**Founder Investors**"), conflicts may arise between the interests of the Founder Investors and those of a Client and its Investors who are not Founder Investors in relation to certain decisions regarding, among other things, the nature of investments made by a Client, the structuring or the acquisition of investments and the timing of disposition of investments. The Founder Investors retain certain rights with respect to, and may have the ability to influence, the Adviser's management and governance (*e.g.*, decisions related to staffing) which could have an indirect impact on a Client's investment decisions, and which may create a conflict of interest between the interests of the Founder Investors and the interests of other Investors in a

Client. A significant ownership stake in a Client by the Founder Investors, may limit some of the actions that the Adviser may take on behalf of Clients, as required by applicable law.

In addition, certain Investors may also invest in more than one Client, including co-investment vehicles that may invest alongside a Client in one or more investments. Investors may also include affiliates of portfolio companies, charities or foundations associated with personnel or advisors of the Adviser or its affiliates and/or current or former personnel or advisors of the Adviser or its affiliates or their estate planning or other similar vehicles. Any such affiliates, investment funds or persons may also invest through co-investment vehicles that invest alongside a Client in one or more investments.

Further, Two Sigma Affiliates have invested, and expect to invest in the future, in funds or investment vehicles managed by the affiliates of an Investor. In addition, certain Investors (or former Investors) or their affiliates may have a direct or indirect interest in the Adviser or a Two Sigma Affiliate. Such Investors (or former Investors) or their affiliates benefit from Management Fee, Carried Interest or other compensation received by the Adviser or its affiliates indirectly in their capacity as direct or indirect interest holders or owners. It is also possible that a Client or its portfolio companies will be counterparties or participants in agreements, transactions or other arrangements with an Investor or its affiliate.

Such Investors may therefore have different information about the Adviser, its affiliates and a Client than Investors not similarly positioned. In addition, conflicts of interest may arise in dealing with any such Investors, and the Adviser and the affiliates may not be motivated to act solely in accordance with their interests relating to a Client. Similarly, not all Investors monitor their investments in the same manner. For example, certain Investors may periodically request from the Adviser information regarding a Client and investments and/or portfolio companies that is not otherwise set forth in the reporting and other information required to be delivered to all Investors, for instance, pre-quarterly valuation reporting. In such circumstances, to the extent permitted under applicable law, the Adviser may choose to provide such information to such Investor in its sole discretion, provided, that the Adviser will not be obligated to affirmatively provide such information to all Investors. As a result, certain Investors may have more information about a Client, or may receive information about a Client at an earlier time, than other Investors.

***Allocation of Investment Opportunities Among Clients.*** The Adviser faces conflicts of interest when allocating investment opportunities and has adopted written policies and procedures relating to the allocation of investment opportunities among Clients and will make allocation determinations consistently therewith. The Adviser will seek to make allocations of investment opportunities on a fair and equitable basis over time and consistent with the Governing Documents of each Client.

Each Client is generally subject to provisions in its Governing Documents that prescribe what such Client may invest in (collectively, “**Investment Allocation Requirements**”). To the extent the Investment Allocation Requirements of a Client either do not include specific allocation procedures or allow the Adviser discretion in making allocation decisions among the Clients, the Adviser will follow the process set forth below. In general, the Adviser first determines which of the Clients is eligible to participate in a new investment opportunity (*i.e.*, an opportunity to invest in a portfolio company in which no Client has an existing investment). The Adviser assesses whether such investment opportunity is appropriate for a particular Client based on such Client’s investment objectives, strategies, and structure as set forth in such Client’s respective Governing Documents and based on any additional factors that may restrict or limit the offering of an investment opportunity. Prior to allocating a new investment opportunity to one or more Clients, the Adviser determines whether additional factors may restrict or limit the offering of an investment opportunity to such Client(s), including, but not limited to:

- **Obligation to Offer:** the Adviser may be required to offer an investment opportunity to one or more Clients. This obligation to offer investment opportunities will generally be set forth in the applicable Clients' Governing Documents.
- **Related Investments:** the Adviser may be required to offer an investment opportunity related to an investment previously made by a Client(s) to such Client(s) to the exclusion of, or resulting in a limited offering to, other Clients.
- **Legal and Regulatory Exclusions:** the Adviser may determine that certain Clients or Investors in such Clients should be excluded from participating in an investment opportunity due to specific legal, regulatory, and contractual restrictions applicable to the participation of such persons in certain types of investment opportunities.

Once the Clients that are eligible to participate in a particular new investment opportunity have been identified, the Adviser, in its sole discretion, will decide how to allocate such investment opportunity among the identified Clients on a case-by-case basis, subject to any requirements of the Governing Documents of the relevant Clients, taking into account some or all of a wide range of factors, including, but not limited to:

- each Client's investment objectives and current investment strategies, including industry and allocation targets, geography, and respective return and exposure requirements, as well as whether the Client's mandate is limited or otherwise restricted to specific types of investments;
- capital available to the Client and projected future capacity for investment, including considerations around available liquidity and potential for follow-on investment or co-investment;
- diversification and portfolio construction considerations, including asset class restrictions, targeted leverage levels, industry and other allocation targets;
- availability of other suitable investments for the Client's mandate;
- risk considerations (including considerations related to cash flows, asset classes, industry and other allocation targets);
- type of security or instrument;
- minimum and maximum investment size requirements (which could include avoiding allocations that could result in *de minimis* or odd lot investments);
- tax, legal, contractual or regulatory considerations;
- any other limitations imposed by, or conditions set forth in, the applicable Client's governing documents; and
- any other relevant factors as determined by the Adviser.

A new investment opportunity may be offered to one eligible Client to the exclusion of other eligible Clients or may be offered to one or more (but not necessarily all) eligible Clients for co-investment. If the Adviser elects not to allocate the full investment opportunity to the Clients based on one or more of the factors above and a portion of the investment opportunity remains available, then the Adviser may consider allocating such opportunity to one or more other parties, including affiliates of the Adviser. Any sharing of an investment opportunity among eligible Clients will be determined by the Adviser on a case-by-case basis and would not necessarily be pro rata relative to the respective capital commitments (or remaining unfunded capital) of each such Client. There can be no assurance that the application of the Investment Allocation Requirements and factors set forth above will result in a Client participating in all investment opportunities that fall within its investment objectives. In addition, as discussed below, the conflicts of interest arise with respect to the allocation of investment opportunities as between the Adviser and the Two Sigma Affiliates. The Adviser may, from time to time, consider and reject an investment opportunity on behalf of one Client and the Adviser or an affiliate of the Adviser may subsequently determine to have another Client or other party make an investment in the same company or investment opportunity. A

conflict of interest arises because one Client or other party will, in such circumstances, benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Client considering the investment. In such circumstances the benefitting Client or Clients will not be required to reimburse the original Client for expenses incurred in connection with researching such investment.

From time to time certain investment opportunities involve interests in portfolio companies of one or more Clients that are part of a restructuring or similar transaction. In such instances, Investors in the Clients involved in such a transaction are typically given priority rights to roll over their existing interests or otherwise reinvest in such investment opportunities (for instance, through a newly formed “continuation fund”). As a result, other Clients may not be allocated all or any portion of such an investment opportunity, even if such opportunity falls within a Client’s investment objectives or strategy.

A Client will, from time to time, invest in opportunities that other Clients or clients of Two Sigma Affiliates have declined, and likewise, a Client or clients of Two Sigma Affiliates will, from time to time decline to invest in opportunities in which other Clients have invested.

In addition, Adviser personnel (or their estate planning or similar vehicles) may participate directly or indirectly in investments made by the Clients. Such interests will vary Client-by-Client and may create an incentive to allocate particularly attractive investment opportunities to the Client in which such Adviser personnel hold a greater interest, or, conversely, not to allocate a particular investment to a Client in which Adviser personnel participate because such personnel already have material exposure to the investment through participation in other Clients. The existence of these varying circumstances presents conflicts of interest in determining how much, if any, of certain investment opportunities to offer to a Client. For example, additional conflicts could arise to the extent the Adviser and/or its affiliates, or Adviser personnel, hold an outsized economic position in any of the participating Clients. In such cases, the Adviser could be incentivized to manage such arrangements in a manner that would enhance the returns of the Clients in which the Adviser and/or its related parties hold a substantial portion of the equity, even to the detriment of other Clients.

***Allocation of Investment Opportunities to Core and Opportunity Funds.*** In addition to the Adviser’s early-stage funds (the “**Core Funds**”), the Adviser has organized “opportunity funds” or “growth funds,” (the “**Opportunity Funds**”) and may in the future organize additional such Core and Opportunity Funds. Opportunity Funds invest in similar industries as some of the Core Funds but in companies that are at a later stage of maturity, and therefore have more limited risk/reward profiles than are suitable for the Core Funds. When allocating investment opportunities among the Core Funds and Opportunity Funds, the Adviser expects to consider, among other factors, including those described above, the stage of the company, completeness of the team, maturity of the business model, revenue and valuation. There may be investments that could potentially be suitable for both the Core Funds and the Opportunity Funds. Investors will rely on the Adviser’s judgment as to how such investment is allocated and which entity is better suited to make the investment. The allocation of such opportunities creates inherent conflicts of interest between the Adviser, the Core Funds and the Opportunity Funds. Generally, the Governing Documents provide that all investment opportunities appropriate for any of the Core Funds and their successor funds will be offered first to the Core Funds subject to any applicable allocation and concentration policies, reserve practices, and investment strategy and to Investors in a Core Fund who hold certain priority rights through side letter arrangements. Any excess of such opportunity may then be allocated to an Opportunity Fund. Accordingly, it is expected that in certain cases an opportunity will be allocated to both the Core and Opportunity Funds (rather than one or the other), particularly where the opportunity falls within the investment strategy of the Core Funds and the Opportunity Funds is therefore allocated excess of such opportunity that the Core Fund (and any Investors with priority co-invest rights) does not take. For all other investment opportunities, the Opportunity Funds generally have a priority right to investment opportunities that meet the Opportunity

Funds' investment guidelines, subject to any applicable allocation and concentration policies, reserve practices, and investment strategy and to any Investors in a Core Fund who hold certain priority rights through side letter arrangements.

***Allocation Policy; Sharing of Investment Opportunities with Two Sigma Affiliates.*** The Adviser and the advisory Two Sigma Affiliates, including TSI, pursue several different investment strategies (though those strategies do from time to time overlap), which are managed by separate investment teams (each such strategy is referred to herein as an “**Account**”). Such Accounts may include proprietary accounts or funds established by or for the benefit of the Adviser, Two Sigma Affiliates, other personnel and related affiliates and third parties, including clients of Two Sigma Affiliates. Clients of the Adviser and the Accounts advised by Two Sigma Affiliates (including TSI) from time to time encounter potential conflicts with respect to investment opportunities, data services, research, deal sourcing, resource sharing and investment decisions. Although the Adviser and Two Sigma Affiliates may share certain resources, the benefits of such arrangements may not be proportional among the affiliates in every instance, and from time to time certain affiliates may bear a greater cost or burden than others and such costs may be further allocated to their respective clients.

Additionally, subject to the Governing Documents of a Client, the Adviser in certain cases retains TSI, its operating affiliates and certain persons affiliated with, employed by or retained by the Adviser or TSI, including its investor relations personnel (each, an “**Affiliated Service Provider**”) to provide data sets, data-analytics, marketing, technology, acquisition, integration, rationalization and/or other operations services or due diligence, or similar services to a Client, its related investment vehicles or a portfolio investment. In particular the Adviser will rely to a substantial degree on Affiliated Service Providers for vendor data management, access to data sets, data engineering assistance and other activities that are essential to the Adviser's data analytics activities (“**Data Analytics Activities**”). The Affiliated Service Providers are not a fiduciary to the Adviser or to any Clients. If Affiliated Service Providers cease to provide their services, the Adviser will be materially adversely affected. In particular, Affiliated Service Providers may cease providing the Adviser access to data sets important to the Adviser's Data Analytics Activities or provide engineering assistance for any reason at all. Replacing such data sets or engineering assistance may be prohibitively expensive for the Adviser. The Adviser has no control over the Affiliated Service Providers, and the Affiliated Service Providers are permitted to make decisions without regard to, knowledge or consideration of, the business objectives of the Adviser, any duties or obligations of the Adviser to any Client or the investment objective, goals or other investment profile characteristics of any Client.

Although the Adviser's investment teams, on the one hand, and the investment teams of the advisory Two Sigma Affiliates, including TSI, on the other hand, generally pursue different investment strategies (though these strategies do from time to time overlap), operate separately from one another and make investment decisions independently from one another, the investment professionals of the Adviser and the Two Sigma Affiliates, including TSI, also have regular formal and informal communications. There are times when Accounts managed by Two Sigma Affiliates, including TSI, and Accounts managed by the Adviser may seek to make the same investment, including as a result of independent investigation by the various investment teams managing the Accounts or when two or more teams work in conjunction with one another to pursue an opportunity, including (without limitation) when an investment opportunity is deemed to be too large for one Account to pursue on its own. Similarly, investment opportunities sourced by one affiliate may be shared with or made available to, other affiliates and/or their clients, although there is no obligation for investment opportunities that are sourced by Two Sigma Affiliates to be made available, in whole or in part, to the Adviser or its Clients. The Adviser and the Two Sigma Affiliates have adopted a policy regarding the allocation of investment opportunities among Clients and other Two Sigma Affiliates, which may impact the investment opportunities that are available to a Client (the “**Two Sigma Group Allocation**

**Policy**”). Pursuant to the Two Sigma Group Allocation Policy, certain Clients could generally have priority over other Two Sigma Affiliates with respect to investment opportunities that the Adviser sources and the Adviser will have the right to approve the participation of other Two Sigma Affiliates in such opportunities, if any. Similarly, other Two Sigma Affiliates will have priority with respect to investment opportunities that such affiliates source.

Notwithstanding the foregoing, investment opportunities that enhance the operating platform of Two Sigma Affiliates and involve more than a financial investment are considered “**Strategic Opportunities**” under the Two Sigma Group Allocation Policy. For example, such Strategic Opportunities may also include strategic partnerships, commercial arrangements or co-development agreements with Two Sigma Affiliates. With respect to Strategic Opportunities, Two Sigma Affiliates, rather than a Client, will have priority, even if the Adviser originally sourced the opportunity. The determination of whether an investment opportunity is “strategic” is made in accordance with the Two Sigma Group Allocation Policy and/or other applicable policies.

As a result of the Two Sigma Group Allocation Policy, a Client may not be able to take advantage of certain investment opportunities sourced by the Adviser. To the extent an opportunity is allocated in its entirety to Two Sigma Affiliates instead of a Client, such Client will not participate in any investment gains it otherwise would have realized with respect to such opportunity if it had participated. Moreover, the Adviser or such Client may not be compensated (or reimbursed) for the time and effort involved in identifying any such investment opportunity. The Two Sigma Group Allocation Policy is not the result of arm’s-length negotiations with any Client or Investor. Furthermore, a Client will have no right to participate in any investment opportunities identified by Two Sigma Affiliates. A Two Sigma Affiliate will have priority over any opportunities such affiliate sources, with no obligation to offer any portion of such opportunities to a Client. As a result, a Client will not be able to rely on such Two Sigma Affiliates for a pipeline of investment opportunities.

In certain circumstances, regulatory or policy restrictions imposed on significant Investors in the Clients may cause a Client to be prohibited from participating in an investment that the Adviser would otherwise seek to make on behalf of a given Client, including (without limitation) participating in new issue offerings. In addition, instances may arise where the Adviser exercises its discretion not to pursue a particular investment opportunity on behalf of a Client because of the potential restrictions that such pursuit may have on the Adviser’s or its affiliates’ ability to invest in or trade certain securities (or other assets) related to such investments on their own behalf or on behalf of their other Clients. Additionally, if a Client’s Investors are comprised of current or former partners or employees of the Adviser and the Two Sigma Affiliates or their estate planning vehicles (or other similar Investors), the Adviser may have an incentive to provide support to a Client that it may not otherwise provide to vehicles whose Investors are comprised of unrelated third parties. To the extent that an investment, proposed transaction or other relationship presents a material conflict of interest, the Adviser will review the particular facts and circumstances of such investment, proposed transaction or relationship with a view towards addressing such conflicts in a manner consistent with applicable law which may be further specified in the Adviser’s policies and procedures developed for such purpose.

***Other Conflicts of Interest Involving Two Sigma Affiliates.*** The Adviser and certain Two Sigma Affiliates engage in investment, financial and other activities for themselves on a proprietary basis (including on behalf of personnel of the Adviser and Two Sigma Affiliates) and on behalf of their own clients and third parties (such as strategic investors or other market participants), which may compete or substantially overlap with the investment activities of one or more Clients. The Two Sigma Affiliates currently serve in similar capacities for other clients, and expect to manage or advise other clients and funds (including proprietary funds or accounts) (collectively, the “**Related Clients**”), and enter into transactions with, or

provide other services (both advisory and non-advisory) to, such Related Clients. Such Related Clients may purchase or sell the same securities and/or related financial instruments or other investments as those purchased or sold by a Client or may seek investment opportunities that may be of interest to a Client. In addition, the Adviser's affiliates organize other U.S. or non-U.S. funds, which may be managed by the Adviser or a Two Sigma Affiliate and which may have investment objectives substantially similar to those of a Client. In managing such Related Clients, conflicts of interest may arise. This may present a potential conflict of interest with respect to the types of (and degree of participation in) investment opportunities available to a Client, the resources made available to the Adviser (as an affiliate of the Two Sigma Affiliates), the investment recommendations and decisions made by the Adviser (e.g., disposition, restructuring and recapitalization) and the management of a Client's assets by the Adviser. For instance, it is possible that a Client may invest in a portfolio company in which a Two Sigma Affiliate already has an interest, including in a different part of the capital structure, or vice versa. As another example, Two Sigma Affiliates and/or Related Clients have investments in funds that provide financing to the types of portfolio companies in which a Client typically invests. In such cases, Two Sigma Affiliates are free to make decisions regarding their investments based solely on their own interests. To the extent a Client and a Two Sigma Affiliate and/or Related Clients invest side-by-side in a portfolio company, such Two Sigma Affiliate will be free to make decisions regarding the investment based on its own interests and/or those of its Related Clients, as applicable. Such interests may include strategic goals as well as, or in lieu of, financial goals. The interests of a Client and such Two Sigma Affiliate may diverge: Two Sigma Affiliates may have (a) investment goals, (b) investment timelines, and/or (c) resources available to effectuate investments that, in each case, differ from those of a Client. These differences may affect the timing and amount of a Client's gain or loss on its investment. Such Two Sigma Affiliates may also have greater control or influence over an investment and therefore a greater ability to promote their interests.

Furthermore, a Two Sigma Affiliate has in the past and may in the future buy from or sell to a Client an interest in a portfolio company, which may constitute a principal transaction. Such transactions create conflicts of interest for the Adviser in negotiating the terms or pricing of such transaction or recommending such transaction to a Client, as the Two Sigma Affiliate (and indirectly the Adviser and its owners) may benefit from the transaction. When the Adviser and/or its affiliates engage in such transactions, the Adviser seeks to effect any such transaction in accordance with the requirements of Section 206(3) of the Advisers Act. For more on how the Adviser handles principal transactions please see ***"Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading"*** in this brochure.

A Client's portfolio companies may be counterparties or participants in agreements, transactions or other arrangements with Two Sigma Affiliates, Related Clients, other Clients or their portfolio companies, or portfolio companies of Related Clients ("**Other Fund Companies**"), and such agreements, transactions or other arrangements could be material to such portfolio companies' success or failure. For example, a Client's portfolio company may be a service provider to a Two Sigma Affiliate, Other Fund Company, another Client, another portfolio company, or a Related Client. Such agreements, transactions or other arrangements may involve fees, commissions, servicing payments, discounts, rebates and/or other benefits to such portfolio company, Related Clients, Other Fund Companies, or Two Sigma Affiliates, as applicable. For example, a portfolio company may provide services or sell assets to a Two Sigma Affiliate's asset management or quantitative trading business, or may be acquired as part of a strategic or other transaction. The benefits received by the Two Sigma Affiliate, Other Fund Company or other party involved in the agreement, transaction or other arrangement may be greater than those received by the Client's portfolio company, and there is no guarantee that such transaction would be at market price or terms. Any fees paid in connection with such services generally will not offset the Management Fee payable to the Adviser. Such agreements, transactions or other arrangements often will be entered into without the consent or direct involvement of a Client or the consent of the applicable Advisory Board and/or the Investors, as a Client generally only has limited control rights in the portfolio companies it invests in and will generally not be

involved in the negotiations relating to such agreements, transactions or other arrangements. However, such portfolio companies' management could be influenced by a Client's investment, and such agreement, transaction or other arrangement may not have otherwise been entered into but for the affiliation or other relationship with Two Sigma Affiliates. Similar to the conflicts described above, Two Sigma Affiliates, Related Clients or Other Fund Companies will be free to make decisions and take actions regarding any agreement, transaction or other arrangement with a Client's portfolio company based on its own interests which may cause the interests of the portfolio company and such Two Sigma Affiliate or Related Clients or Other Fund Companies to diverge (or even become directly adverse, if for example one party commences litigation against the other), and these differences may affect the success or failure of such investment for a Client.

The Adviser and the Two Sigma Affiliates may determine that there are conflicts of interest or come into possession of information that limits their or their employees' ability to engage in potential transactions. A Client's activities may be constrained as a result of these conflicts of interest and the Adviser's personnel's inability to use such information. Additionally, there may be circumstances in which one or more individuals associated with Two Sigma Affiliates will be precluded from providing services to the Adviser or to a Client because of certain confidential information available to those individuals or to Two Sigma Affiliates.

The Adviser and the Two Sigma Affiliates have the ability to invest in financial instruments for their own accounts or for the accounts of others. This may on occasion create conflicts of interest with a Client with regard to such matters as allocation of opportunities to participate in particular investments or to dispose of certain investments. Employees of the Adviser may engage in personal investment activities that could involve a conflict of interest with the investment activities of a Client. To the extent that an investment, proposed transaction or other relationship presents a material conflict of interest, the Adviser will review the particular facts and circumstances of such investment, proposed transaction or relationship with a view towards addressing such conflicts in a manner consistent with applicable law which may be further specified in the Adviser's policies and procedures developed for such purpose.

***Conflicts Relating to Service Providers.*** Service providers often charge different rates or have different arrangements for services. For example, the fee for a given type of work may vary depending on the complexity of the matter as well as the expertise required and demands placed on the service provider. Therefore, to the extent the types of services used by a Client and/or a portfolio company are different from those used by the Adviser or the Two Sigma Affiliates, such entities pay different amounts or rates than those paid by a Client and/or a portfolio company. Similarly, the Adviser, the Two Sigma Affiliates, a Client or its portfolio companies from time to time enter into agreements or other arrangements with vendors and other similar counterparties (whether such counterparties are affiliated or unaffiliated with the Adviser) whereby such counterparty may charge lower rates (or no fee) and/or provide discounts or rebates for such counterparty's products and/or services depending on certain factors, including, without limitation, the volume of transactions entered into with such counterparty by the Adviser, the Two Sigma Affiliates, a Client and its portfolio companies in the aggregate. A Client's portfolio companies will likely be counterparties or participants in agreements, transactions or other arrangements with portfolio companies of other investment funds managed by the Adviser or the Two Sigma Affiliates, or certain third-party service providers that would not have otherwise been entered into but for the affiliation or relationship with the Adviser, and which involve fees, commissions, servicing payments, discounts, rebates and or other benefits to the Adviser, the Two Sigma Affiliates (including personnel) and/or a portfolio company which are not subject to the Management Fee offset provisions. To the extent that an Other Fund Company is providing such a service, such Other Fund Company and a Related Client that is invested in such Other Fund Company will benefit, and the benefits received by such Related Client or Other Fund Company providing the service may be greater than those received by a Client and its portfolio companies receiving



the service. Additionally, Two Sigma Affiliates will from time to time hold equity or other investments in companies or businesses that provide services to or otherwise contract with portfolio companies or Clients. Two Sigma Affiliates have in the past entered (and can be expected in the future to enter) into relationships with companies in the information technology and related industries whereby such Two Sigma Affiliates acquire an equity or similar interest in such company. In connection with such relationships, Two Sigma Affiliates may also make referrals and/or introductions to portfolio companies (which may result in financial incentives (including additional equity ownership) and/or milestones benefitting Two Sigma Affiliates that are tied or related to participation by portfolio companies). A portfolio company of a Client may enter into agreements, transactions or other arrangements with another portfolio company of another Client or a Related Client, which may give rise to actual or potential conflicts of interest for the Adviser, a Client and/or their respective affiliates. Such agreements, transactions or other arrangements may be entered into without the consent or direct involvement of a Client and/or such other Related Client and/or the Investors of such Clients (including, without limitation, in the case of minority investments in such portfolio companies or the sale of assets from one portfolio company to another).

The Adviser's personnel may have conflicts of interest in allocating their time and activity between Clients and Related Clients, in allocating investments among Clients and Related Clients and in effecting transactions between Clients and Related Clients, including ones in which the Adviser (and its principals) may have a greater financial interest.

***Conflicts Relating to Purchases and Sales.*** Although Clients are generally expected to make minority investments, the Adviser and/or its affiliates from time to time has the right to appoint portfolio company board members (including current or former Adviser personnel or persons serving at their request), or to influence their appointment, and to determine or influence a determination of their compensation. From time to time, portfolio company board members may approve compensation and/or other amounts payable to the Adviser and/or its affiliates. Such amounts will be in addition to any incentive allocation paid by a Client to the Adviser.

Clients, Related Clients, Two Sigma Affiliates, and Certain Adviser or Two Sigma Affiliate personnel (collectively "**Investing Parties**"), invest in a broad range of asset classes throughout the corporate capital structure. These investments may include loans and debt instruments, preferred equity securities and common equity securities. Clients from time to time make investments in conjunction with an investment being made by any such other Investing Parties or make investments in portfolio companies in which any such other Investing Parties have already invested.

From time to time, Investing Parties may be presented with separate investment opportunities in the same portfolio company, which may be in the same or different securities and/or in different or overlapping levels of such portfolio company's capital structure. As a result, two or more Investing Parties may hold or acquire investments in the same portfolio company, including where such investments are made at different times or in proportions that differ from pre-existing ownership percentages. Conflicts of interest will arise in connection with making, holding and disposing of such investments, including, without limitation, with regard to valuation and terms of investment, exit timing and other matters. For example, if one or more Investing Parties invests in a portfolio company of other Investing Parties at a higher implied valuation than the valuation implied by the financing round in which the initial Investing Parties participated, such subsequent financing round may significantly delay exit opportunities for the Investing Parties with the preexisting investment and may incentivize the Adviser to cause such a Client to hold the securities of such portfolio company for a longer period than it otherwise would. Even if investments by two or more Investing Parties are made at the same time and in the same proportions, and in the same security types, conflicts may arise because of different liquidity needs and different time horizons among such Investing Parties.

In some cases, preemptive rights, rights of first refusal, co-sale rights or other similar rights with respect to a portfolio company held by a Client that has an investment in such company may be exercised by or for the benefit of another Investing Parties that has also invested, or is then investing, in such company.

A Client may invest in securities of a portfolio company that are of a different type or that have different rights than the securities of such portfolio company that are held by other Investing Parties. As a result, the interests of a Client in respect of such portfolio company may not be aligned in all circumstances with the interests of other Investing Parties that have invested in such portfolio company, particularly to the extent that one of the Investing Parties holds more junior debt or equity interests relative to the interests held by the other Investing Parties which could create actual or potential conflicts of interest or the appearance of such conflicts. Such conflicts or potential conflicts are particularly acute if the portfolio company experiences financial distress. Actions may be taken by one or more Investing Parties with respect to a portfolio company that are adverse to one or more other Investing Parties. In certain cases, an investment by one or more Investing Parties in a portfolio company held by one or more other Investing Parties may preclude or limit the exercise of rights by the Investing Parties with the existing investment in respect of such company. In addition, investments by multiple Investing Parties in a single portfolio company will also raise the overall risks associated with using assets of Investing Parties to support positions taken by other Investing Parties, or that one or more Investing Parties may remain passive in a situation in which they are otherwise entitled to vote.

The involvement of separate Investing Parties at both the equity and debt levels of a portfolio company could inhibit strategic information exchanges among fellow creditors. In certain circumstances, Clients may be prohibited from exercising voting or other rights, and may be subject to claims by other creditors with respect to the subordination of their interest. Similarly, the Adviser's ability to implement a Client's strategy effectively will be limited to the extent that contractual obligations entered into in respect of the activities of other Investing Parties impose restrictions on such Client engaging in transactions that the Adviser may be interested in otherwise pursuing.

The foregoing conflicts of interest may be more pronounced in the case of financial distress of a portfolio company of more than one Investing Parties. For example, if such portfolio company requires additional financing as a result of financial or other difficulties, it may not be in the best interests of a Client that holds senior secured debt issued by such portfolio company to provide such additional financing. Such Client may take actions in its own interests with respect to its rights as a creditor (for example, with respect to breaches of covenants) that may be adverse to the interests of a Client holding more junior debt or equity securities. The Client holding more junior debt or equity securities of such portfolio company may be at risk of suffering losses in respect of its investments as a result of such portfolio company's financial difficulties if such company is not able to secure additional financing. In such cases, each Client will supply additional capital in such amounts, if any, as determined by the Adviser in its discretion based on the interests of such Client, but the ability of the Adviser to recommend or take actions in the best interests of the Clients holding more junior debt or equity securities may be impaired by the overlapping investments of other Investing Parties.

In certain cases, one or more Investing Parties may have control of (or a material influence on) the management of a portfolio company in which more than one Investing Parties hold an investment, such as where one or more Investing Parties is a controlling shareholder of a portfolio company in which other Investing Parties hold an interest, or is a minority shareholder with the ability to control financing and exit transactions as a result of certain minority shareholder protections. In such cases, the Adviser and/or its affiliates are likely to have the ability to determine (or significantly influence) the outcome of all matters requiring board of directors and/or stockholder approval, including matters relating to a change of control of such company, a change in the composition of such company's board of directors and any acquisition

of such company. As a result, the interests of the applicable Investing Parties with respect to the management, investment decisions or operations of the applicable portfolio company may at times be in direct conflict with each other, and the Adviser may face actual or apparent conflicts of interest in exercising control over such portfolio company.

It is possible that, in a bankruptcy proceeding, a Client's interests may be subordinated or otherwise adversely affected by virtue of other Investing Parties' involvement and actions relating to their investment. This may result in a loss or substantial dilution of a Client's investment, while another one or more Investing Parties recovers all or part of its investment or other amounts in respect of such portfolio company.

Furthermore, there can be no assurance that the terms of, or the returns on, a Client's investment in a portfolio company will be equivalent to, or better than, the terms of or the returns obtained by, the other Investing Parties that may be invested in such portfolio company.

Where more than one of the Clients or Related Clients holding similar securities of the applicable company have invested in the same company, the Adviser and its affiliates will allocate disposition opportunities with respect to such company among such Client(s) or Related Clients in their sole discretion, taking into account such factors that the Adviser and its affiliates deem relevant under the circumstances, including, without limitation: the relevant provisions in agreements related to the applicable Clients' investments in the portfolio company (such as "tag-along" or "piggy-back" rights); the applicable Clients' respective levels of ownership of such portfolio company; the amount of gain (or loss), realized and unrealized, on each applicable Client's investment in the portfolio company at the time of such disposition opportunity; liquidity needs for each applicable Client and the investment cycle of each applicable Client; respective holding periods for the investment of each applicable Client; the nature of the investment and the disposition opportunity, including the size of the opportunity; current and anticipated market conditions; tax, legal or regulatory considerations; and such other factors that the Adviser considers to be relevant. In some cases, disposition opportunities may be relevant for certain types of securities of the applicable portfolio company held by certain Clients but not for other types of securities of such portfolio company held by other Clients.

The Adviser and/or its affiliates also, from time to time, employ personnel with pre-existing ownership interests in portfolio companies owned by a Client or other investment vehicles advised by the Adviser and/or its affiliates. Conversely, former personnel or executives of the Adviser and/or its affiliates from time to time serve in significant management roles at portfolio companies or service providers recommended by the Adviser. Although the Adviser uses reasonable care to mitigate any potential conflicts of interest with respect to each particular situation, there is no guarantee the Adviser can control all such conflicts of interest and there may be a continuing appearance of a conflict of interest. As such persons are no longer employees or affiliates of the Adviser, any compensation received from the portfolio company with respect to such role does not offset the Management Fee. Similarly, the Adviser, its affiliates and/or personnel maintain relationships (which may include familial relationships) with (or may invest in) financial institutions, service providers and other market participants, including managers of private funds, law firms, consulting firms, banks, lenders and brokers. Certain of these persons or entities may invest (or will be affiliated with an Investor) in, engage in transactions with and/or provide services (including services at reduced rates, or in exchange for favorable terms, including with respect to fees and preferential co-investment allocation rights, in connection with an investment in a Client or a Related Client) to, the Adviser and/or its affiliates, and/or a Client or other investment vehicles they advise. For example, Two Sigma Affiliates have in the past and may in the future enter into business arrangements with entities that are issuers (or affiliates of issuers) of securities or tokens that a Client acquires. In such circumstances, a conflict exists. This may influence the Adviser's determination to make an investment, and any actions taken by its affiliate with respect to the business arrangement could be adverse to a Client's interest in

securities or tokens owned by that entity. Certain Two Sigma Affiliates participate in trading and market making activities with respect to securities or Digital Assets, which may present a conflict of interest with respect to a Client's investments in such securities or Digital Assets. Similarly, Two Sigma Affiliates have in the past and may in the future enter into business arrangements with entities that are issuers (or affiliates of issuers) of securities or tokens that a Client acquires. In such circumstances, a conflict exists. This may influence the Adviser's determination to make the investment and any actions taken by a Two Sigma Affiliate with respect to the business arrangement could be adverse to a Client's interest in securities or tokens owned by that entity. The Adviser may have a conflict of interest with a Client in recommending the retention or continuation of a third-party service provider to a Client or a portfolio company if such recommendation, for example, is motivated by a belief that the service provider or its affiliate(s) will continue to invest in a Client, will provide the Adviser information about markets and industries in which the Adviser operates (or is contemplating operations) or will provide other services that are beneficial to the Adviser. The Adviser may have a conflict of interest in making such recommendations, in that the Adviser has an incentive to maintain goodwill between it and the existing and prospective portfolio companies for a Client, while the products or services recommended may not necessarily be the best available to the portfolio companies held by a Client.

The Adviser, its affiliates, and equity holders, officers, principals and employees of the Adviser and the Two Sigma Affiliates from time to time buy or sell securities or other instruments that the Adviser has recommended to a Client. In addition, Two Sigma Affiliates or their officers, principals and employees may buy securities in transactions offered to but rejected by a Client. A conflict of interest may arise because the Adviser, its affiliates or Adviser personnel, as applicable, will, for some investments purchased or sold by them, benefit from the evaluation, investigation, and due diligence undertaken by the Adviser on behalf of a Client. In such circumstances, the Adviser, its affiliates or such Adviser personnel will not share with or reimburse the relevant Client(s) or the Adviser for, any expenses incurred in connection with the investment opportunity. Such transactions by the Adviser and its personnel are subject to the policies and procedures set forth in the Adviser's Code of Ethics. The investment policies, fee arrangements and other circumstances of these investments generally vary from those of a Client. Employees and related persons of the Adviser have, and are expected to continue to have, capital investments in a Client, or in prospective portfolio companies directly or indirectly, and therefore may have additional conflicting interests in connection with these investments.

A Client's general partner or managing member (as applicable) generally is permitted to receive a distribution in kind from the Client, including in connection with investment dispositions or the payment in kind of amounts owed to the general partner as Carried Interest (which generally will be made using the value of the relevant securities on the date of distribution). In such circumstances, there is a potential conflict of interest between the general partner or managing member (and its beneficial owners) and the relevant Client's Investors. For example, the general partner and its beneficial owners may intend to hold the investment for a different time period than the Adviser deems suitable for the Client. Although the general partner and its beneficial owners bear the risk that such securities will decrease during their holding period, to the extent the value of the relevant securities increases following the Client's disposition thereof, neither the relevant Client nor its Investors will benefit from the increase, and over time the economic benefit to the general partner or managing member (and its beneficial owners) could exceed the value of the general partner's or managing member's pro rata interest in the Client and the amount of Carried Interest owed. To the extent the beneficial owners of the general partner or managing member (as applicable) contribute such securities to a charity (including to a private foundation or other charitable organization associated with, operated or chosen by such persons or their families), any tax efficiencies or other personal benefits associated with the contribution will inure to the benefit of such beneficial owners rather than to the Client or its Investors.

Certain expenses are paid for by a Client and/or its portfolio companies or, if incurred by the Adviser, are reimbursed by a Client and/or its portfolio companies. This subjects the Adviser to conflicts of interest because the Adviser will not necessarily seek out the lowest cost options when incurring (or causing a Client or its portfolio companies to incur) such expenses. Similarly, investment opportunities may be shared among the Adviser and the Two Sigma Affiliates, including their respective clients and on a proprietary basis; the allocation of associated expenses will not always in each instance reflect the relative benefits to the participating parties. See “*Allocation of Expenses*” above for additional information.

Subject to any requirements set forth in the Governing Documents of a Client, from time to time, the Adviser may sell all or a portion of certain of a Client’s investments to another Client or to one or more Investors. The Adviser will select the purchaser(s) of such investments considering factors it determines to be relevant in its sole discretion. The sales price obtained in such transactions will be mutually agreed to by the Adviser and such purchaser(s); however, determinations of sales prices involve a significant degree of judgment by the Adviser. Although the Adviser is not obligated to solicit competitive bids for such sales transactions or to seek the highest available price, it will first determine that such transaction is in the best interests of the selling Client, taking into account the sales price, the other terms and conditions of the transaction and other factors it determines to be relevant under the circumstances. There can be no assurance, in light of the performance of the investment following such a transaction, that such transaction will ultimately prove to be the most profitable or advantageous course of action for the selling Client.

In connection with a co-investment opportunity, the general partner of a Client, in its discretion, may sell an interest in one or more of the applicable Client’s portfolio companies to one or more co-investors (*i.e.*, a post-closing sell-down). Subject to applicable law and the Governing Documents of the applicable Client, the Adviser may decide not to charge a co-investor for any applicable interest costs associated with the time elapsed between the closing of such Client’s investment in a portfolio company to the date of the transfer of interests in such portfolio company to the applicable co-investor. In addition, subject to applicable law and the Governing Documents of the applicable Client, the Adviser may determine not to, charge a co-investor for any fees or expenses incurred by a Client in respect of a co-investment opportunity that was acquired by such Client and subsequently sold to such co-investor. See “*Allocation of Expenses*” above for additional information.

In such circumstances described above, the Adviser could take steps to reduce the potential conflicts of interest between the various Clients, including causing a Client to take certain actions that, in the absence of such conflict, it would not take (*e.g.*, a Client may divest itself of an asset it otherwise may have retained, the Adviser may establish information barriers, certain matters may be referred to an advisory committee or a third party, or a Client may only invest in securities that the Adviser believes align the interests with other investing Clients). Any such steps could have the effect of benefiting one Client or the Adviser at the expense of another Client.

**Co-Investments.** The Adviser may, as permitted and governed by a Client’s Governing Documents, but otherwise in its sole discretion, provide or commit to provide co-investment opportunities to one or more Investors and/or other persons including affiliates or employees of the Adviser or its affiliates (including any Opportunity Funds), in each case on terms to be determined by the Adviser in its sole discretion. Conflicts of interest may arise in the allocation of such co-investment opportunities. The allocation of co-investment opportunities, which may be made to one or more persons for any number of reasons as determined by the Adviser in its sole discretion, may not be in the best interests of a Client or any individual Investor. In exercising its sole discretion in connection with such co-investment opportunities, the Adviser may consider some or all of a wide range of factors, which may include factors which benefit the Adviser such as the likelihood that an Investor may invest in a future fund sponsored by the Adviser or by Two Sigma Affiliates. The Adviser expects that these factors will lead the Adviser to favor some potential co-

investors over others with respect to the frequency with which the Adviser offers them co-investment opportunities. The Adviser also expects to allocate certain co-investors a greater proportion of an investment opportunity than others as a result of these factors.

Co-investment opportunities may, and typically will, be offered to some and not to other Investors, and may be offered to Adviser personnel (or personnel of Two Sigma Affiliates) and/or third parties to the exclusion of Investors. When and to the extent that employees and related persons of the Adviser make capital investments in or alongside a Client, the Adviser is subject to conflicting interests in connection with these investments. The Adviser's allocation of co-investment opportunities among the persons and in the manner discussed herein may not, and often will not, result in proportional allocations among such persons, and such allocations may be more or less advantageous to some such persons relative to others. Furthermore, to the extent a co-investment opportunity is allocated to third party co-investors, none of the Clients or the Adviser will generally be compensated by the third party co-investors for the time and effort involved in identifying any such co-investment opportunity nor would such third party co-investors be obligated to reimburse the Clients or the Adviser for any transaction fees or expenses incurred in connection

Additionally, it is possible that one or more companies related to the portfolio investments of one Client could warehouse or otherwise sell assets to one or more companies related to the portfolio investments of another Client. Such transactions present potential conflicts of interest, including with respect to the determination of the sale price and the terms of such transactions. Depending on the terms of any such transaction and the nature of the assets being sold, the consent of the Investors in the applicable Client(s) may not be required or obtained.

Co-investments may be made directly in the applicable portfolio company or companies or through co-investment vehicles. The Adviser or its affiliates may, but are not required to, receive Management Fees, Carried Interest or other compensation in connection with such co-investments, the terms of which may differ from the terms of the applicable Client(s) and/or from the terms of other co-investment vehicles, as applicable, with regard to such matters and/or may differ among co-investors in a particular co-investment vehicle. Any such fees, Carried Interest or other compensation will not offset the Management Fee payable by any Client or otherwise benefit any Client or its Investors. Non-binding acknowledgments of interest in co-investment opportunities (including, but not limited to, in side letters) do not require the Adviser to notify recipients of such acknowledgments in the event a co-investment opportunity arises. In some cases, the Adviser has granted an Investor priority rights to co-invest in certain opportunities. Such priority rights mean that there could be fewer opportunities for other Clients or co-investors to co-invest in those opportunities.

If the Adviser has determined that a co-investment opportunity may be available, it considers on a case-by-case basis in its discretion how to allocate such opportunity taking into account various factors at the Adviser's discretion.

In the event that the Adviser expected to include co-investors in a particular transaction but is not successful in offering such co-investment opportunity to co-investors, in whole or in part, a Client may consequently hold a greater concentration and have exposure in the related investment opportunity than was initially intended, which could make such Client more susceptible to fluctuations in value resulting from adverse economic or business conditions with respect to the applicable portfolio company, and which would also reduce such Client's ability to take advantage of other attractive investment opportunities or provide additional capital to support its other portfolio companies.

***Warehoused Investments.*** Certain investments may be made prior to a Client's initial closing by the Adviser or Two Sigma Affiliates (each, a "**Warehousing Entity**"). One or more of such investments from

time to time are anticipated to be contributed, sold, or otherwise transferred to a Client and neither the Adviser, nor any Two Sigma Affiliates, nor any of their related persons makes any representations regarding the attractiveness of such investments. In this context, the nature of such transactions involves an inherent conflict of interest between the Adviser and the Investors, in particular because the current holders of such investments may be able to shift the risks and burdens of such investments to a Client after gaining knowledge about such investments (*e.g.*, relating to a decline in value) during the period prior to such transfers. Please see the “**Principal Transactions**” disclosure below for additional information.

**Management of the Clients.** The Adviser expects that it or its personnel will in the future establish one or more additional investment funds with investment objectives substantially similar to, or different from, those of the Clients. Allocation of available investment opportunities between the Clients and any such investment fund could give rise to conflicts of interest. See “**Allocation of Investment Opportunities Among Clients**” above. The Adviser may give advice or take actions with respect to, the investment of one or more Clients that may not be given or taken with respect to other Clients with similar investment programs, objectives or strategies. As a result, Clients with similar strategies may not hold the same securities or achieve the same performance.

In addition, the Adviser will, from time to time, consider an investment opportunity for one Client and then subsequently determine to have another Client or Related Client make the investment. In making any such reallocation determination, the Adviser will consider a variety of factors, and face conflicts of interest, including in each case those set forth above under “**Allocation of Investment Opportunities Among Clients**.” In addition, a conflict of interest exists because the investing Client will benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Client for which the investment was initially considered. In certain cases, such reallocation determination could occur after a significant period of time has passed and the Client to which the investment was originally expected to be allocated has incurred substantial out-of-pocket expenses in connection with evaluating, investigating and diligencing such investment. The investing Client typically will not be required to reimburse the original Client for such expenses. The Adviser experiences conflicts of interest in connection with causing one Client to incur expenses that may ultimately benefit another Client (or Related Client), and similarly experiences conflicts of interest in determining the need for, calculating the amount of, and effecting any such reimbursement, as such arrangements may involve the discharge of a liability that one Client (or Related Client) owes to another Client, and in all such cases these determinations, calculations, and terms are not arm’s length arrangements and there can be no assurance that the allocation of such expenses is in the best interest of the Clients. There can be no assurance that the amounts reimbursed to the original Client will be commensurate with the benefit received by the investing Client.

The Clients may enter into borrowing arrangements that require the Clients to be jointly and severally liable for the obligations. If one Client defaults on such arrangement, the other Clients may be held responsible for the defaulted amount. Clients will only enter into such joint and several borrowing arrangements when the Adviser determines it is in the best interests of the Clients.

**Allocation of Follow-on Investment Opportunities.** Subject to any specific provisions in the Governing Documents, the Adviser will generally consider follow-on investment opportunities in a particular portfolio company on a priority basis for the Client(s) that has an existing investment in such portfolio company. To the extent that there is additional capacity in a follow-on investment opportunity after it is considered for the Client(s) with an existing investment in the company, the Adviser may offer such opportunity to other Clients or co-investors. For certain Clients, subject to exceptions set forth in such Clients’ Governing Documents, an initial investment in a company in which another Client has an existing investment is, in many cases, subject to the consent of the advisory committee, if any, of either or both of such Clients.

A conflict of interest arises because a Client or Related Client that participates in a follow-on investment in a portfolio company held by another Client will benefit from the initial evaluation, investigation and due diligence undertaken by the Adviser on behalf of the original Client and from operational or other information about such portfolio company acquired through the original Client's ownership of interests in the portfolio company. In such circumstances, such benefitting Client(s) or Related Clients will not be required to reimburse the original Client for expenses incurred in connection with researching such investment. An investment by a Client in a portfolio company in which another Client or Related Client invests at a later stage may be made at a higher or lower valuation than the investment in such portfolio company by such other Client or Related Client and an investment by one or more other Clients or Related Clients in any such portfolio company may dilute the original Client's interest in such portfolio company.

Additionally, the Adviser at times will make a follow-on investment in a portfolio investment because such follow-on investment protects the rights given to the investing Client (or another Client) previously or for reputational or strategic reasons, even when such investment's valuation has decreased since the original investment. These reputational benefits and protections will, from time to time, benefit and/or accrue to other Clients and/or the Adviser at the expense of the current Client(s) investing in such follow-on investment.

Follow-on investment opportunities may present other conflicts of interest for the Adviser, including determination of the terms of the new round of financing. In some cases, a Client (including a co-investment vehicle) participating in a follow-on investment may be allocated certain investment amounts by virtue of another Client's pro rata ownership in the applicable portfolio company to the extent the latter Client has preemptive rights, rights of first refusal or similar rights in connection with its investment in such portfolio company. In addition, a Client may participate in recapitalization transactions involving portfolio companies in which another Client has already invested or will invest. Conflicts of interest arise in connection with the foregoing scenarios, including in regard to determinations of whether existing investors (which may include a Client) are disposing of their investment in a portfolio company at a price that is higher or lower than market value and whether new investors (which may include another Client) are paying too much or too little for securities of a portfolio company or purchasing portfolio company securities with terms that are more or less favorable than prevailing market terms.

The interests of some or all of the Investors in a Client also conflict with the interests of such Client's general partner with regard to such matters. The conflicting interests of the Investors in a Client may relate to or arise from, among other things, the nature of investments made by such Client, the structuring or acquisition of investments, the timing of disposition of investments and, in the case of the Investors and overlapping investments between certain Clients, not all Investors may be investors in, or have proportionate exposure to, each of such Clients. As a consequence, conflicts of interest arise in connection with decisions made by the Adviser and its affiliates, including with respect to the nature, structuring or disposition of investments that may be more beneficial for some Investors in a Client than for others or more beneficial for the Adviser and its affiliates, particularly with respect to Investors' individual tax situations. In selecting and structuring investments appropriate for a Client, the Adviser and its affiliates will not consider the investment, tax or other objectives of any Investor in such Client individually, except as otherwise required by the applicable Governing Documents (including provisions related to avoiding "unrelated business taxable income" or "effectively connected income") or side letters entered into with Investors in such Client. A Client's general partner may also consider the tax objectives of such general partner and its partners or members.

**Cross-Transactions.** From time to time, a Client may purchase securities of one or more companies from another Client, or may sell securities of portfolio companies to another Client. Such a transaction entails a conflict of interest because the Adviser or an affiliate thereof acts for both the buying Client and the selling



Client and may have an incentive to improve the performance of one Client (for example, by selling an underperforming asset to another Client in order to increase the Carried Interest payable to the Adviser or its affiliates by the selling Client). In addition, by not exposing a transaction of this nature to market forces, a selling Client may not receive the best price otherwise possible.

Depending on the transaction structure, these transactions may disproportionately benefit the purchasing, selling, or merging Client (or the Adviser as a result of its interests in a particular Client), and one Client may incur expenses or forego gains that would have been obtained had it not entered into such transaction. For example, the Adviser may be incentivized to support a less successful portfolio company of an older Client by causing a newer Client with a longer remaining term and investment period to purchase a part or all of such portfolio company in order to provide the Adviser additional time to potentially manage it to a successful exit and increase the likelihood of the Adviser or an affiliate receiving Carried Interest. Conversely, the Adviser may be incentivized to sell an attractive investment in an older Client to a newer Client to increase the amount of fees received by the Adviser or an affiliate with respect to such an investment. Determining the valuation or other terms of such transactions may also create a conflict of interest due to the Adviser's consideration of the particular terms (including the fee terms) of the Clients and the Adviser's interest in such Clients. Such acquisition or merger may result in the acquiring entity purchasing a Client's portfolio company at a valuation that is: (a) not the highest price than could have been obtained in the market had there been a robust sales process with multiple third party bidders or (b) higher than the value of the company resulting in an overvaluation.

Under certain circumstances, the Adviser may wish to reduce the investment of one or more Clients in an investment and increase the investment of other Client(s) in such investment, and may, therefore, effect such transactions by directing the transfer of such investment between such Clients or through any other transaction structure (for example, distribution of portfolio company interests from one Client and contribution of such interests to another Client). Any costs and expenses associated with any such transaction will be borne by such Clients in accordance with such Clients' Governing Documents and to the extent not addressed in the applicable Governing Documents, on an allocation that the Adviser deems in good faith to be fair and equitable.

***Principal Transactions.*** Section 206 under the Advisers Act regulates principal transactions between an investment adviser (like the Adviser) or certain of its affiliates, on the one hand, and the clients thereof (like the Clients), on the other hand. Generally, if an investment adviser proposes to purchase a security from, or sell a security to, a client (in what is commonly referred to as a "principal transaction"), such adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client's consent to the transaction. Subject to the requirements of Section 206 of the Advisers Act and any other requirements of the Governing Documents, the Adviser and its affiliates occasionally engage in principal transactions with Clients in connection with the Adviser's management of the Clients. The Adviser has established certain policies and procedures designed to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures regarding any proposed principal transactions be made in accordance with Section 206 of the Advisers Act, and that the requisite advance consent to the transaction is received prior to consummating such a transaction.

**Continuation Transactions.** From time to time the Adviser may determine that it is in the best interest of a Client holding the investment (the “selling Client”) to transact with another Client (the “purchasing Client”) in order to provide the selling Client’s Investors with an option to either: (1) receive cash proceeds from the selling Client’s sale or transfer of such portfolio company and/or (2) “roll” (i.e., retain) their interest in such portfolio company. These types of transactions are often referred to as “continuation transactions.” In connection with such continuation transactions, the Adviser may require the Investors in the purchasing Client to make an additional investment in a Client or commit to invest a future Client. In addition to those conflicts of interest described above under “**Cross-Transactions**”, conflicts of interest arise in these continuation transactions because (i) the Adviser and its affiliates are charging Investors in the purchasing Client a Management Fee and Carried Interest (which economics are likely to be different than the selling Client) and the transactions have the potential to result in the receipt of additional Management Fees and Carried Interest by the Adviser and its affiliates; (iii) the Adviser and Adviser personnel are expected to have the ability to make material investments in the purchasing Client, which may cause them to take actions that benefits the purchasing Client; (iv) the Adviser is actively involved in negotiating the terms of the sale on behalf of the selling Client, on the one hand, and the purchasing Client, on the other hand (including allocation of expenses incurred in the transaction); and/or (v) of the requirement for an Investor in the purchasing Client to make an investment in a Client or a commitment to invest in a future Client, which (a) incentivizes the Adviser to favor such Investors because of the potential for the Adviser and its affiliates to earn additional Management Fee with respect to any such investment or commitment to invest, and (b) could affect the price such Investors offer to purchase the asset from the selling Client. Additionally, conflicts of interest arise in continuation transactions as a result of the allocation of fees and expenses, because fees and expenses will be incurred in connection with the transaction, and the Adviser might determine to allocate bankers’ fees and certain other fees and expenses solely to selling Investors and not to the “rolling Investors” or “new Investors” in the purchasing Client or vice versa.

To the extent not addressed in a Client’s Governing Documents, the Adviser would expect to address conflicts of interest that arise in connection with continuation transactions as set forth above under “**Cross-Transactions**.”

**Other Activities of the Adviser Personnel.** The Adviser personnel who are responsible for managing a particular Client will devote such time as is necessary to conduct the affairs of the Clients in an appropriate manner. However, it is expected that the employees of the Adviser and the Adviser personnel will be engaged in other activities unrelated to the particular Client, to the extent not restricted by a Client’s Governing Documents, including making and supervising investments of other Clients and future Clients formed by the Adviser or its affiliates, each of which may have similar or overlapping investment objectives. Conflicts of interest arise in allocating time, services, resources, or investment opportunities among the investment activities of the Clients and any other funds. Certain Adviser personnel are also expected to devote time to activities or endeavors outside of the Clients including, without limitation, managing personal or family investments and attending to charitable, community endeavors or investment industry-related endeavors. This may create conflicts of interest in providing advice and recommendations with respect to investments to the Clients.

In certain instances, based upon the needs of a portfolio company and the desire of one or more employees of the Adviser to further his or her professional development by working for a portfolio company, an employee of the Adviser may decide to become an employee of a portfolio company, in which case, the employee of the Adviser would devote all or a substantial portion of his or her business time to the activities and operations of a portfolio company (and would typically cease to be an employee of the Adviser). As an employee of a portfolio company, such person would receive some or all of their compensation (including salary, bonus, equity and benefits) from such portfolio company, without a corresponding

Management Fee reduction. Because the operating costs of a portfolio company are generally funded out of proceeds received from investments by a Client, such Client would then indirectly be funding some or all of the compensation and compensation-related expenses of such employee (or former employee) of the Adviser while such person is being paid by such portfolio company. In addition, certain of such employees (or former employees) providing services to a portfolio company may receive equity or a “profits interest” that entitles such person to a percentage of the applicable Client’s profits on a particular portfolio investment. Any amounts payable to such an employee (or former employee) of the Adviser in respect of such equity or “profits interest” in a portfolio company would reduce the returns to the applicable Client with respect to the applicable portfolio company investment.

In addition, subject to the Adviser’s policies, the Adviser’s employees may also buy securities in other unaffiliated investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles), which may include potential competitors of the Clients. While such an investment may create a conflict of interest (for instance, not bringing an investment opportunity to a Client if there is a greater financial incentive to see a competitor fund make such an investment), the significant interests of the Adviser’s employees in the Clients and their general partners (including economic interests) generally provide a stronger alignment with the Clients’ interests in this regard. Furthermore, the Adviser, its affiliates and certain of its employees and/or their relatives or estate planning vehicles invest (directly or indirectly) in the Clients and therefore may have additional conflicting interests in connection with these personal investments. While the significant interests of the employees of the Adviser in the overall performance of the Clients generally aligns the interest of such persons with those of the Clients, such persons may have differing interests from the Clients with respect to such personal investments (for example, with respect to the availability and timing of liquidity).

Subject to the Adviser’s policies, personnel of the Adviser may invest in funds or other entities managed by Investors, which could incentivize such personnel of the Adviser to afford the Investors preferential or favored treatment, such as, for example, increased access to co-investment opportunities, and could create conflicts of interest to the extent such other funds compete with a Client for investment opportunities or invest in competing portfolio companies.

***Movement of Executives and Entrepreneurs among Portfolio Companies.*** In certain situations, an entrepreneur or portfolio company executive may decide to leave a portfolio company of a Client to join (or otherwise provide services to) another current or prospective portfolio company of such Client or another Client. In such instances, the business and operations of the portfolio company from which the individual departed (and, as a result, the performance of the applicable Client invested in such portfolio company) could be negatively affected as a result of such individual’s departure from such portfolio company. In the event an entrepreneur or executive leaves a portfolio company of one Client to join a portfolio company of a different Client, one Client may benefit to the detriment of the other Client.

***Use of Portfolio Company Data.*** The Adviser and its affiliates receive and generate various kinds of portfolio company data and other information, including data and information related to or created in connection with financial, industry, market, business operations, trends, budgets, customers, suppliers, competitors, ESG and other metrics, financial information, commercial and transactional information, user data, cost data and related data or information, some of which is sometimes referred to as “**big data**.” This information may, in certain instances, include confidential and/or sensitive information received or generated in connection with efforts on behalf of a Client’s investment (or prospective investment) in a portfolio company. As a result, the Adviser is better able to anticipate macroeconomic and other trends and financial opportunities, enhance and improve operations of portfolio companies and otherwise develop investment strategies or identify specific investment or business opportunities. The Adviser also intends to utilize such data for purposes of identifying new investment opportunities for the Clients. Information

from a portfolio company owned by a Client may enable the Adviser to better understand a particular industry and develop and execute investment strategies in reliance on that understanding for the Adviser and other Clients that do not own an interest in such portfolio company, without compensation or benefit to such Client or its portfolio companies. Further, data is expected to be aggregated across the Clients and their respective portfolio companies and, in connection therewith, the Adviser is expected to serve as the repository for such data, including with ownership, use and distribution rights therein. The Adviser may also share data from a portfolio company of one Client with a portfolio entity of another Client, which may increase a competitive disadvantage for, and indirectly harm, such portfolio company. Portfolio companies may incur incremental expenses in collecting and organizing information requested or required to be furnished to the Adviser (which expenses are indirectly borne by the Clients). The Adviser may in the future enter into information sharing and confidentiality arrangements with portfolio companies and other sources of information that may limit the internal distribution and use of such data. The Adviser may, in certain instances, use this information in a manner that may provide a material benefit to the Adviser, its affiliates or certain other Clients without compensating or otherwise benefitting the Client(s) that hold interests in the companies from which such information was obtained. In addition, the Adviser may have an incentive to cause the Clients to pursue investments in portfolio companies based on the data and information expected to be received or generated as a result thereof. Furthermore, except for (a) contractual obligations to third parties to maintain confidentiality of certain information or otherwise limit the scope and purpose of its use or distribution, (b) policies, practices and procedures designed to ensure confidentiality of trade secrets and (c) compliance with applicable data privacy laws, laws prohibiting insider trading, anti-competition laws and laws protecting national security interests, the Adviser is generally free to use data and information from a Client's activities in its sole discretion for the benefit of the Adviser and other Clients. The sharing and use of "big data" and other information present potential conflicts of interest and any benefits received by the Adviser or its personnel will not be subject to the Management Fee offset provisions or otherwise shared with a Client or its Investors. The Adviser may use such information to benefit the Adviser, its affiliates and/or certain Clients.

***Adviser Use of Portfolio Company Products and Services.*** The Adviser and its affiliates generally may, in their discretion, contract with any related person of the Adviser and its affiliates (including but not limited to a portfolio company of a Client) to perform services for the Adviser in connection with its provision of services to a Client. When engaging a related person to provide such services, the Adviser and its affiliates will have an incentive to recommend the related person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost. The Adviser and its affiliates and related persons have in the past and may in the future, in certain instances and subject to the Adviser's policies, receive discounts on products and services provided by portfolio companies of the Clients or the customers or suppliers of such portfolio companies. The potential for the Adviser and its affiliates and related persons to receive such economic benefits may create conflicts of interest as the Adviser may have incentives to cause the Clients to invest in portfolio companies that provide such benefits, and such discounts could adversely affect such portfolio company's profitability.

***Portfolio Company Directorships and Other Roles.*** Adviser personnel from time to time serve on the boards of directors of portfolio companies and other companies. Adviser personnel are expected to also serve as directors, and may serve as interim executives, of or otherwise be associated with companies (including but not limited to portfolio companies of one or more other Clients) that are competitors of certain portfolio companies of a Client. As a result, such individuals will be subject to fiduciary and other obligations to make decisions that they believe to be in the best interests of the applicable company for which they serve as directors or interim executives. Although in most cases involving a portfolio company, given that a Client would generally be a significant investor in such companies, the interests of a Client and its portfolio companies will be aligned, this may not always be the case, particularly if a portfolio company is in financial difficulty. Generally, the interests of a competitor company would not be expected to be

aligned with those of a Client or such Client's portfolio companies. This may result in a conflict between the relevant person's obligations to the company for which such person serves as a director or interim executive and its various stakeholders, on the one hand, and the interests of the applicable Client(s), on the other hand. Such conflict may be addressed to the detriment of the applicable Client(s).

***Transactions between Portfolio Companies.*** Portfolio companies of different Clients may engage in commercial transactions (including mergers and acquisitions) with one another from time to time as they determine to be appropriate in their business judgment. The Adviser anticipates that material transactions between portfolio companies generally would be on arm's-length terms or on terms otherwise considered equitable to both companies under the circumstances. However, such transactions could benefit the portfolio company of one Client (and, therefore, indirectly such Client) more than the portfolio company of the other Client (and, therefore, indirectly such other Client).

Given the collaborative nature of the Adviser's business and the portfolio companies in which the Clients have invested, there are, from time to time, situations when the Adviser is in the position of recommending the products or services of a portfolio company of a Client to other portfolio companies of such Client or portfolio companies of another Client, which may involve fees, commissions, servicing payments or discounts to the Adviser, an affiliate of the Adviser or a portfolio company. The Adviser will face a conflict of interest in making such recommendations in that it has an incentive to maintain goodwill between it and the existing and prospective portfolio companies of the Clients, while the products or services recommended may not necessarily be the best available to other portfolio companies. Although use of any such products or services by a portfolio company of a Client would be the portfolio company's choice, such Client's portfolio companies may nevertheless be conflicted in their choice of vendors and might select the other portfolio company when there may be better or cheaper products or services offered by unrelated companies. The benefits received by a portfolio company of one Client regarding a product or service may be greater than those received by the portfolio company of another Client regarding such product or service.

In addition, the Adviser may continue to receive other fees from a portfolio company after a Client has fully exited its ownership interest (for instance, in respect of consulting arrangements or group purchasing arrangements). In such circumstances, any fees received with respect to such exited investment are not subject to the Management Fee offset described above, or otherwise shared with the Clients and/or Investors.

***Service Providers.*** Services required by a Client (including some services historically provided by the Adviser or its affiliates to the Clients) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Adviser or its affiliates. This can create a conflict of interest because the Adviser and its affiliates have an incentive to outsource such services at the expense of the Clients to, among other things, leverage the use of Adviser personnel. Such services may include, without limitation, deal sourcing, asset management, information technology, licensed software, depository, data processing, client relations, administration, custodial, marketing and marketing-reviews, accounting, valuation, legal, human resources, client services, compliance, corporate secretarial and tax support, director services and other similar services. Outsourcing may not occur universally for all Clients and accordingly, certain costs may be incurred by a Client for a third-party service provider that is not incurred for comparable services by other Clients. The decision by the Adviser to initially perform a service for a Client in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a third-party service provider in the future and the Adviser has no obligation to inform such Clients or their Investors of such a change. Such services may also supplement or be performed alongside services performed by the Adviser. In addition, certain internal service providers (such as internal accountants)

may “shadow” or otherwise review the reports of other services provided by such third parties. The costs and expenses of any such third-party service providers will be borne by the relevant Clients.

The Adviser generally may in its discretion, contract directly with, or recommend to a Client or to a portfolio company thereof (in response to a solicitation for a recommendation or otherwise) that it contract for services with, a related person of the Adviser or a Two Sigma Affiliate (including but not limited to a portfolio company of a Client). When making such a recommendation, the Adviser, because of its financial or other business interest, has an incentive to recommend the related or other person even if another person is more qualified to provide the applicable services and/or can provide such services at a lesser cost.

Additionally, it is possible in the future that former Adviser employees may also become employees, officers or directors of, or otherwise be engaged by, third-party service providers that provide services to the Adviser, the Clients and/or portfolio companies. While employed by the Adviser, the cost of the compensation, benefits and attributable overhead provided to these individuals are paid by the Adviser unless a Client’s governing documents permit certain allocations of internal expenses to the Client. If a former Adviser employee becomes an employee or consultant of a third party that also provides services to a Client, such former Adviser employee may be assigned by such third party to provide services to that account. In such instance, the cost of the third-party service provider attributable to the former Adviser employee working on the Client will be borne entirely by the Client and no such amounts will reduce the Management Fee paid or the Carried Interest distributed by such Client on the basis that such person used to be a former Adviser employee.

The Adviser, its personnel, the Clients and/or the portfolio companies of the Clients will, from time to time, engage common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Adviser, its personnel, the Clients, and/or the portfolio companies. As a result, the Adviser or its personnel may receive a more favorable rate on services provided to it by such a common service provider than the rates payable by the Clients and/or the portfolio company, or may receive a discount on services even though the Clients and/or the portfolio companies receive a lesser, or no, discount. This creates a conflict of interest between the Adviser and its personnel, on the one hand, and the Clients and/or portfolio companies, on the other hand, in determining whether to engage such service providers, including the possibility that the Adviser will favor the engagement or continued engagement of such persons if it, or its personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Clients and/or the portfolio companies. Neither the Clients nor Investors in the Clients will receive the benefit of any such favorable rate or discount provided to the Adviser, its personnel or its affiliates, and the Management Fee paid by any Client will not be reduced in connection with such favorable rate or discount.

In certain circumstances where the Adviser commits or has committed to seek “market” or “arms-length” rates or terms, the Adviser will do so in its sole discretion, seeking rates that it has determined in its sole discretion to be reflective of the range of rates in the applicable or related markets. The Adviser reserves the right to deem third-party investment in a transaction to be verification that the transaction was entered into at a value that is “arms-length.” Consequently, the Adviser undertakes no minimum amount of benchmarking, and does not represent that any such benchmarking ultimately will be accurate, comparable, or relate specifically to the assets, services, geographies, or comparable markets to which such rates or terms relate. Where such rates or terms include hourly components, the Adviser reserves the right to rely on approximations or estimates of time for purposes of allocating or charging for services. Any methodology, or choice among methodologies, involves potential conflicts of interest. Whether or not the Adviser has a relationship or receives financial or other benefit from recommending a particular service provider, there can be no assurance that no other service provider is more qualified to provide the applicable

services or could provide such services at lesser cost. To the extent the Clients engage in a long-term or recurring contract with an Adviser affiliated service provider, the Adviser may not seek to benchmark or otherwise renegotiate the original fee arrangement for a significant period of time.

The Adviser from time to time will cause one or more Clients to bear the full cost and expense of engaging certain third-party service providers or otherwise bearing certain expenses on behalf of a portfolio company. For example, as part of its portfolio support activities, a Client may engage an executive coach for a portfolio company executive or take a candidate for a senior portfolio company executive position out for an interview over a meal. In the event a Client is not the sole shareholder of the portfolio company, other shareholders will benefit from the costs incurred by such Client and will not reimburse the Client for their pro rata portion of the cost of any such service provider.

***Incidental Benefits.*** The Adviser and Adviser personnel are expected to receive certain benefits or perquisites arising or resulting from their activities on behalf of the Clients that will neither offset any Management Fees payable by the Clients nor otherwise be shared with the Clients, Investors and/or portfolio companies of the Clients. For example, expenses associated with airline travel or hotel stays that are borne by the Clients typically generate cash rebates, “miles,” credit card “points,” rebates or credit in loyalty or status programs. Such benefits and/or amounts will (whether or not *de minimis* or difficult to value) inure exclusively to the Adviser and/or Adviser personnel (and not the Clients or the Investors and/or portfolio companies of the Clients), even if expenses that generated such benefits were borne by the Client(s) and/or their portfolio companies. Such rewards and/or amounts will exclusively benefit the Adviser and/or such personnel and will not be subject to the offset arrangements described above or otherwise shared with such Client, its Investors and/or the portfolio companies.

***Certain Advisory Committee Consents.*** Many of the Clients have established an advisory committee consisting of representatives of a limited number of Investors in the applicable Client. Certain transactions by a Client that would otherwise be prohibited by its Governing Documents, including certain transactions that involve potential conflicts of interest between such Client, on the one hand, and other Clients or the Adviser or its affiliates, on the other hand, may be effected with the consent of such Client’s advisory committee. Additionally, the Adviser may notify, consult with, or seek the consent of the applicable Client’s advisory committee for certain transactions that involve potential conflicts of interest, but for which such notice, consultation or consent is not otherwise required by the applicable Governing Documents. Some or all of the members of a Client’s advisory committee will likely also be on the advisory committee of the other Clients with which there is a potential conflict, or will likely represent Investors that have an interest in both of the Clients involved in such conflict of interest. There is often significant overlap between the members of the advisory committee for a Client and the members of the advisory committees of other Clients. Such overlapping advisory committee members are not precluded from participating in discussions with respect to, or from voting on, such transactions that involve potential conflict of interests, including between such Clients.

In addition, the advisory committee of a Client will not represent the interests of all of the Investors in such Client, each member of the advisory committee may act in the interests of the Investor with which it is associated, and the members of the advisory committee may themselves be subject to various other conflicts of interest, which may influence their decisions on matters presented to the advisory committee. For example, a member of an advisory committee may be associated with an Investor that is (or an affiliate of which is) a participant in a transaction that is subject to the consent of a Client’s advisory committee or a member or its associated Investor may have separate business or personal relationships with the Adviser, its affiliates or Adviser personnel. A member of an advisory committee who is, or who is associated with an Investor that is, subject to a conflict of interest with respect to a matter brought before such advisory committee or arising out of another business or personal relationship with the Adviser, its affiliates or

Adviser personnel will not be prohibited from participating in discussions with respect to, or from voting on, matters brought to such advisory committee. In general, the Investors in a Client will not be entitled to control the selection of members of such Client's advisory committee or to review the actions or deliberations of such Client's advisory committee.

***Side Letters; Governing Document Conflicts.*** To the extent permitted under applicable law, the Adviser often enters into certain side letter arrangements with certain Investors in a Client providing such Investors with different or preferential rights or terms that are not made available to Investors in such Client generally and which may, in certain instances, include, without limitation: different fee structures and other preferential economic rights; information and reporting rights; excuse or exclusion rights; waiver of certain confidentiality obligations; co-investment rights; certain rights or terms necessary in light of particular legal, regulatory or policy requirements of a particular Investor, including regulatory, tax or other factors altering or limiting an Investor's participation in investments or ability to bear certain liabilities or obligations; additional obligations and restrictions with respect to structuring particular investments in light of the legal and regulatory considerations applicable to a particular Investor; special consent rights; and liquidity or transfer rights. Except as otherwise agreed with an Investor in a Client, or as required by the Client's Governing Documents or applicable law, the Adviser is not required to disclose the terms of side letter arrangements with other Investors in the same Client. Also, Investors will have no recourse against a Client, the applicable Client's general partner, the Adviser or their respective affiliates in the event that certain Investors receive additional or different rights or terms pursuant to such side letters, some of which rights may impact the rights and/or increase the obligations of other Investors. For example, certain side letter rights are likely to confer benefits on the contracting Investor at the expense of the relevant Client or of other Investors in the Client as a whole, such as where a side letter confers rights to additional reporting, other information rights, and/or transfer rights, the costs and expenses of which are expected to be borne by the relevant Client. In addition, it is possible a Client could enter side letter arrangements with an Investor that imposes additional restrictions on investing in certain types of assets, geographies or industries in order to meet certain legal, tax, regulatory, internal policy or other requirements of such Investors. While these types of restrictions are intended to apply solely to such Investors, they may ultimately restrict the investments made by an applicable Client.

To the extent permitted by a Client's Governing Documents, side letter arrangements may operate to permit an Investor to be excused from participating in one or more investments of a Client, in the discretion of the General Partner. In the event of the excuse or exclusion of one or more Investors, the Investors not excused or excluded from such portfolio investment (or category of investments) may be required to make additional capital contributions to make up for such shortfall, in which case such other Investors' exposure to such portfolio investment (or category of investments) will be more concentrated. In addition, to the extent the excluded or excused Investor will participate in future portfolio investments, the Adviser may in its discretion determine to increase the participation of such excused or excluded Investors in future portfolio investments, in which case such Investors will have increased exposure to such other portfolio investments. If the participation of such excused or excluded Investors is not so increased, such Investors may have a greater percentage of their capital commitments undrawn. In the event such excused or excluded Investor's interest in future portfolio investments is increased, the other Investors' interests in such future portfolio investments will decrease. As a result of the adjustments described above, any adjustment to the excused or excluded Investors' interests in portfolio investments may adversely affect not only such excused or excluded Investors but also all other Investors by potentially increasing their relative share of underperforming investments and/or decreasing their relative share of outperforming investments, with the potential to create significant variations across a Client in Investor investment returns and exposures to liabilities or obligations.



The Governing Documents of a Client establish complex arrangements among such Client, the other Clients, the Adviser, Investors in the Clients and other relevant parties. From time to time, questions will arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of a Governing Document may be broad, unclear, general, conflicting, ambiguous or vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Adviser will construe the relevant provisions of the Governing Documents in good faith and in a manner consistent with its legal obligations, the interpretations used may not be the most favorable to the applicable Client or its Investors.

Any of the situations described above will subject the Adviser and/or its affiliates to potential conflicts of interest. As the businesses of the Adviser and the Two Sigma Affiliates evolve, new and other potential conflicts may also arise which cannot be predicted at this time. To the extent that an investment, proposed transaction or other relationship presents a material conflict of interest, the Adviser will review the particular facts and circumstances of such investment, proposed transaction or relationship with a view towards addressing such conflicts in a manner consistent with applicable law which may be further specified in the Adviser's policies and procedures developed for such purpose.

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## **Item 9. Disciplinary Information**

The Adviser and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this brochure.

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## Item 10. Other Financial Industry Activities & Affiliations

In addition to the Adviser, Two Sigma Affiliates include four investment advisers registered with the SEC: TSI, TSPI, LP (“**TSPI**”), Two Sigma Advisers, LP (“**TSA**”) and Two Sigma Investor Solutions, LP (“**TSIS**”), as well as one broker-dealer registered with the SEC and the Financial Industry Regulatory Authority, Inc. (“**FINRA**”), Two Sigma Securities, LLC (“**TSS**”). Additionally, the Adviser is affiliated with Two Sigma China Co., Ltd. (“**TSC**”), which is licensed as a Private Fund Manager with the Asset Management Association of China.

TSI, a Delaware limited partnership, manages third-party and proprietary private investment funds. TSPI, a Delaware limited partnership, provides investment advisory services to one or more investment funds privately offered to qualified investors in the United States and elsewhere. TSA, a Delaware limited partnership, manages third-party private investment funds and provides advisory services to certain separately managed accounts, as well as sub-advisory services to an investment company and certain non-U.S. investment funds. TSIS, a Delaware limited partnership, provides non-discretionary investment-related services, principally through an online analytics platform called Venn®, to help its clients with strategic asset allocation, risk management, and certain other portfolio-related matters. The brochures for each of TSI, TSPI, TSA and TSIS are available through the SEC’s Investment Adviser Public Disclosure website. TSC, a Chinese Wholly Foreign-Owned Enterprise incorporated as a limited liability company, manages Chinese private investment funds. Finally, the Adviser is affiliated with Two Sigma Real Estate, LP (“**TSRE**”), a Delaware limited partnership, which generally takes a human-led, machine supported approach to investing in real estate assets.

TSI and TSA are each registered as both a commodity pool operator and a commodity trading adviser with the CFTC under the Commodity Exchange Act. Additionally, TSIS is registered as a commodity trading adviser with the CFTC under the Commodity Exchange Act. TSS is a member of FINRA and is licensed as a “High Speed Trader” with Japan’s Financial Services Agency and a number of other self-regulatory organizations and exchanges. Further, the Adviser is affiliated with Two Sigma Securities UK Limited, which is authorized as an investment firm with the United Kingdom’s Financial Conduct Authority and trades for its own account. The Adviser is also affiliated with Two Sigma International Limited (“**TSIL**”), which is authorized and regulated by the Financial Conduct Authority of the United Kingdom and provides a number of services for Two Sigma Affiliates, including in connection with TSIL serving as a “participating affiliate” of such Two Sigma Affiliates, and TSIL’s personnel as “affiliate associated persons,” as such terms are used in no-action relief granted by the SEC for purposes of permitting the sharing of investment advisory personnel and services of a non-U.S. affiliate of a registered investment adviser. The Adviser and/or its affiliates may form additional broker-dealers and/or other U.S. or non-U.S. regulated entities in the future. TSS is currently a member of a number of self-regulatory organizations and exchanges. TSS and/or any such additional broker-dealer and/or other regulated entity may, in the future, also become a member of one or more additional self-regulatory organizations, securities exchanges, futures exchanges or other trading venues.

The Adviser and certain of its related persons are affiliated with and/or own interests in TSA, TSI, TSPI, TSIS, TSRE, TSC, TSIL and/or TSS.

TSI provides various services to the Adviser, including, but not limited to: operations; administrative, legal, technical, human resources and clerical services (*e.g.*, finance, treasury, accounting, tax, business management, data procurement support and cleansing, engineering and modeling, legal and compliance, workplace services staff, recruiting and human resources and marketing and sales support); access to technology equipment and office facilities; maintenance and support services; and other related and miscellaneous services. All personnel of the Adviser are also employed by TSI.

The Adviser's affiliates (as well as their respective principals and certain personnel) engage in a wide range of investment and other financial activities, many of which are not offered to the Clients (or their Investors). The growth of Two Sigma may increase competition between and among the Clients, Related Clients and the Two Sigma Affiliates themselves, and may decrease the number of investment opportunities available to Clients and Related Clients. Such competition creates inherent conflicts of interest among affiliates within Two Sigma. Each of the Adviser and its affiliated SEC-registered investment advisers owes a fiduciary duty to its own clients to act in their best interests and manage their clients' assets in accordance with the applicable Governing Documents and/or other pertinent investment guidelines, as applicable.

In addition, Two Sigma Affiliates may serve as counterparties or participants in agreements, transactions or other arrangements with portfolio companies of one or more of the Adviser's Clients, and such agreements, transactions or other arrangements could be material to such portfolio companies' success or failure. Such agreements, transactions or other arrangements may involve fees, commissions, servicing payments, discounts, rebates and/or other benefits to such Two Sigma Affiliates, as applicable. While the Adviser and its affiliates intend to monitor such conflicts, there can be no assurance that any such conflicts will be effectively managed or mitigated.

Finally, certain related persons of the Adviser are affiliated with and/or own interests in entities that serve as general partner (or equivalent) to and/or allocation shareholder of TSV Clients, and as such are entitled to receive the performance-based compensation from such Clients as discussed in "***Item 5. Fees and Compensation***" hereof.

The Adviser's affiliation with the Two Sigma Affiliates creates certain conflicts of interests as further described in "***Item 8. Methods of Analysis, Investment Strategies & Risk of Loss – F. Conflicts of Interest.***"

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## Item 11. Code of Ethics, Participation or Interest in Fund Transactions & Personal Trading

The Adviser has adopted a Code of Ethics (the “Code”) and certain other policies and procedures that obligate the Adviser and its supervised persons to act honestly and fairly in all respects in their dealings with a Client. All of the Adviser’s personnel are also required to comply with applicable federal securities laws. The Adviser will supply a complete copy of its Code to a Client or prospective Client or any Investor or prospective Investor in a Client upon request.

The Adviser and its related persons effect transactions for their own accounts in the same securities or other securities purchased and sold for a Client.

To ensure trading by the Adviser’s supervised persons is conducted (i) in a manner that does not adversely affect the Adviser’s trading on behalf of a Client and (ii) in a manner that is consistent with the fiduciary duties owed by the Adviser to a Client, the Adviser has adopted the Code and attendant policies and procedures governing, among other things, transactions by the Adviser’s supervised persons and other “covered persons” (as defined below). The Code and attendant policies and procedures contain provisions designed to, among other things, (a) prevent improper personal trading by the Adviser’s supervised persons and other covered persons; (b) identify actual or potential conflicts of interest; and (c) provide guidance in resolving certain actual or potential conflicts of which the Adviser is aware. To accomplish these objectives the Adviser is required under the Code and attendant policies and procedures to, among other things (1) require pre-clearance of personal trades in “reportable securities” (as defined in the Code) and certain other assets by the Adviser’s supervised persons and other covered persons; (2) restrict the number of such trades by the Adviser’s supervised persons and other covered persons in a given month; (3) prohibit certain trading by the Adviser’s supervised persons and other covered persons in securities of issuers listed on the applicable “restricted lists” (as defined in the Code); and (4) require minimum holding periods in connection with certain transactions.

The Adviser and its affiliates engage in principal transactions from time to time. For example, in the past an affiliate of the Adviser has sold an investment to a Client. Such transactions may constitute “principal transactions” within the meaning of Section 206(3) of the Advisers Act as the affiliate of the Adviser will be acting as principal for its own account with respect to the purchase or sale of a security to or from such Client. When the Adviser and/or its affiliates engage in such transactions, the Adviser seeks to effect any such transaction in accordance with the requirements of Section 206(3) of the Advisers Act.

The Adviser has also adopted policies and procedures regarding the receipt of gifts and business entertainment by the Adviser’s access persons from certain third parties (*e.g.*, vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require access persons to report the receipt of gifts and business entertainment in excess of pre-established *de minimis* thresholds. The Adviser reviews these reports for any potential conflicts of interest with respect to individual instances of gifts or business entertainment, as well as patterns of the same over time, to seek to prevent access persons from placing their own interests ahead of the interests of Clients.

The Code and the Adviser’s other policies and procedures also address the following key areas: (i) recordkeeping; (ii) oversight of the Code; (iii) conflicts of interest; (iv) the treatment of confidential information; (v) compliance with SEC rules and regulations; (vi) reporting misconduct; (vii) political contributions; and (viii) outside activities. Periodic training regarding the Code and the Adviser’s other policies and procedures are provided to the Adviser’s supervised persons. Policies and procedures related

to, among other things, “pay-to-play” rules, gifts and business entertainment and outside business activities are located in the Adviser’s compliance manual.

The Adviser from time to time comes into possession of certain information that it believes to be confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security. The Adviser from time to time receives such information directly as a result of its investment advisory activities for a Client, indirectly as a result of its relationship with affiliates including, but not limited to, TSA, TSI, TSPI, TSIS, TSS, TSC, TSIL and TSRE, or through other activities such as strategic partnership negotiations or an employee’s board or creditor committee service. The Adviser will have no responsibility or liability to a Client for not disclosing such information to a Client (or the fact that the Adviser possesses such information), or not using such information for a Client’s benefit, as a result of following the Adviser’s policies and procedures designed to provide reasonable assurances that it is complying with applicable law. Furthermore, a Client would be limited in its ability to make investments, and to sell existing investments, in public securities if the Adviser has material, nonpublic information regarding the issuers of those securities or as a result of other internal policies. The inability to acquire or sell public securities in these circumstances could materially adversely affect the investment results of the Client.

The Adviser’s advisory affiliates are permitted to engage in transactions for their own accounts and engage in personal transactions in which a Client invests in accordance with the Code. These activities create conflicts of interest between the Adviser’s advisory affiliates and a Client with regard to such matters as allocation of opportunities to participate in, or refrain from participation in, particular transactions.

There are additional actual and potential conflicts of interest inherent in the organizational structure and operation of the Adviser and its affiliates, certain of which are described above under “***Item 8. Methods of Analysis, Investment Strategies & Risk of Loss.***”

The Code contains provisions designed to prevent improper personal trading by the Adviser’s supervised persons. Pursuant to the Code, all of the Adviser’s “access persons” (*e.g.*, any partner, officer, director, member, or employee of the Adviser) and “covered persons” (*e.g.*, any such access person’s spouse, immediate family members, any person to whom an access person provides primary financial support, partnerships and corporations in which access persons maintain a certain level of beneficial interest, and any person with whom access persons share common financial support) must obtain pre-approval prior to trading a reportable security as defined under Rule 204A-1 and the Rules and Regulations promulgated under the Advisers Act, unless such person has a managed account with an independent adviser who has discretionary investment authority. The Adviser’s access persons and covered persons are prohibited from trading securities on any applicable restricted list, and generally are prohibited from participating in “new issues.” Short selling is prohibited. The Adviser’s current personal trading policies limit the brokers that supervised persons can use for personal trading. All investment accounts and positions in reportable securities need to be disclosed upon joining the Adviser, and duplicate copies of brokerage account statements or their electronic equivalent generally must be sent to the Adviser’s compliance group.

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## Item 12. Brokerage Practices

The Adviser focuses on securities transactions of private companies and generally purchases and sells such companies through privately negotiated transactions in which the services of a broker-dealer are unlikely to be retained. However, the Adviser may distribute securities to Clients and Investors in a Client, or sell such securities, including through using a broker-dealer, if a public trading market exists. Although the Adviser does not regularly engage in public securities transactions, to the extent it does so, it follows the brokerage practices described below.

If the Adviser sells publicly traded securities and/or publicly traded Digital Assets for a Client and is responsible for directing orders to broker-dealers to effect securities transactions for accounts managed by the Adviser, the Adviser will seek to select brokers on the basis of best price and execution capability. In selecting a broker to execute Client transactions, the Adviser may consider a variety of factors, including: (i) execution capabilities with respect to the relevant type of order; (ii) commissions charged; (iii) the reputation of the firm being considered; (iv) margin requirements and (v) responsiveness to requests for trade data and other financial information.

The Adviser has no duty or obligation to seek in advance competitive bidding for the most favorable commission rate applicable to any particular Client transaction or to select any broker on the basis of its purported or “posted” commission rate, but will endeavor to be aware of the current level of the charges of eligible brokers and to reduce the expenses incurred for effecting Client transactions to the extent consistent with the interests of such Clients. Although the Adviser generally seeks competitive commission rates, it may not necessarily pay the lowest commission or commission equivalent. Transactions may involve specialized services on the part of the broker involved and thereby entail higher commissions or their equivalents than would be the case with other transactions requiring more routine services.

Consistent with the Adviser seeking to obtain best execution, brokerage commissions on Client transactions may be directed to brokers in recognition of research furnished by them, although the Adviser generally does not make use of such services at the current time and has not made use of such services since its inception.

In the Adviser’s private company securities transactions on behalf of a Client, the Adviser is not generally expected to but may retain one or more broker-dealers or investment banks, the costs of which will be borne by such Client and/or its portfolio companies. In determining to retain such parties, the Adviser may consider a variety of factors, including: (i) capabilities with respect to the type of transaction being contemplated; (ii) commissions or fees charged; (iii) reputation of the firm being considered; and (iv) responsiveness to requests for information. As a result, although the Adviser generally will seek reasonable rates for such services, the market for such services involves more subjective evaluations than public securities brokerage transactions, and a Client may not pay the lowest commission or fee for such services.

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## **Item 13. Review of Accounts**

The investments made by Clients are generally private, illiquid and long-term in nature. Accordingly, the review process is not directed toward a short-term decision to dispose of investments. However, the Adviser closely monitors companies and other assets in which Clients invest, and such investments are subject to supervision and review by the Adviser's investment professionals.

A Client and Investors in Clients generally will receive annual audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles, quarterly unaudited financial statements and any other periodic reports described in the offering or Governing Documents of the Client.

Clients and/or the Adviser are generally permitted to and have entered into agreements with certain Investors to provide such Investors with additional (or more frequent) reports or information.



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## Item 14. Client Referrals & Other Compensation

The Adviser and/or its affiliates from time to time provide certain business or consulting services to companies in a Client's portfolio and may receive compensation from these companies in connection with such services.

The Adviser reserves the right to enter into solicitation arrangements pursuant to which it compensates third parties for referrals that result in a potential investor becoming an Investor in a Client. Any fees payable to any such placement agents will be borne by the Adviser indirectly through an offset against the Management Fee, although related expenses incurred pursuant to the relevant placement agent or similar agreement, including but not limited to placement agent travel, meal and entertainment expenses, typically will be borne by the relevant Client(s). In addition, in accordance with applicable law, from time to time the Adviser may compensate certain third parties for assistance in connection with soliciting investors in one or more non-U.S. jurisdictions.

The Adviser has developed relationships with certain third-party investment consultants ("**Investment Consultants**") that are neither affiliated with nor compensated by the Adviser. Investors and prospective investors in Clients retain these same Investment Consultants from time to time to advise them on the selection and review of investment managers and investment products, including in respect of the Adviser and its Clients. Such Investment Consultants do not act on behalf of the Adviser, and their services are generally outside the scope of any offering of securities by the Adviser and/or its Clients. Furthermore, the Adviser does not participate in the advisory services offered by such Investment Consultants to their clients and generally seeks to ensure that the Clients and Investors rely solely on the applicable offering memorandum on the applicable offering memorandum, limited partnership or equivalent agreement and other governing documents.

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## Item 15. Custody

The Adviser and certain of its affiliates generally expect that they will be deemed to have “custody” (within the meaning of Advisers Act Rule 206(4)-2 (the “**Custody Rule**”)) of funds or securities held in the name of one or more Clients, subject to certain exceptions set forth in the Custody Rule and related guidance, where applicable, and expects to meet certain applicable requirements of the Custody Rule through compliance with the conditions of the pooled vehicle annual audit provision.

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## **Item 16. Investment Discretion**

The Adviser generally has discretionary authority to manage investments on behalf of a Client pursuant to the terms of the Governing Documents executed by the Client and the Investors in such Client, although investments on behalf of a certain fund-of-one vehicle are subject to an opt-out right. The Adviser expects to have discretionary authority to manage investments on behalf of future Clients pursuant to the terms of their Governing Documents.

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## Item 17. Voting Client Securities

Where the Adviser votes proxies regarding a Client's investments, it does so in accordance with adopted policies and procedures and in what it believes is the best interest of the Client. Because few, if any, of the Clients' investments are in publicly traded securities, the Adviser does not receive a large number of proxy solicitations in connection with such securities, and the proxy solicitations it does receive are generally of a bespoke nature.

In addition to proxy solicitations in connection with the equity securities of traditional public operating companies, "voting client securities" is deemed to include similar consents regarding private companies and consents requested in matters concerning a Client's investment. This includes, but is not limited to, bankruptcy or insolvency, covenant waivers in connection with debt, approvals regarding the restructuring of debt and other rights and remedies with respect to securities. In such instances, the Adviser will vote proposals, as well as amendments, consents or resolutions relating to a Client's securities (including interests in private investment funds) in a manner that it believes is in the best interest of the pertinent Client. In some circumstances, the Adviser will refrain from voting Client securities where the Adviser believes that voting on such matters would not otherwise impact the value of the investment, or would not be consistent with the best interest of the particular Client. In such instances, the Adviser will take into consideration (among others) the cost of voting the securities, the anticipated benefit to the pertinent Client, and whether that Client continues to hold the securities on the voting date.

If a material conflict of interest between the Adviser and a Client exists regarding the voting of Client securities, the Adviser will take reasonable steps to address the conflict, including consulting with outside counsel as the Adviser, in its sole discretion, determines necessary or advisable to ensure that the conflict does not influence the decision to vote in a manner that is not in the best interest of the Adviser's Clients.

A Client or an Investor in a Client may obtain (i) a copy of the Adviser's proxy voting policies and procedures and (ii) information on how the Adviser voted proxies for such Client by contacting the Adviser at (212) 625-5700.

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## **Item 18. Financial Information**

The Adviser does not require prepayment of Management Fees more than six months in advance or have any other events requiring disclosure under this item of the brochure.