

# TWO SIGMA INVESTOR SOLUTIONS, LP

March 30, 2020

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This brochure provides information about the qualifications and business practices of Two Sigma Investor Solutions, LP (the “Adviser”). If you have any questions about the contents of this brochure, please contact the Adviser 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 the Adviser also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The Adviser 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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## **Item 2. Material Changes**

Below is a summary of the material changes that the Adviser has made to this Form ADV brochure since the Adviser's last annual Form ADV filing on March 28, 2019. Please be aware that other non-material changes have been included in this Form ADV brochure.

- Item 4. Updates have been made to this Item, as well as other Items, to remove disclosures of the global execution services business from this Form ADV brochure.
- Item 5. Updates have been made to further reflect how the Adviser charges fees for access to certain services from Venn (e.g., certain functionality, data, or research) but not for access to other services from Venn.
- Item 8. Additional disclosures have been added and existing disclosures have been updated relating to, among other things, the Adviser's business, risks and limitations of using Venn, charitable giving activities, advice from counsel, political, social, and economic uncertainty risk, and the Adviser's use of data, technology, and third party services (including from affiliates) in providing Venn (or other services), and restrictions on analysis from Venn.
- Item 10. Additional disclosures have been added and existing disclosures have been updated relating to, among other things, relationships between the Adviser and its affiliates, including conflicts of interest associated therewith.
- Item 14. Additional disclosures have been added and existing disclosures have been updated relating to, among other things, relationships between the Adviser and third parties.

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## Item 4. Advisory Business

### The Adviser

The Adviser is an investment adviser with its principal place of business in New York, New York. The Adviser commenced operations in February 2017 and has been registered with the SEC since December 12, 2016. Two Sigma Management, LLC is the general partner of the Adviser. Trusts established by John A. Overdeck and David M. Siegel are the principal owners of the Adviser.

The Adviser provides investment-related services on a non-discretionary basis. The Adviser intends its services to, among other things, help Clients (as defined below) with strategic asset allocation, risk management, and certain other investment- and portfolio-related matters. The Adviser also provides thought leadership and can also provide additional investment, research, or other services.

### Venn<sup>®</sup>

The Adviser operates an online analytics platform called Venn. Among other things, Venn provides its subscribers (“Clients”) with access to analytics to help Clients evaluate aspects of investments and portfolios, including estimating factor exposures, analyzing current or potential allocations, and calculating various other investment- and portfolio-related metrics. Venn is intended to serve as a resource for Clients in their efforts to translate Client-specific organizational goals, objectives, and governing principles into asset allocations and factor exposures. Venn uses a specific set of factors (the “Two Sigma Factor Lens”) in performing various analyses (see *Factor-Based Analysis* below). Although the Venn platform is standardized, outputs provided to each Client are dependent on data and inputs provided by that Client.

Venn is available in various versions. Features, content (including data, assumptions, and research), length of term, permitted number and type of authorized users, usage limits, fees, legal terms and conditions, customer support, and other services and functionality differ between versions. Any such versions are collectively referred to herein as “Venn.”

### Additional Information

The Adviser does not exercise discretionary authority over, or in any way manage, Client assets. No securities, commodities, or other financial instruments (including any interests or shares in investment funds) are offered by or available through the Adviser (whether through Venn or otherwise). Any Client investment decisions are made at a Client’s own initiative and in a Client’s sole discretion. It is the Adviser’s expectation that Venn (or any other service provided by the Adviser) serves only as a resource for Clients supplementing their primary investment, financial, tax, accounting, legal, and other advice, advisors, analysis, and due diligence. Clients retain sole investment discretion and trading authority and are solely responsible for determining whether and how to utilize any outputs from any of the Adviser’s services and are free to deviate from any such outputs.

The Adviser relies on research, technology, methodologies, formulas, algorithms, code, and data (including significant amounts of unverified data, assumptions, and inputs provided by a Client itself and by third parties), all of which have significant risks and limitations as described in this Form ADV brochure, including Item 8. For these reasons and because of the overall limited nature of Venn (or any other service of the Adviser), Clients should not rely on Venn (or any such other service) as a primary basis for any investment decision.

The Adviser is affiliated with Two Sigma Advisers, LP (“TSA”), Two Sigma Investments, LP (“TSI”), and Two Sigma Securities, LLC (“TSS”), Sightway Capital, LP (“Sightway”), and Two Sigma Ventures, LP (“TSV”) (together with other affiliates of the Adviser, “Two Sigma Affiliates”). The various business activities of the Adviser and of TSA, TSI, TSS, Sightway, TSV, and other Two Sigma Affiliates create conflicts of interest for the Adviser with respect to the advice it provides to Clients. Please see Items 5, 6, 8, 10, and 11 for important disclosures about risks and conflicts of interest.

*No assurance can be given that Venn (or any other service provided by the Adviser) will help Clients achieve their investment or other objectives or prevent or otherwise limit substantial or complete losses. Increased awareness of or optimization or other analysis of risk factor exposures is not a guarantee of increased performance or decreased risk. Diversification and asset allocation may not protect against market risk or loss of principal. The Adviser does not represent or warrant that any graph, chart, formula, or other device offered by Venn (or by the Adviser otherwise) can in and of itself be used to determine which securities to buy or sell, or when to buy or sell them.*

Clients should consult the applicable Governing Documents (as defined below) of any investment for information on risks and conflicts of interest associated with that adviser or investment.

Clients can, at their own initiative, choose to use Venn to analyze TS Products (as defined below) as well as other investment products, but the Adviser itself does not manage any such products. The Adviser has no regulatory assets under management.

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## Item 5. Fees & Compensation

The amount and nature of any fees paid by Clients for access to paid versions of Venn varies based on a number of factors, including the nature of the functionality and services accessed as well as business considerations regarding a Client or relationship.

As of the date of this Form ADV brochure, the Adviser provides a base version of Venn that is more limited in its functionality and for which the Adviser does not currently charge any fees. However, it is possible in the future fees will be charged for this version or for certain functionality in this version. Other current versions of Venn provide Clients with functionality and/or other services that are not available in the base version and for which the Adviser generally charges fees.

As of the date of this Form ADV brochure, the Adviser has not established a standard fee schedule for Venn. Fees paid by Clients for access to Venn (“Venn Subscription Fees”) are negotiable, and, as agreed with each Client, will be fixed or variable in nature and, at the option of the Client, will be assessed either in advance or in arrears. In some cases, the Adviser will, in its sole discretion, not charge a fee to any particular Client, charge a discounted fee, begin charging a fee to a Client following a trial period, or otherwise agree to a variety of other fee arrangements with Clients. Certain Clients receive access to Venn without paying a fee to the Adviser given their relationship with TSA, TSI, and potentially other Two Sigma Affiliates or with unaffiliated third parties, in each case who pay for a bulk number of licenses or group wide access to Venn. To the extent assessed to any Client, the Venn Subscription Fee will cover a stated subscription period or periods. Clients who elect to pay Venn Subscription Fees in arrears will be billed as incurred. Clients who elect to pay in advance will receive access to Venn through the end of the applicable subscription period. Because the Venn Subscription Fee will cover access for an entire period, Clients who terminate a paid subscription early can, subject to a notice period, obtain pro rata refunds or adjustments for a partial period by contacting the Adviser.

Additionally, the data and other information that the Adviser receives from or about Clients in connection with Venn, regardless of whether a Client pays a Venn Subscription Fee, is valuable to the Adviser and other Two Sigma Affiliates because it can help the Adviser improve and better market Venn, develop new, improved, and more useful functionality and tools in connection with Venn, acquire new or retain existing Clients, and attract partners for potentially profitable ventures. Such benefits can help Venn’s business grow, and to the extent they help the Adviser acquire or retain new Clients that pay a Venn Subscription Fee or find other ways to monetize Venn, help increase both Venn’s profitability and Firm Profitability (as defined and discussed in Item 10).

The Adviser receives a fee from each of TSA and TSI for making Venn available to certain Clients, including Clients who have invested in TS Products. Such fees are borne by TSA or TSI, as applicable, and not by Clients or by clients of TSA or TSI. Such fees depend in part on the amount of assets under management of such investors in TS Products. Therefore, increased investment into such TS Products will increase such amount of assets under management, which creates a conflict of interest for the Adviser in connection with its Clients and their investments in TS Products. Please see elsewhere in this Form ADV brochure, including in Items 6, 8, 10, and 11, for important disclosures on risks and conflicts of interest. The Adviser has policies and procedures in place that it believes are reasonably designed to mitigate the risk that analytics on

Venn operate on a non-objective basis. Clients should be aware, however, that although the Adviser believes such policies and procedures reduce the impact of such conflicts of interest, no policies or procedures can completely eliminate conflicts of interest. The Adviser will receive similar fees from other Two Sigma Affiliates if it enters into similar arrangements with them, as applicable. Investment funds and other products managed or advised by TSA, TSI, or other Two Sigma Affiliates are referred to herein as “TS Products.”

If in connection with the Adviser’s services (including Venn), a Client, at its own election, transacts in any investment, including an investment in a TS Product, the Client should be aware that it will bear expenses in connection with such investment, including, but not limited to: any applicable investment management fees and/or performance-based compensation, custodian fees, mutual fund expenses, brokerage commissions, transaction costs and other fees, charges, payments and expenses and other costs of trading, acquiring, monitoring, or disposing of any investments. Clients should consult the terms of the offering memorandum, investment management agreement, sub-advisory agreement, prospectus and supplemental disclosure document, or other governing or disclosure document (“Governing Documents”), as applicable to each investment, for more information regarding the fees and expenses associated with such investment.

As noted in Item 12, the Adviser does not conduct any trading on behalf of any Client.

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

Performance-based fees include any compensation that is based on a share of capital gains on or capital appreciation of the assets of an account. “Side-by-side management” refers to the simultaneous management of multiple accounts some of which charge performance fees and others of which do not. The Adviser does not charge performance-based fees or manage accounts. As described in Item 5, Clients should note, however, that a Client will bear all applicable fees and expenses associated with any investment in which a Client may choose to transact.

Clients can choose to use Venn to analyze TS Products that do charge performance-based compensation, management fees, or combinations thereof. Certain TS Products (such as a hedge fund, other pooled investment vehicle, or separate account) charge performance-based compensation. Clients should be aware that increased investment in TS Products (including those that charge the most profitable combinations of performance-based compensation and/or management fees) benefits the Adviser, TSA, TSI and certain other Two Sigma Affiliates (including certain supervised persons of the foregoing), as applicable, and otherwise increases Firm Profitability (as defined and discussed in Item 10). This creates a conflict of interest for the Adviser when providing Venn (or similar services of the Adviser) to Clients. Please see elsewhere in this Form ADV brochure, including in Items 5, 8, 10, and 11, for important disclosures on risks and conflicts of interest. The Adviser has policies and procedures in place that it believes are reasonably designed to mitigate the risk that analytics on Venn operate on a non-objective basis. Clients should be aware, however, that although the Adviser believes such policies and procedures reduce the impact of such conflicts, no policies and procedures can completely eliminate conflicts of interest.

Clients should refer to each investment’s (including any TS Product’s) applicable Governing Documents for more information regarding compensation, including performance-based fees and side-by-side management, if any, associated with any such investment, as well as for more information regarding certain associated risks and conflicts. Clients should also refer to the Form ADV of the applicable investment adviser (including advisers to TS Products) to any investment for a description of that adviser’s policies and procedures and associated risks and conflicts of interest.



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## **Item 7. Types of Clients**

Generally, Clients are global and institutional in nature and typically include investment managers, trustees, consultants, and other advisors of or acting on behalf of investment funds, other commingled vehicles, separately managed accounts, and other investment accounts, including accounts owned by pension and profit-sharing plans, governmental entities or plans, charitable organizations, endowments, partnerships, corporations, financial institutions, and other businesses. The onboarding documents for Venn contain eligibility and other requirements for becoming a Client.

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

Below is a description of certain material risks associated with methods of analysis and investment strategies employed by the Adviser through Venn and any other advisory services provided by the Adviser. It is not possible to identify all actual or potential risks.

*Risk of Loss.* No securities, commodities or other financial instruments (including any interests or shares in investment funds) are offered by or otherwise available through Venn (or otherwise through the Adviser), nor can the Adviser's services be used to buy or sell investments or otherwise effect investment decisions. However, a Client who uses the Adviser's services to inform investment decisions should be aware that investing in securities or other investments involves the risk of loss that the Client should be prepared to bear. The profitability of any Client's investment decisions (which cannot be effected through Venn (or the Adviser otherwise)) depends significantly upon correctly assessing the course of price movements of various instruments. Moreover, many variables, not all of which are or can be reflected on Venn, impact the suitability of a particular investment for a Client. No assurance can be given that Venn (or any of the Adviser's other services) will help Clients identify suitable investments, achieve their investment objectives, or prevent or otherwise limit substantial losses. Additionally, investments, especially those in pooled investment vehicles or through advisory arrangements, whether managed by Two Sigma Affiliates or by unaffiliated managers, are subject to inherent market risks and fluctuations in value due to earnings, economic, political conditions, and other variables. Clients should consult the applicable Governing Documents of any investment for information on risks and conflicts of interest associated with that adviser or investment.

*Limited Application.* Venn is intended to help Clients analyze aspects of an investment or a portfolio. Venn employs multiple methods of analysis, including, for example, quantitative analysis, asset- and factor-based analyses, optimization-based analyses, drawdown-based analyses, scenario analyses, residual analysis, correlation analyses, and performance analyses. The Adviser relies on research, assumptions, technology, methodologies, formulas, algorithms, code, and data (including significant amounts of unverified data, assumptions, and other inputs provided by Clients and by third parties), all of which have significant risks and limitations and are subject to continual changes (see *Continual Changes* below) that materially affect the accuracy, effectiveness, completeness, and other utility of Venn (and similar services of the Adviser).

In particular, Venn's analytics rely on statistical analysis and procedures, including optimization- and regression-based analysis and procedures. Statistical analysis and procedures, however, cannot match the complexity of and uncertainty in the financial markets and as such, the validity of their application is uncertain. Outputs generated by Venn's analytics are not more than estimates or approximations. Additionally, Venn uses historical pricing and other historical data in various calculations. Clients should bear in mind that past performance is not necessarily indicative of future results. Even assuming that all data is accurate and complete, and that all assumptions inputted (including those inputted by a Client) into any analytic were met exactly, no analytic affords certainty that any output accurately forecasts or otherwise reflects past, current, or future

risks, exposures, performance, or any other metric. Given the limited nature of Venn, as described in this Form ADV brochure, the Adviser makes no representations or warranties with respect to and does not guarantee the accuracy, timeliness, completeness, performance, or usefulness of Venn generally or for any particular Client. The analytics, functionality, methodologies (including which factors are included in the Two Sigma Factor Lens, and their construction and related methodologies), data, and services available on Venn will not necessarily be the best available or appropriate for any particular Client. Additionally, other providers could offer factors, factor constructions, factor lenses, or other investment or portfolio analytical methodologies or products that are more effective, accurate, useful, or appropriate for particular Clients, and which are not contained or reflected in the Two Sigma Factor Lens or otherwise on Venn. It is the Adviser's expectation and understanding that Venn will serve only as a resource for Clients supplementing their primary investment, financial, tax, accounting, legal, and other advice, advisors, analysis, and due diligence. For these reasons and as otherwise described in this Form ADV brochure, and because of the overall limited nature of Venn, Clients should not rely on Venn as a primary basis for any investment decision.

*Factor-Based Analysis.* Venn (and any similar service of the Adviser) provides Clients with access to analytics to assist Clients in, among other things, understanding and estimating the risk and return composition of an investment or a portfolio, including analytics that rely on the Two Sigma Factor Lens. Although the Adviser believes that factor analysis can help Clients understand sources of common or systematic risk and return, increased awareness of or optimization or other analysis of a Client's exposures to factors is not a guarantee of increased performance or decreased risk. Diversification and asset allocation is not a guarantee against market risk or loss of principal. The Adviser makes no representations, warranties, or guarantees that any factor, the Two Sigma Factor Lens (or any other set of factors) or any other quantitative investment characteristic (or set thereof) identifies, embodies, or otherwise explains any or all actual market, portfolio, or other risk or return.

*Suitability.* Venn does not purport to account for a Client's overall financial situation, level of financial sophistication, or investment experience, or for any tax, accounting, legal, regulatory, financial planning, or other similar considerations or status relevant to any analysis or investment. Rather, Venn is a computerized data analytics platform into which Clients, at their own initiative and in their own discretion, can input data and receive outputs reflecting the application of the Adviser's analytics, which generally are quantitative in nature, to such data. Further, although Venn allows for Clients to input data, as well as adjust certain settings, including forecasts, and run certain analyses, Venn does not accept all types of data that could be relevant to or desired by a Client, make all relevant settings available or customizable or provide Clients with all forms of analysis or the depth of analysis that might be relevant to or desired by a Client. In addition, neither Venn nor the Adviser otherwise requires Clients to update their data, provide complete data sets, or ensure the accuracy of the data the Client uploads to Venn. Although the Adviser in certain instances provides Clients with reminders or other notifications to upload, update, and/or confirm their data, the Adviser does not purport to verify and should not be expected to determine the extent to which a Client has provided complete, accurate, and current data. Given Venn's technology-based, limited, and largely systematic nature, Venn should not be viewed as providing analysis that accounts for a Client's complete investment profile. When signing up for Venn, Clients are apprised of the limited scope and nature of Venn and the services available thereby and must agree to use Venn within and with the understanding of such limitations.

*Reliance on TSI.* Under the Services, Licensing and Expense Sharing Agreement (“SLA”) between the Adviser and TSI, the Adviser licenses research, data, formulas, methodologies, algorithms, code, software, other materials, and intellectual property (“Licensed IP”) it uses in its business from TSI. TSI has complete discretion regarding what to elect to license to (and correspondingly withhold from) the Adviser. Firm Profitability (as defined and discussed in Item 10) is a material factor in TSI’s decision as to which Licensed IP it will license to the Adviser and the manner in which it will do so. In addition, TSI has the right, under the terms of the SLA, to revoke any or all licenses or Licensed IP granted to the Adviser at any time, for any reason or no reason. Subject to certain restrictions in the SLA, the Adviser chooses how to integrate any Licensed IP into its services, including Venn. Revocation of, or significant limitations or other similar Changes (as defined below) to, the license or any Licensed IP would materially adversely affect the Adviser and Venn, including Venn’s availability, accuracy, completeness, effectiveness, and other utility. In addition, the Adviser’s license from TSI is non-exclusive. TSI retains full discretion to share, license, or otherwise use any Licensed IP as TSI determines in its sole discretion. As discussed in Item 10, the Adviser will use the same or similar inputs or methodologies employed by TSA or TSI only in limited circumstances and as such Clients should not expect the benefit of any particular input, methodology, analysis, strategy, ability, attention, or expertise of TSA or TSI.

TSI also provides various services to the Adviser under the SLA, including administrative, legal, compliance, technical, and clerical services, access to technology equipment and office facilities, maintenance, and support services, and other miscellaneous services. The Adviser pays TSI fees for provision of these services; however, such fees are borne by the Adviser and not by Clients. All personnel of the Adviser have a direct employment relationship with TSI and/or certain other Two Sigma Affiliates.

Because of the above, the Adviser is materially dependent on TSI and the talents and efforts of individuals employed by TSI and, in certain cases, employed by other Two Sigma Affiliates. TSI is not a fiduciary to the Adviser or to any Clients. The success of the Adviser and Venn is largely dependent upon TSI to (i) continue to develop and license to the Adviser the Licensed IP necessary for the Adviser to provide Venn, and (ii) continue to provide services to the Adviser. If TSI ceases to do so, or to do so effectively, the Adviser and Venn will be materially adversely affected. The Adviser has no control over TSI, and TSI can 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. See Item 10 below for important disclosures on conflicts of interest created by the SLA and by the Adviser’s other relationships with Two Sigma Affiliates. Research and expertise developed by the Adviser, TSI, and/or any third party providers are considered trade secrets and generally will not be disclosed to Clients.

*Analysis of TS Products.* As discussed in this Form ADV brochure, including in Item 10 and in *Reliance on TSI* above, the Adviser relies upon a variety of research, data, other forms of Licensed IP, and services from TSI (and, as applicable, other Two Sigma Affiliates) in providing Venn. Venn in certain instances uses some of the same or similar research and methodologies (including statistical analysis and procedures) that Two Sigma Affiliates, as applicable, use in researching, developing, and otherwise operating certain TS Products. Additionally, and as discussed further in Item 10, the Adviser, TSI, and other Two Sigma Affiliates from time to time use data related to

TS Products in conducting research and development for Venn (including indirect use of such data, for example, as such data could be contained in an aggregated data set).

As a result of such reliance, use, and overall resource sharing, certain periods of returns from TS Products will in certain instances be better explained by the Two Sigma Factor Lens than a product without such reliance, use, and overall resource sharing and thus appear more favorably to Clients (including Clients desiring a product with such estimated exposure to the applicable factors).

In addition, the Adviser has selected which factors to include in the Two Sigma Factor Lens and has designed Venn to, among other things, analyze the extent to which returns from investment funds or other financial products correlate to the Two Sigma Factor Lens. The Adviser has further designed Venn to, in certain instances, present favorably products based in part on whether such products' returns do not appear to have, or appear to have low, correlation to the Two Sigma Factor Lens. A low correlation to the Two Sigma Factor Lens does not necessarily mean that a product is more effective than a product with a higher correlation to the Two Sigma Factor Lens, and can indicate that the product's returns are not fully explained by the Two Sigma Factor Lens but could be explained by other "factors." However, given such design of Venn, certain periods of returns from TS Products will appear favorably on Venn to the extent they exhibit such non-correlation (or low correlation), which the Adviser believes will be significant in certain instances.

Therefore, as discussed further in Item 10, the Adviser expects that Venn will at times lead a Client to decide to invest, remain invested, or increase investment in a TS Product, as applicable (rather than products that do not share any of the same or similar research, data, other forms of Licensed IP, or services from any Two Sigma Affiliate). Clients should bear the foregoing risks and conflicts of interest in mind if and to the extent they choose to use Venn to analyze TS Products.

*Reliance on Human Discretion.* Although Venn and any other similar services provided by the Adviser are technology-based, the factors and other analytics, methodologies, algorithms, and software used by Venn (or used in connection with other services provided by the Adviser) are ultimately created and selected by humans and are materially reliant on human discretion and skill and, in particular, on that of personnel of the Adviser, of certain Two Sigma Affiliates (see *License from TSI* above) and of unaffiliated third parties, including unaffiliated third party data and software licensors. Any such factors (including factor construction as well as selection of factors for the Two Sigma Factor Lens), analytics, methodologies, research, algorithms, and software, the assumptions and beliefs on which they each rely, and the data they utilize (or the technology ultimately used to create, gather, cull, and clean such data) depend on the skill and resources of people. Additionally, certain personnel of the Adviser and of certain Two Sigma Affiliates (through their provision of services to the Adviser) interact with Clients in connection with their use of Venn (or any other services provided by the Adviser), including helping Clients upload data and answering questions about outputs produced by Venn. In any of the foregoing situations, no guarantee is made that any person's discretion, skill, or other decisions will be successful or error-free. Third-party personnel (including personnel of Two Sigma Affiliates) licensing or otherwise supplying resources to the Adviser exercise discretion in creating and maintaining such resources and are not under the Adviser's control.

*Metrics.* Metrics provided by Venn or in connection with similar services offered by the Adviser, including factor exposure, residual exposure, contributions to risk, contributions to return,

performance attribution, return, volatility, Sharpe ratio, information ratio, tracking error, drawdown metrics, and other investment-related metrics, as well as any relative comparison metrics on Venn, are estimates or approximations only. Such metrics do not purport to include or to have incorporated all relevant or material research or data, such as costs, fees, or expenses or other key aspects associated with making portfolio changes or holding any investment (including transaction, financing, management or performance costs, fees, allocations, or expenses). As a result, the Adviser does not make any representations as to the accuracy, completeness, or as to any other particular characteristic of any such information (including, for example, if costs, fees, or expenses are gross or net or are reflective of any discount). Venn does not purport to account for any tax, accounting, legal, regulatory, or other similar considerations relevant to any Client or any analysis. Venn does not verify if data (including Client data as well as market and other vendor data) is provided in compliance with any securities laws, rules, regulations, or industry standards or practices, including those related to marketing or advertising of investment funds. Any metrics or other information provided through Venn are therefore inherently limited in value, accuracy, and reliability, materially inhibiting the effectiveness of any Venn outputs.

*Reliance on Data.* The utility of Venn (or any other similar services of the Adviser) to any particular Client depends on, is limited by, and is otherwise affected by the data (including the completeness, accuracy, periodicity, and/or quality thereof) prepared or provided by the Client, on behalf of a Client (e.g. by a service provider to a Client), and by third parties (including third-party data and service providers to the Adviser). In particular, the Adviser generally has no control over the quality of data provided to it by Clients or by third party vendors (whether to the Adviser or to Clients), and errors in such data will occur and many such errors will adversely impact, and depending on the error in certain instances will materially adversely impact, the accuracy of the analysis provided by Venn. As a result, the Adviser does not represent that any data used by Venn is current, accurate, or complete. Further, in ingesting data, including Client data, market, or other licensed data, Venn employs certain processes intended to gather, cull, clean, and otherwise modify such data. Such processes are susceptible to errors, imperfections, and other malfunctions. It is the sole responsibility of each Client (including any service provider thereto, as applicable) whether to submit any information or other data to Venn (or otherwise to the Adviser), including through automated or other electronic transmission mechanisms. For Clients, such data generally will include information regarding returns from a portfolio or investment, certain important assumptions (including future-performance assumptions), including forecasts, as well as investment objectives, investment restrictions, and/or certain exposure tolerances. If any such data is inaccurate or incomplete, and for certain functionality on Venn, stale, this will materially adversely affect the accuracy, effectiveness, completeness, and utility of Venn (or other applicable service of the Adviser). Each Client is solely responsible for interpreting and weighing the outputs from Venn (or any other service of the Adviser), and the Client, not the Adviser, retains all authority to act upon any outputs provided by Venn. Clients should be aware that such outputs do not necessarily reflect the views of the Adviser or of any Two Sigma Affiliate.

Additionally, not all relevant data is available to or is used by Venn (or any other service provided by the Adviser). Certain data, even though potentially useful, will not be practical or cost effective to gather due to the technology costs and/or third-party vendor costs or concerns or will be unavailable to the Adviser for other reasons, including because Two Sigma Affiliates (including the Adviser) have not made such data available to Venn for purposes of or given Firm Profitability considerations. Clients should be aware that, for all of the foregoing reasons and otherwise, there

is no guarantee that any specific data or type of data will be utilized in generating outputs from Venn. Nor is there any guarantee that the data actually utilized in generating outputs will be current, accurate, free of errors, or complete. Clients should assume that the foregoing limitations and risks associated with the analysis of and reliance upon large amounts of data from third-party and other external sources are an inherent part of utilizing Venn.

By virtue of its association with TSA and TSI (and other Two Sigma Affiliates), the Adviser has access to more complete, accurate, and current data about TS Products as compared to a product managed by an unaffiliated third party. This will result in more relevant, accurate, and timely information about TS Products being available in connection with Venn in certain instances, which could lead the Client to decide to invest in TS Products rather than products managed by an unaffiliated third party. Please see elsewhere in this Form ADV brochure, including Items 5, 6, 10, and 11, for important disclosures about conflicts of interest. The Adviser has policies and procedures in place that it believes are reasonably designed to mitigate the risk that analytics on Venn operate on a non-objective basis. Clients should be aware, however, that although the Adviser believes such policies and procedures reduce the impact of such conflicts, no policies or procedures can completely eliminate conflicts of interest.

*Reliance on Technology.* The Adviser's services are fundamentally dependent on technology, including hardware, software, and telecommunications systems. The data gathering, research, portfolio and investment analysis, and other services provided by the Adviser are all highly automated and computerized. Such automation and computerization is dependent upon an extensive amount of the Adviser's and TSI-licensed software and third-party hardware and software. Such dependencies have and will likely continue to increase over time. The Adviser typically does not utilize design documents or specifications when building its proprietary software. The proprietary software code thus typically serves as the only definitive documentation and specification for how such software should perform.

Hardware and software are known to have errors, omissions, imperfections, and malfunctions (collectively, "Coding Errors"). Coding Errors in third-party hardware and software are generally entirely outside of the control of the Adviser.

Both the Adviser and TSI, as applicable, seek to reduce the incidence and impact of Coding Errors through a certain degree of internal testing and monitoring, and the use of independent safeguards, including with respect to proprietary software, in the software code itself. Despite such testing, monitoring and independent safeguards, Coding Errors will result in, among other things, the failure to properly gather and organize available data, the failure to correctly analyze the data, the failure to generate intended or optimal outputs to the Client and/or the failure at times to simply complete the desired function—all of which can and do have adverse (including materially adverse) effects on the accuracy of Venn.

Coding Errors are often extremely difficult to detect and resolve, and, in the case of proprietary software and TSI-licensed software, the difficulty of resolving potential Coding Errors is exacerbated by the lack of or incomplete design documents or specifications. Regardless of how difficult their detection appears in retrospect, some of these Coding Errors will go undetected for long periods of time and some will never be detected. The degradation or impact caused by these Coding Errors can compound over time. Moreover, the Adviser will detect certain Coding Errors

that it chooses, in its sole discretion, not to address or fix and the TSI-licensed software will contain Coding Errors known to TSI that it chooses, in its sole discretion, not to address or fix. Neither the Adviser nor TSI will perform a materiality analysis on many of the Coding Errors discovered in their respective software code. Clients should assume that Coding Errors and their ensuing risks and impacts are an inherent part of utilizing Venn. Accordingly, the Adviser does not expect to disclose discovered Coding Errors to Clients.

The Adviser and TSI seek, on an ongoing basis, to create adequate backups of software and hardware where possible but there is no guarantee that such efforts will be successful.

Further, to the extent that an unforeseeable software or hardware malfunction or problem is caused by a defect, security breach, virus, or other outside force, Clients could be materially adversely affected.

*Continual Changes.* As an evolving business, and especially one that materially relies on third-party licensed research and data (as well as Licensed IP from TSI), the analytics, methodologies, processes, and data used by and provided by Venn continually change over time and, in some cases, will cease altogether for all or certain Clients (such changes or cessations, “Changes”). The Adviser and/or its licensors (including TSI) routinely make Changes to the analytics, methodologies, processes, and data that Venn uses or provides, including the selection and construction of any factors on Venn and also including any methodology, metric, or other calculation, software used and/or content provided by Venn. The Adviser reserves the right to make Changes in its sole and absolute discretion and certain Changes will be beyond the Adviser’s control (e.g., certain changes from a third party vendor). Changes will be made due to a variety of reasons, including: (i) external factors such as changes in law or the Adviser’s interpretation of legal/regulatory guidance, changes to industry practice, market factors, changes in relationships between the Adviser, Two Sigma Affiliates and/or third-party providers, or changes to external costs, (ii) internal factors such as changes to product, research, design, cost/benefit analyses, technology, security concerns, personnel changes, or other aspects of the Adviser’s or Two Sigma Affiliates’ businesses, (iii) correcting errors in or improving or otherwise iterating on research, data, or Coding Errors, and/or (iv) any combination of the foregoing or for other reasons.

Effects of Changes are inherently unpredictable and will lead to unexpected outcomes, many of which outcomes ultimately will have an adverse impact on the accuracy, effectiveness, completeness, and other utility of Venn. Certain Changes (for example, Changes made due to changes in law or legal/regulatory guidance or changes made by licensors (including TSI) are outside of the Adviser’s control) will be made even if the Adviser believes that such Changes will have an adverse impact on the outputs available to one or more Clients. For example, in certain jurisdictions, certain Changes, including limitations on which functionality of Venn is made available to Clients in such jurisdictions, will be made for various reasons, including because of laws and regulations applicable to such jurisdiction. Finally, while the Adviser will notify Clients about certain Changes, the vast majority of Changes (including material Changes) will be made without notifying Clients. Notification about one instance or type of Change does not require or imply that the Adviser will provide notice of any additional or further Changes of the same or similar nature.



*Third-Party Providers and Services.* Third-party providers (including data and technology providers and licensors) furnish significant data and services to the Adviser and on behalf of the Adviser (including cloud storage, hosting, support, data, research, data aggregation, analytics, data processes, and other services). In addition, the Adviser permits Clients to link to or use third-party websites, services, or resources when using Venn and third-party websites, services, or resources contain hyperlinks to or otherwise have connectivity with Venn. The inclusion or accessibility of third-party data, analytics, functionality, or any other service on or through Venn does not imply the Adviser's endorsement or any association between the Adviser and any such third party and does not mean that such third-party resources or services are the best available, reputable, error-free, accurate, appropriate, or suitable for any particular Client. Any third-party resources or services are not under the Adviser's control. The termination or interruption of even one provider's services, such as a key data or research provider, would have a material adverse effect on the Adviser's services in certain instances.

Access to or inclusion of any third-party resources (including data) or services on, by or through Venn will generally be the result of an analysis of multiple factors and interests, including the cost-effectiveness of the provider, the Adviser's discretion as to whether the services to be provided are necessary, whether TS Products are contained in any relevant databases, if applicable, and that the terms and conditions of the relationship between such provider and the Adviser were acceptable and/or are or are expected to be favorable to the Adviser or Two Sigma Affiliates, including being favorable financially, reputationally, and otherwise to the Adviser or Two Sigma Affiliates. The Adviser and/or other Two Sigma Affiliates receive various forms of compensation from any such third-party providers, including compensation in the form of discounted access to analytics and data, which directly benefits the Adviser and Two Sigma Affiliates.

Venn and other services of the Adviser depend on various computer and telecommunications technologies, many of which are provided by or are dependent upon third parties (including providers of data feeds, telecommunications companies, and utilities). The Adviser's dependence on any such services provided is material to its ability to offer and benefit from its advisory services. The successful deployment, implementation, and/or operation of the Adviser's services would be severely compromised by failures or relationship terminations by these third-party providers. Despite the development of a business continuity plan reasonably designed to address business disruptions related to third-party providers, it is not possible to provide comprehensive and foolproof protection against all possible third-party failures or relationship terminations, and no assurance can be given about the ability of any third party to continue providing applicable services. The termination of even one third-party's relationship with the Adviser, or disruption to even one third-party's computer and/or telecommunications systems or operations, could have a material adverse effect on the Adviser's services, including by preventing the systems from analyzing and communicating information to Clients, which would materially adversely affect a Client. Moreover, any unauthorized access to the information systems of certain third parties (or Two Sigma Affiliates) could result in the loss, disclosure, or improper use of information relating to holdings of a Client as well as personally identifiable information or other personal data of authorized users of a Client. Any such loss, disclosure, or use could have a material adverse effect on a Client or any such authorized user.

*Cybersecurity Risk.* Material amounts of the data on Venn (including data Clients provide to Venn) are stored in third-party remote server and software network ("cloud-based") environments. The

information and technology systems of the Adviser, Venn, third-party data, or other service providers (including cloud providers, software providers, and financial data aggregator and connectivity providers) are vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, hacking, infiltration or access by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although the Adviser has implemented various measures it believes are reasonably designed to seek to manage risks relating to these types of events, no measures can fully eliminate these risks. If these systems are compromised, become inoperable for extended periods of time or cease to function properly (including data loss and corruption), Client and other data in connection with Venn (including in connection with service providers), including confidential and proprietary financial data and analyses, as well as personal information of any authorized users, could be lost, corrupted, and/or publicly disclosed, which could harm a Client and/or its authorized users. In certain instances, it will be necessary for the Adviser or a service provider to make a significant investment to fix or replace such systems and to seek to remedy the effect of such issues. The failure or interruptions of these systems and/or of disaster recovery plans for any reason would cause significant interruptions in the operations of the Adviser, Venn, Clients, other services provided by the Adviser, or other service providers and in certain instances would result in a failure to maintain the security, confidentiality, or privacy of sensitive data, including confidential and proprietary financial data and analyses as well as personally identifiable information or other personal data. Such failure or interruptions would also likely result in reputational damage and/or financial loss, including via adverse, and potentially materially adverse, impacts to Clients and other third parties. Further, there can be legal and related costs arising from either existing or pending laws or regulations governing cybersecurity requirements for the Adviser and the Clients, as well as litigation and/or regulatory investigations associated with any incidents that occur. While many advisers are subject to the same or similar risks in respect of their operations, these risks are particularly acute with respect to the Adviser due to the Adviser's fundamental dependency on technology (as discussed in this Form ADV brochure), including third-party systems, equipment, and networks for communications and connectivity. There is no guarantee that a Client's use of Venn (or any of the services provided by the Adviser) will be uninterrupted, error-free, or completely secure. Systems that a Client uses to connect to Venn or communicate with the Adviser may be a source of interruptions, errors or failures in security. The Adviser cannot guarantee the integrity of a Client's systems or the compatibility of such systems with Venn.

Additionally, the Adviser's communications with other persons, including Clients and service providers, are susceptible to infiltration due to human error or vulnerabilities in the systems of such persons. Accordingly, Clients are advised to ensure communication methods with the Adviser and their relevant service provider(s) are secure so as to prevent interception or impersonation that could result in fraudulent communications being submitted on their behalf.

*Not an Offering.* No content on Venn (or any other service of the Adviser) is or constitutes an offer (or solicitation of an offer) to buy or sell securities, commodities, currencies, or other financial instruments. No Governing Documents are available on Venn or any other service of the Adviser. Clients uploading or otherwise providing data related to a fund offering (e.g., from a performance report with fund returns (including for a TS Product)) do so solely at their own initiative and direction and at their own risk. As discussed herein, although Clients can use Venn

to evaluate certain aspects of investment funds, including TS Products, Venn (or any similar service of the Adviser) is subject to significant limitations. (See *Limited Application* above.) Risks, conflicts of interest, objectives, constraints, strategies, and other such information with respect to any investment, tax, legal, regulatory, and similar considerations, liquidity, terms, fees and expenses, and other important information are typically described in the applicable Governing Documents and Forms ADV of the adviser (including TSA, TSI, or any other applicable Two Sigma Affiliate), which Clients should carefully review before implementing any investment decision with respect thereto.

*Restrictions on Analysis.* In the course of its activities, there is a risk that the Adviser will receive material non-public information. The Adviser could receive such information directly as a result of its own business activities (including Venn) or exploration of new business opportunities, or indirectly as a result of its relationship with Two Sigma Affiliates including, but not limited to, TSA, TSI, Sightway, TSV, and TSS. In certain instances, the Adviser's receipt of such information will result in restrictions on analysis on Venn until such time as the restriction is (if ever) removed. Any such restrictions will adversely affect the utility of Venn, including Venn's ability to analyze or recommend a particular investment to a Client.

*Diverse Client Base.* The Adviser has a large and diverse Client base. Some of those Clients will operate in the same industry or sector as other Clients, as the Adviser, or as other Two Sigma Affiliates. Some Clients have, or will develop, interests that overlap with or that are adverse to those of other Clients, the Adviser, or other Two Sigma Affiliates. The Adviser therefore provides Venn (or other services) to Clients with competing interests or whose interests compete with the Adviser or other Two Sigma Affiliates. Further, as discussed elsewhere in this Form ADV brochure, including in *Reliance on Data*, the utility of Venn (or any of the Adviser's similar services) to any particular Client depends on the data provided by such Client, as well as the parameters on Venn selected by the Client and otherwise how the Client chooses to use Venn. Outputs from Venn (or any of the Adviser's similar services) will differ among Clients, even where such Clients have similar portfolios.

Certain Clients enter into arrangements with the Adviser whereby such Clients are subject to terms and conditions that are more advantageous to such Client and/or are different than those set forth in standard agreements for Venn (or any other service of the Adviser). For example, such arrangements could provide for, among other things, (i) different levels of access, including to functionality, data, and research, (ii) different levels of personnel support, (iii) reduction, change, or rebate in fees to be paid, and/or (iv) such other rights as negotiated by the Client with the Adviser. Any modifications are solely at the discretion of the Adviser and are permitted to be based, among other things, on financial or relationship considerations across the Adviser and the Two Sigma Affiliates.

*Charitable Giving Activities.* The Adviser, other Two Sigma Affiliates, and their respective employees from time to time directly or indirectly engage in philanthropic activities unrelated to the business activities of Clients. These activities include, for example, charitable contributions, academic and/or research grants, sponsorships, and offers of collaboration or assistance. For the avoidance of doubt, these activities are in no way intended to influence any Client's investment decision-making process, including any decision to invest or remain invested in any financial product. To the extent that a Client, its affiliates, or any of their employees, may directly or

indirectly benefit from these philanthropic activities, it is the Client's obligation to make such inquiry as it deems necessary to ensure that the acceptance of any such benefit prior to or after such Client's subscription to Venn does not violate such Client's policies, or any law, rule or regulation applicable to such Client.

*Advice of Counsel.* The Adviser frequently relies on the advice of external legal counsel in the ordinary course of its business. The advice received by the Adviser will generally not be disclosed to Clients.

*Political, Social, and Economic Uncertainty Risk.* Social, political, economic, and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts, and social unrest) occur from time to time, and will likely continue to occur. Such events create uncertainty and have significant impacts on businesses, financial markets, exchanges, issuers, industries, governments, counterparties, service providers, and other systems which the Adviser and Clients (and the instruments in which Clients invest) rely upon and interact with. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region, or financial market will, more frequently, adversely impact issuers in other countries, regions, or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat.

For example, in early 2020, a novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) spread rapidly across the world, including within the United States. This outbreak has led and is likely to continue to lead to disruptions in the worldwide economy. This outbreak and any future outbreaks could have a further adverse impact on the economies of nations where the novel coronavirus has arisen and on the global economy in general. As of the date of this Form ADV brochure, it is impossible to determine the scope of this outbreak, or any future outbreaks, or its full potential impact. Moreover, due to the emerging nature of this outbreak, reasonable expectations about any of the risks this outbreak presents could prove inaccurate.

Clients using Venn are reminded that, as described elsewhere in this Form ADV brochure, Venn is a computerized data analytics platform and, as such, does not account for such conditions and events (other than as such conditions and events are ultimately reflected in market and investment data Venn uses). (See *Limited Application* and *Suitability* above.) Further, Venn will also be negatively affected if the operations and effectiveness of the Adviser (and certain other Two Sigma Affiliates) as well as counterparties and key service providers of the foregoing (e.g., cloud storage, software, and data vendors) are compromised or if necessary or beneficial systems and processes are disrupted. (See *Third-Party Providers and Services* above.)

*Regulatory Changes.* It is possible that changes in applicable laws and regulations will affect the Adviser's operations, including its services. In certain jurisdictions, the Adviser has limited the functionality Venn provides because of the laws and regulations applicable in such jurisdiction. A number of substantial regulatory changes are pending or in the process of changing in certain jurisdictions. The consequences of additional regulation or of deregulation on the functioning of the jurisdictions in which the Adviser operates or in which Clients invest cannot be predicted and may materially diminish the effectiveness or applicability of Venn or the Adviser's other services.

It is impossible to predict what global governmental actions will be taken and their effect on the Adviser, its services, markets and/or the effect of such actions on investments, and any such actions could be materially detrimental to Clients.

*Additional Services; Thought Leadership and Similar Content.* The Adviser has from time to time provided services other than Venn, such as project-based, non-discretionary advisory services. The Adviser will face many or all of the same or similar risks and conflicts of interest in providing such services as are described in this Form ADV brochure, including risks and conflicts of interest due to the Adviser's affiliation with Two Sigma Affiliates (as discussed elsewhere herein, including in Items 5, 6, 10, and 11). To the extent the Adviser, in its discretion, uses Venn as a resource in providing such other services, recipients of such services will indirectly face similar risks that they would face when using Venn directly.

The Adviser makes various thought leadership pieces and similar content available in connection with Venn. The Adviser intends for such content to be educational and informative only and does not intend for such content to be relied upon by Clients.

*Adviser Registration.* As a registered investment adviser with the SEC, the Adviser is subject to the rules and regulations promulgated under the Advisers Act. However, the Adviser's registration with the SEC (or with any other regulator) is not an endorsement of the Adviser (or any other Two Sigma Affiliate or any TS Product) by the SEC or any other regulatory body.

Non-U.S. Clients should be aware that the Adviser's registration with the SEC in the United States does not mean or imply that the Adviser is subject to any similar registration, regulation, or oversight by the government or other applicable regulatory bodies in such Clients' jurisdictions or that the Adviser owes any duties to such Clients under the laws of such Clients' jurisdictions.

*The above summary does not purport to be a comprehensive discussion of all the risks associated with the Adviser, Venn, or any other services provided by the Adviser.*

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## **Item 9. Disciplinary Information**

This Item is not applicable.

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## **Item 10. Other Financial Industry Activities & Affiliations**

The Adviser and its management persons have related persons engaged in the financial services business and, in some cases, have business arrangements with such related persons that are material to the Adviser's advisory business or to Clients. These are described in more detail below and, in some cases, will cause the Adviser's or a management person's interests to diverge from the best interests of a Client.

In addition to the Adviser, Two Sigma Affiliates include four investment advisers registered with the SEC: TSI, TSA, Sightway, and TSV. The Adviser is also affiliated with one broker-dealer registered with the Financial Industry Regulatory Authority, Inc. ("FINRA") and the SEC: TSS. TSI, a Delaware limited partnership, manages third-party and proprietary private investment funds. TSA, a Delaware limited partnership, manages third-party private investment funds and provides advisory services to certain separately managed accounts. Sightway, a Delaware limited partnership, focuses on private equity-style investments (including through negotiated transactions in operating entities), forming new operating entities and investments in private investment funds managed by unaffiliated third-party managers. TSV, a Delaware limited partnership, focuses on venture capital investments, including negotiated transactions in operating entities that utilize advanced science, technology, computing, engineering, and/or mathematics to innovate in their selected market. The brochures for each of TSI, TSA, Sightway, and TSV are available through the SEC's Investment Adviser Public Disclosure website.

The Adviser is registered as a commodity trading advisor with the U.S. Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act, as amended. Additionally, TSA and TSI are also registered as commodity pool operators and commodity trading advisers with the CFTC. In connection with the Adviser's (and certain of its affiliates') registration as commodity trading advisors and/or commodity pool operators, certain of the Adviser's management persons and personnel are registered as associated persons of and/or as principals of the Adviser (and/or its affiliates).

TSS is a member of FINRA and a number of other self-regulatory organizations and exchanges. TSS is registered as a market maker, conducts proprietary trading in multiple asset classes, and serves as an "introducing broker-dealer" executing trades for TSI on behalf of one or more of its trading vehicles that consist of or primarily of proprietary capital, as well as for unaffiliated investment advisers (via TSS's agency desk). TSS does not custody any customer funds, nor does TSS clear or settle trades. TSS does not presently provide any services to the Adviser.

The Adviser is also affiliated with Attune Insurance Services, LLC, a technology-driven insurance agency serving small to medium-sized businesses in the United States.

The Adviser may become affiliated with one or more additional broker-dealers, exchanges and/or other U.S. or non-U.S. regulated entities. For example, an affiliate of the Adviser, Two Sigma Securities UK Limited, has applied for authorization from the Financial Conduct Authority to operate as an investment firm to engage in dealer activities in the United Kingdom.

TSI specializes in process-driven, systematic investment management generally by performing quantitative analysis to build mathematical strategies that rely on patterns inferred from historical prices and other data in evaluating prospective investments. These strategies are implemented by employing various risk management, investment, optimization and execution techniques. TSI provides advisory services on a discretionary basis to its clients, which include various private investment funds, consisting of both commingled vehicles and funds of one.

TSA specializes in process-driven, systematic investment management, generally by employing quantitative analysis including licensed mathematical strategies that rely on patterns inferred from historical prices and other data in evaluating prospective investments. These strategies are implemented by various optimization and execution techniques. TSA provides advisory services on a discretionary basis to its clients, which include various private investment funds, consisting of both commingled vehicles and funds of one, as well as separately managed accounts. TSA also provides advisory services on a discretionary basis, as an investment sub-advisor, to an investment company registered under the Investment Company Act of 1940, as amended, as well as to other investment companies authorized for public offer and sale (including investment vehicles formed and/or registered under foreign law).

The Adviser and certain of its related persons are affiliated with and/or own interests in Two Sigma Institutional Partners, LLC, which, as the general partner, member, allocation shareholder (or similar entity) of various clients of TSA, is entitled to receive performance-based compensation from certain such clients, as mentioned in Item 5 hereof. The Adviser and certain of its related persons are affiliated with and/or own interests in Two Sigma Principals, LLC, which, as the general partner, member, allocation shareholder (or similar entity) of various clients of TSI, is entitled to receive similar performance-based compensation from certain such TSI clients. Additionally, the Adviser is affiliated with entities that serve as the general partners to clients of Sightway and TSV.

As described in this Form ADV brochure, including Items 5, 6, 8, and 11, the Adviser and its management persons have relationships and arrangements with Two Sigma Affiliates, including TSA and TSI, that are material to the Adviser's advisory business and that create conflicts of interest with Clients. In particular, in operating its advisory business, Clients should be aware that the Adviser considers overall firm profitability (i.e., the profit which accrues to Two Sigma Affiliates, including from management fees, performance-based compensation, proprietary capital returns, fees from non-discretionary investment-related services, and from execution services, and/or other factors that are expected to contribute to the long-term success and franchise value of the Two Sigma Affiliates) ("Firm Profitability"). Venn is expected to have the effect of promoting the businesses of Two Sigma Affiliates, including providing value add services for affiliates' clients and investing in affiliates' funds. Venn serving as a platform for evaluating investment funds and accounts, on one hand, and TSA's and TSI's (or any other Two Sigma Affiliate's) respective management of investment funds and accounts, on the other hand, creates conflicts of interest for the Adviser with Clients. Firm Profitability will increase to the extent Venn leads to TSA or TSI (or any other Two Sigma Affiliate) receiving or retaining assets under management or otherwise earning fees, which would directly or indirectly benefit the Adviser and its personnel in addition to other Two Sigma Affiliates, and as such creates an incentive for the Adviser to cause Venn (including personnel supporting Clients' use of Venn) to favor TS Products.



All personnel of the Adviser have a direct employment relationship with TSI and/or certain other Two Sigma Affiliates. In particular, certain personnel of the Adviser and certain personnel of TSA and TSI providing material services to the Adviser have direct and indirect benefits emanating from TSA and/or TSI, as applicable, including trading profits in certain TS Products. As such, the success of TS Products directly and/or indirectly relates to their compensation, which is paid by TSI or certain other Two Sigma Affiliates. Furthermore, certain personnel of TSA and TSI (including personnel with direct and indirect benefits emanating from TSA and/or TSI, as discussed and including management persons of TSA and/or TSI, as applicable) oversee personnel of the Adviser (including management persons of the Adviser) and otherwise provide material services (including for Client relationship management) to the Adviser. Clients should be aware that such TSA and TSI persons' primary responsibilities are for TSA and/or TSI (or other Two Sigma Affiliates other than the Adviser), including investor relations support for TS Products and business development for TSA, TSI, and other Two Sigma Affiliates (as applicable). None of such persons have any fiduciary obligations to Clients or to the Adviser. Clients should be further aware that such persons are not required to be and are not necessarily acting in a disinterested manner when providing services to the Adviser and when interacting with Clients. The conflicts of interest described above will, as applicable, cause the interests of the Adviser or of a management person of the Adviser to diverge from the best interests of a Client.

As also described in this Form ADV brochure, including under Item 8 (*Reliance on TSI*), the Adviser licenses Licensed IP from TSI under the SLA, including certain factors and methodologies for analytics available in certain of the Adviser's services, including Venn. TSA and TSI personnel perform a material role in selecting, constructing, and otherwise researching and developing Licensed IP. Licensed IP developed through such efforts of TSA and TSI is not necessarily developed in regard for any of the Adviser's or Clients' business objectives, goals, or concerns. In addition to licensing Licensed IP to the Adviser, TSI reserves the right to use Licensed IP to support its own activities, the investment activities of its clients, and in certain licensing arrangements (including with TSA), each of which has the goal of increasing Firm Profitability. TSA, TSI, and other Two Sigma Affiliates use, construct, and maintain different factors and methodologies from those used by the Adviser on Venn (or on similar services of the Adviser), as well as other items similar to Licensed IP, for their sole respective purposes, including when making investment decisions on behalf of or when trading for purposes of their investable products for purposes of increasing Firm Profitability and without consideration of or notice to the Adviser or Clients. TSI will not license all of its factors (including any particular construction thereof or updates thereto), other methodologies, or any other potential Licensed IP to the Adviser, even if doing so would benefit Clients, including by Venn providing Clients with additional and potentially better analysis of portfolios or investments. Clients should be further aware that TSA and TSI personnel (including personnel with direct and indirect benefits emanating from TSA and/or TSI, as discussed and including management persons of TSA and/or TSI, as applicable) responsible for developing any such factors, methodologies, or other Licensed IP primarily work for TSA and/or TSI (or other Two Sigma Affiliates other than the Adviser), as applicable, including in modeling and research functions supporting TS Products. None of such persons have any fiduciary obligations to Clients or to the Adviser. Such persons use data associated with certain TS Products as inputs in developing aspects of factors, methodology, or other Licensed IP and are otherwise influenced by their work for TSA and/or TSI, as applicable. The Adviser licensing such Licensed IP from TSI (as opposed to licensing from a third party) and accepting the services of such TSA and/or TSI personnel (as opposed to accepting such services from a third

party) in connection with the Adviser's advisory business creates conflicts of interest for the Adviser and its management persons. See *Analysis of TS Products* above for additional disclosures on conflicts of interest.

The Adviser has policies and procedures in place that it believes are reasonably designed to mitigate the risk that analytics on Venn operate on a non-objective basis. Clients should be aware, however, that although the Adviser believes such policies and procedures reduce the impact of such conflicts, no policies and procedures can completely eliminate conflicts of interest. The Adviser's and Two Sigma Affiliates' participation in other investment and financial activities will only increase the magnitude and complexity of these conflicts.

Clients provide a variety of information to the Adviser in connection with Venn (and other services of the Adviser), including information regarding their portfolios. In some cases, the information provided by a Client could include or constitute material non-public information. The Adviser has implemented various policies and procedures, including the implementation of information barriers, it believes are reasonably designed to comply with applicable laws, rules, and regulations in connection with information that could be considered material non-public information.

The Adviser or Two Sigma Affiliates can buy, sell, lend, own, act as market maker, recommend investment or trading ideas, or publish research or views on the markets, issuers, securities, commodities, currencies, financial instruments or contracts for the exchange of value, services or risk, including those that Venn can analyze. The Adviser, its affiliates, or any licensee thereof are permitted to transact in the foregoing, have views on the foregoing, or otherwise use any information related to the foregoing in any manner, including inconsistently with the substance or meaning of any content on Venn, before such content is made available on Venn, or after it is no longer available on Venn.

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## **Item 11. Code of Ethics, Participation or Interest in Client 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 “access persons” (i.e., Adviser's personnel who have access to non-public information regarding any Client’s purchase or sale of securities, or non-public information regarding portfolio holdings or who are involved in making securities recommendations to Clients (or who have access to such recommendations that are non-public)) to put the interests of Clients before their own interests and to act honestly and fairly in all respects in their dealings with Clients. 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 any Client or prospective Client who requests a copy of the Code upon request.

As discussed in Item 10, certain personnel of the Adviser have different direct and indirect benefits arising from TSA and TSI, including interest in trading profits in certain TS Products. The success of Venn or other services provided by the Adviser may be factored into (and result in an increase to) their compensation, which is paid by TSI. Additionally, in any consultation or interaction between personnel of the Adviser or personnel of other Two Sigma Affiliates and a Client about a TS Product, no such personnel will or can necessarily be acting in a disinterested manner. Please see Item 10 for additional disclosures on conflicts of interest.

Clients are not obligated to inform the Adviser as to, or upload to or configure on Venn, their investment holdings; even if a Client chooses to upload to or configure one or more of its holdings on Venn, there is no requirement as to, or actual verification of, the accuracy of those holdings. Clients can upload holdings that are hypothetical or upload only a portion of their holdings. Therefore, as a general matter, unless the Client elects to inform the Adviser (directly or indirectly) of the Client’s actual trading activity or holdings (whether or not related to instruments that the Client analyzed through Venn), the Adviser does not expect to know this information. The Adviser’s and Two Sigma Affiliates’ clients and access persons are permitted to trade for their own accounts in instruments that can be analyzed using Venn and in which a Client can invest or trade for their own account. As a result, it should be expected that, from time to time, the Adviser, Two Sigma Affiliates, their respective access persons, and the TS Products could buy, sell, or hold the same instruments as (or instruments that compete or conflict with) those purchased, sold, or held by Clients. The Adviser believes that the nature and use of Venn and the Adviser’s and its applicable affiliates’ respective codes of ethics and other policies and procedures are reasonably designed to mitigate conflicts that can arise in connection with these activities.

To ensure trading by the Adviser’s access persons is conducted in a manner that (i) does not adversely affect the Adviser’s services (which are non-discretionary) to its Clients and (ii) is consistent with the fiduciary duties owed by the Adviser to its Clients, the Adviser has adopted the Code and attendant policies and procedures governing, among other things, transactions by the Adviser’s access persons and other “covered persons” (i.e., any such access person’s spouse, registered domestic partner, immediate family members who share the same household, financial dependents, and any business, trust or estate in which access persons maintain a certain level of

beneficial interest). The Code and attendant policies and procedures contain provisions designed to, among other things, (a) prevent improper personal trading by the Adviser's access persons and other covered persons, (b) identify actual or potential conflicts of interest, and (c) provide guidance in resolving any actual or potential conflicts of interest which the Adviser is aware of in favor of Clients.

To accomplish these objectives, the Adviser's Code and attendant policies and procedures generally (i) require pre-clearance from the Adviser's compliance department of personal trades in "reportable securities" (as defined in the Code) by the Adviser's access persons and other covered persons, with the exclusion of managed accounts with an independent adviser who has exclusive discretionary investment authority, (ii) require access persons to report their, and their covered persons', securities accounts and holdings of and transactions in reportable securities, (iii) restrict the number of such trades by the Adviser's access persons and other covered persons in a given month, (iv) prohibit certain trading by the Adviser's access persons and other covered persons in securities of issuers listed on any applicable "restricted list" and in "new issues" (as defined in the Code), (v) require certain minimum holding periods, (vi) prohibit short selling, and (vii) limit the brokers that access persons and covered persons can use for personal trading.

The Adviser may come into possession of certain information that it believes to be confidential or that might be nonpublic and/or material to a decision to buy, sell or hold a security. The Adviser may receive such information directly as a result of its investment advisory activities for any individual Client, indirectly as a result of its relationship with affiliates including, but not limited to, TSA, TSI, Sightway, TSV, and TSS, or through other activities such as strategic partnership negotiations or an access person's board or credit committee service. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information outside of the Adviser and that limit the communication of such information internally within the Adviser and Two Sigma Affiliates to persons other than the General Counsel and/or the Chief Compliance Officer or their designees and to assure that the Adviser remains in compliance with applicable law.

The Adviser has also adopted policies and procedures regarding the giving and receiving of gifts and entertainment by the Adviser's access persons to and from certain third parties (e.g., vendors, broker-dealers, consultants, etc.). Specifically, these policies and procedures require access persons to pre-clear and/or report the giving and receiving of gifts and 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 entertainment, as well as patterns of the same over time, in an effort to prevent employees from placing their own interests ahead of the interest of Clients.

The Code and the Adviser's other policies and procedures in the Adviser's compliance manual 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, and (vi) reporting misconduct. Periodic trainings regarding the Code and the Adviser's other policies and procedures will be provided to the Adviser's access persons.

The Adviser does not presently have a Conflicts Committee but could decide to institute such a committee in the future.

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## **Item 12. Brokerage Practices**

This Item is not applicable. The Adviser's services are analytical and advisory in nature and do not involve the management of accounts or the execution of transactions. Clients are responsible for executing their own transactions. The Adviser has no authority to trade or responsibility for trading on behalf of Clients.

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

Clients do not maintain bank, brokerage, securities or other similar accounts on Venn or otherwise with the Adviser.

Personnel of the Adviser do not review any Client's financial plans and, except for certain research or client-facing personnel who provide limited assistance to a Client, as requested by a Client, in answering questions about outputs from Venn, personnel of the Adviser do not review a Client's Venn account. Outputs from Venn are available to Clients to the extent Clients choose to access and otherwise use Venn and its features. Information on Venn that is uploaded by the Adviser is updated at varying intervals depending on the information type.

In certain instances, Venn periodically electronically communicates to a Client analysis or other data in connection with a Client's data or settings on Venn, through messages, alerts, or e-mails containing information about factors or about other data. Nonetheless, the Adviser does not intend for Venn to serve as a primary means of monitoring or review of any account, portfolio, or investment and Clients should not rely upon Venn as such. Moreover, as discussed above, Clients can upload or otherwise configure any, all, or none of their actual holdings on Venn and to upload or otherwise configure holdings that they do not presently own.

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## **Item 14. Client Referrals & Other Compensation**

The Adviser from time to time enters into partnerships or other arrangements with third parties that have the effect of promoting Venn. The Adviser pays fees to such third parties, as applicable, as well as other direct or indirect compensation. Please see Item 5 for a description of fees the Adviser receives from certain Two Sigma Affiliates and a discussion of applicable conflicts of interest. In certain instances, the Adviser seeks out arrangements with third parties (other than Two Sigma Affiliates) whereby such third parties pay the Adviser for licenses that allow certain clients or customers of, or other persons selected by, the third party to access Venn. In certain other instances, the Adviser will pay or otherwise provide commercial benefits to third parties, whose customers are current or could be prospective Clients, for providing data, data feeds, or access to such Clients' data. This can act as an incentive for such third parties to recommend that their customers become or remain Clients in order to receive or increase such fees (if any) or other benefits. As noted in Item 5 of this Brochure, the Adviser and other Two Sigma Affiliates benefit from the receipt of such data, creating an incentive for the Adviser to seek out and expand such relationships.

Although certain personnel of TSA and TSI interact with certain Clients in connection with Venn, neither the Adviser nor its related persons compensate any such person for Client referrals on a transaction-based basis. As discussed in Item 5, the Adviser receives fees from TSA and TSI for the provision of Venn to certain investors in TS Products, as applicable. Such fees will be borne by TSA and TSI, as applicable, and not by Clients or by clients of TSA or TSI.

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## **Item 15. Custody**

This Item is not applicable. Clients should consult the Form ADV brochure of any adviser with custody of their assets for information regarding that adviser's practices with regard to custody.



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## **Item 16. Investment Discretion**

This Item is not applicable. The Adviser does not have discretionary authority to manage securities accounts on behalf of Clients.

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## **Item 17. Voting Client Securities**

This Item is not applicable. The Adviser does not have authority to vote Client securities and does not contemplate providing any advice to or otherwise interacting with Clients on voting Client securities.

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## **Item 18. Financial Information**

This Item is not applicable.