



## Item 1 – Cover Page

### Form ADV Part 2A: FIRM BROCHURE

#### **SBB RESEARCH GROUP LLC**

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**March 30, 2021**

This Brochure provides information about the qualifications and business practices of SBB Research Group LLC (“SBBRG”). If you have any questions about the contents of this Brochure, please contact Matt Aven at (847) 656-1111 or [maven@sbbrg.com](mailto:maven@sbbrg.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

SBBRG is an investment adviser registered with the SEC. Registration of an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an investment adviser provide you with information about which you determine to hire or retain an investment adviser.

Additional information about SBBRG is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

There have been no material changes since SBBRG's last annual amended Brochure filing, dated March 26, 2020.

Pursuant to SEC rules, SBBRG provides a summary of material changes to its brochure within 120 days of the close of SBBRG's fiscal year. SBBRG may provide further disclosures about material changes as deemed necessary. Additionally, SBBRG will provide to clients and investors a new Brochure as necessary, without charge. SBBRG's Brochure may be requested by contacting Matt Aven, Chief Compliance Officer at (847) 656-1111 or [maven@sbbrg.com](mailto:maven@sbbrg.com).

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## Item 4 – Advisory Business

### Firm Description

Formed in September 2010, SBB Research Group LLC (“SBBRG” or the “Firm”), an Illinois limited liability company, serves as investment manager for and provides discretionary investment advisory services to numerous investment vehicles. Such vehicles include proprietary accounts, family trusts, pooled investment vehicles and separately managed accounts. The following pooled investment vehicles are sponsored and managed by the SBBRG and its affiliates: (i) SBB Research Group Investors II LLC; (ii) SBB Research Group Investors III LLC; (iii) SBB Research Group Investors IV LLC; (iv) SBB Research Group CPS I LLC; (v) SBB Research Group CPS Fund XI LLC; (vi) SBB Research Group Polysight I LLC; and (vii) SBB Research Group Polysight II LLC (collectively referred to herein as the “Funds” and each as a “Fund” unless otherwise required by the context). The investors in the Funds are the Fund’s members, and their ownership interests correspond to their capital commitments.

SBBRG utilizes sophisticated quantitative models to identify favorable market conditions and analyze asset prices. The Firm seeks intense collaboration between metrics-driven individuals from diverse engineering and research backgrounds to arrive at data-driven portfolio management. SBBRG team members implement and refine concepts, often inspired by academic communities, into full-fledged algorithmic models. The Firm’s active positions result from data-driven constructs and careful evaluation. SBBRG’s models are subject to constant scrutiny to achieve optimal performance. The Firm invests primarily in individual structured products as well as, to a lesser extent, options and Exchange Traded Funds (ETFs); the Firm may invest in common stocks.

SBBRG’s investment advice and authority for each Fund are tailored to the investment objectives of the Fund. SBBRG provides investment advice directly to the Funds and not to the investors in the Funds individually. It does not require, nor does it seek, approval from the Funds or the investors in the Funds with respect to its trading, nor does it accept investment restrictions imposed by such investors (although it may agree to exclude certain investors from certain investments made by the Funds.)

SBBRG has full discretion in trading on behalf of each Fund and on behalf of most of the separately managed accounts (as provided in their applicable offering documents and/or investment management agreements (“Governing Documents”)). SBBRG does not participate in wrap fee programs.

As of December 31, 2020, SBBRG had regulatory assets under management of approximately \$531,681,642, \$513,246,531 of which are managed on a discretionary basis and \$18,435,111 of which are managed on a non-discretionary basis.

## **Principal Owners/Ownership Structure**

SBB Research Group LLC is wholly owned and controlled by Samuel B. Barnett. Dr. Barnett is the sole managing member of the entity which owns SBBRG.

## **Item 5 – Fees and Compensation**

In consideration for the investment management services provided to the Funds, each investor pays to SBBRG a monthly management fee. Management fees are payable in advance and generally equal to 1% of each investor's annual capital commitments (or account value, in the case of separately managed accounts). Management fees are calculated before accrual of performance-based compensation and are pro-rated for each period of less than one full calendar month. The Firm may, in its sole discretion, waive all or a portion of the management fee. Management fees differ from one Fund to another, as well as among investors in the same Fund. Such differences can arise from the size of an investor's commitment to a Fund, different investor classes, provisions of side letter agreements, or other negotiated terms. Fees are sometimes waived for SBBRG employees, their families and affiliates investing in a Fund. The Firm does not have a standardized fee schedule for separately managed accounts. Rather, separately managed account management fees are negotiated at the time of the formation of the account and generally are subject to modification.

The precise amount of, and the manner and calculation of, the management fees for each Fund or separately managed account are set forth in their respective Governing Documents.

Each Funds' investors are also responsible for all legal and accounting service fees and expenses, investment-related expenses (e.g., commissions; clearing fees; fees, interest and other costs on margin accounts or other financings or re-financings), expenses incurred by SBBRG in connection with the initial and continuous offering of Fund interests, third-party administrator fees, extraordinary expenses, and other similar expenses. Investors are charged brokerage commissions, other transaction costs and expenses in connection with trading and investment activities, and any custodian fees for assets held in cash or securities at banks, broker-dealers and other financial institutions. Fees and expenses for separately managed accounts are negotiated on an account-by-account basis. More information about each Fund's or separately managed account's fees is described more fully in their relevant Governing Documents.

Neither SBBRG nor any supervised person accepts compensation for the sale of securities or other products.

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

Generally, at the end of each fiscal year, each Fund will be charged a performance-based fee of 20%, known as a performance allocation, and such fee will be allocated to an SBBRG affiliated entity from each investor's capital account. The performance allocation payable to SBBRG for any fiscal year is

an amount equal to 20% of the aggregate net realized and unrealized profits allocated to such investor's account during such fiscal year. Performance allocations are subject to a "high watermark." This fee structure is described in detail in each Fund's Governing Documents entered into with each investor. SBBRG may, in its sole discretion, waive or reduce the performance allocation with respect to certain investors.

Once a Fund's fiscal year has ended, and an independent auditor's opinion has been issued, any performance-based fees earned during that year are not subject to reversal. Performance allocations are based, in part, on unrealized investment gains that may never be realized in the event of adverse changes in the value of the investments, and, therefore, the compensation payable to SBBRG may be greater than if it were based solely on realized gains. This performance-based compensation creates a potential conflict between SBBRG's interest in earning a profit in the short term with the long-term interest of its investors. An incentive-based allocation arrangement may create an incentive for riskier or more speculative investments by SBBRG because these investments may allow SBBRG to collect larger incentive-based compensation; however, any such risks would be equally applicable to the SBBRG's own capital account with respect to each Fund.

In the event that the investment advisory relationship is terminated (or funds are withdrawn) other than at the end of a performance allocation calculation period, such termination (or withdrawal) date shall typically be treated as the end of a performance allocation calculation period.

## **Item 7 – Types of Clients**

Each Fund and separately managed account generally limits its investors to persons who are both "accredited investors," as defined in the Securities Act of 1933, as amended, and "qualified clients," as defined in the Investment Advisers Act of 1940, as amended (the "Advisers Act") or "qualified purchasers," as defined in the Investment Company Act of 1940, as amended. Minimum contributions for investment in a Fund or a separately managed account are \$1 million, but SBBRG may accept commitments of less than \$1 million in its discretion.

Investors in the Funds are U.S. investors, which may include, among others, high net worth individuals, estate planning trusts, family limited partnerships, family limited liability companies and corporations. In addition, employees and other persons associated with SBBRG may make capital contributions to the Funds.

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

### **Methods of Analysis**

The descriptions set forth in this Brochure of specific advisory services that we offer to Funds and separately managed accounts, and investment strategies pursued and investments made by us on behalf of the Funds and separately managed accounts, should not be understood to limit in any way

our investment activities. We may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that we consider appropriate, subject to each Fund's and separately managed account's investment objectives and guidelines as set forth in their respective Governing Documents. The investment strategies we pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Fund or separately managed account will be achieved.

The foundation of SBBRG's investment strategy is independent research and continuous professional development. SBBRG invests in various asset classes, including equities, options, and structured products. SBBRG seeks simultaneous capital appreciation and capital preservation in its investments.

SBBRG's methods involve the use of quantitative models to identify favorable market conditions and analyze asset prices. These models, which have been developed exclusively by SBBRG, draw upon a variety of academic disciplines, including applied mathematics, engineering and other technical areas. These strategies are designed by SBBRG to protect principal during market downturns and reduce portfolio volatility. The investment models are rigorously tested before and after deployment, using an approach that is both theoretically supported and data driven.

All investments, whether through a Fund or a separately managed account, entail substantial risks, and clients and Fund investors should be prepared to bear the loss of the amount invested. The following risks are not intended to be a complete list or explanation of the risks involved in an investment in the Funds, a separately managed account, or strategies advised by the Firm. Each prospective investor should carefully review the relevant Governing Documents before deciding to invest with SBBRG.

## **Risk Factors**

All investors should be aware of certain risk factors, which include, but are not limited to, the following:

- *Investment and Trading Risks.* An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that a Fund's investment program will be successful. SBBRG will be investing substantially all of each Fund's assets in securities, some of which may be particularly sensitive to economic, market, industry and other variable conditions. The markets in which each Fund expects to invest have in recent years experienced significant volatility. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to any Fund.
- *Use of Leverage.* SBBRG may leverage a Fund's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage increases

returns to investors if a Fund earns a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to investors if a Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that a Fund leverages its portfolio, fluctuations in the market value of such Fund's portfolio will have a significant effect in relation to the Fund's capital and the risk of loss and the possibility of gain will each be increased. In addition, when a Fund utilizes leverage, the level of interest rates generally, and the rates at which a Fund can borrow in particular, will be an expense of a Fund and therefore affect the operating results of a Fund. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of a Fund's portfolio. Each Fund may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to such Fund.

- *Counterparty Risk.* It is expected that virtually all investment purchases and dispositions on behalf of the Funds will occur in private markets. The participants in such markets are typically not subject to the same credit evaluation and regulatory oversight as members of public exchange-based markets. Differing market standards for counterparty credit evaluation may expose the Funds to the risk that a counterparty will not close a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (irrespective of whether bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where other events may intervene to prevent closing, or where SBBRG, on behalf of its Funds, has concentrated its transactions with a particular counterparty or group of counterparties. SBBRG is not restricted from dealing with any particular counterparty or from concentrating its transactions with an individual counterparty. Despite the prospect that SBBRG's risk management process may incorporate an assessment of counterparty risk, there can be no assurance that such assessment may mitigate counterparty risk. SBBRG will invest Fund assets in instruments where there is a risk that the counterparty to the transaction may default on the investment. The Firm may counter any such counterparty risk by utilizing other investment tools, such as credit default swaps and equity options.
- *Valuations.* SBBRG has engaged a third-party vendor to provide prices for investments in structured products held by the Funds, and thus this third-party vendor provides the primary valuation methodology for such assets. SBBRG believes that the valuations from the third-party vendor were developed in accordance with fair value standards, and that their consistent use mitigates potential conflicts of interest. However, SBBRG retains the right to modify such third-party valuations in the unlikely event that such valuation does not reflect other independently verifiable information. Furthermore, valuations from the third-party are based on models and mathematical calculations (dependent on abstract and technical factors) and may not reflect the price that would be obtained if the relevant securities were purchased and sold in a market transaction between unrelated parties.



- *Fund Redemptions Limited.* SBBRG may suspend the right of any Fund investor to redeem interests in a Fund or to receive redemption proceeds from a Fund in unique circumstances, including, without limitation, market disruptions in securities, commodities, derivatives, or other instruments; market-stress circumstances including the closing of, or suspension or restriction of trading on, any stock exchange, or other market on which our investments are traded; state of emergency or unusual volatility or illiquidity in the market; circumstances that render the liquidation of a significant portion of our investments not reasonably practicable or materially prejudicial to investors; a breakdown occurring in the means normally employed to determine the fair valuation of a substantial portion of our assets making valuation, and therefore, net asset value calculation or liquidation of assets not reasonably practical, difficult, or would result in losses if a Fund attempted liquidations; an event occurring that would cause dissolution of a Fund; where a redemption would cause a Fund or SBBRG to violate securities or commodities or other laws; or other unusual circumstances that cause redemptions or withdrawals to be impracticable, or would materially adversely affect a Fund or the other members in such Fund, under the economic or market conditions, until such time as SBBRG shall, in its discretion, by notice to all members of such Fund, reinstate such rights. In addition, Fund investors' ability to withdraw capital, and thereby recognize profits or prevent losses, is restricted. Typically, Fund contributions cannot be withdrawn until the December 31 of any fiscal year that follows the second anniversary of the date that the contribution was made, although it is SBBRG's policy to routinely waive this restriction.
- *Risks of Investments in Options.* Investing in options can provide greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception of the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (*i.e.*, the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (*i.e.*, sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited because the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price that may, upon exercise of the option, be significantly different from the market value.
- *Other Derivative Investments.* Derivatives include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies or indices. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. There are a number of other risks, however, associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market

exposure than the money paid or deposited when the transaction is consummated, a relatively small adverse market movement may expose a Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts.

- *Highly Volatile Instruments.* The prices of derivative instruments, including options, can be highly volatile. Price movements of forward contracts and other derivative contracts in which a Fund's assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies and financial instrument options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds also are subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses.
- *Structured Notes.* A structured note is an unsecured debt security of another issuer, most often issued by an investment bank, which uses derivatives to create a return. For example, the return on a structured note may be derived from the S&P 500® or the price of oil. Therefore when a Fund invests in structured notes, it will bear the risk that the issuer becomes insolvent and cannot pay back the note. Structured notes are not secured by assets of the issuer. Structured notes are generally not freely tradable and, therefore, SBBRG may not be able to sell a structured note if it chooses to sell off its investment in a specific note. Structured notes are generally intended to deliver above market returns while limiting downside risk by utilizing an underlying instrument such as a zero-coupon bond to protect a part of the principal, and then using the remainder to invest in the products to mimic an index. SBBRG intends to utilize its proprietary trading principles to design unique structured notes. Such notes may have long dated maturities, limited marketability, if any, and can be highly illiquid.
- *Participation and other Indirect Economic Interests.* A Fund may, and likely will, enter into one or more participation agreements with SBBRG or its affiliates pursuant to which the Fund will acquire an indirect economic interest in notes or other debt assets held by SBBRG or its affiliates. In such circumstances, the respective Fund will not directly own the debt assets underlying such participation interests and/or have custody thereof. As a result, such Fund will be exposed to the risk that the underlying assets may be subject to the claims of third-party creditors or other parties. In addition, as an owner of participation interests or other indirect economic interests, the respective Fund may not be able to assert any rights against borrowers of the underlying indebtedness, and may need to rely on SBBRG or its affiliates as holder of the underlying assets. In certain circumstances, SBBRG or its affiliates may have reasons not to assert its rights, whether due to a limited financial interest in the outcome, other

relationships with the underlying defaulting borrowers, the threat of potential counterclaims or other reasons that may cause SBBRG or its affiliates' interests to diverge from the interests of the respective Fund. The failure of SBBRG or its affiliates to assert its rights (on behalf of a Fund) or the insolvency of SBBRG or its affiliates could materially adversely affect the value of the assets of a Fund.

- *Devotion of Time.* SBBRG, its key employees, including Dr. Barnett, and its other employees are also managing their own portfolios as well as other client portfolios and other business enterprises. SBBRG, its key employees, including Dr. Barnett, and its other employees are not required to, and will not, devote full time to the Funds, but will devote the amount of time and attention to the Funds as they deem necessary and appropriate to carry out SBBRG's duties of managing the Funds.
- *Model Risk.* SBBRG employs numerous proprietary models when analyzing investment decisions. There may be deficiencies in the design or operation of these models, including as a result of shortcomings or failures of processes, people or systems. Investments selected using models may perform differently than expected as a result of the factors used in the models, changes from the factors' historical trends, and technical issues in the construction and implementation of the models (including, for example, data problems and/or software issues). Moreover, the effectiveness of a model may diminish over time, including as a result of changes in the market and/or changes in the behavior of other market participants. Operation of a model may result in negative performance, including returns that deviate materially from historical performance, both actual and pro-forma. There is no guarantee that the use of these models will result in effective investment decisions for the Funds.
- *Liquidity of Investments.* A Fund may acquire illiquid investments, which are often difficult to dispose of quickly. In addition, investments that were once liquid may become illiquid, making it difficult to acquire or dispose of them at the prices quoted on the various exchanges. In that event, the Funds' ability to respond to market movements may be impaired and the Funds may experience adverse price movements upon liquidation of its investments. Illiquid or thinly traded investments comprise a substantial portion of the Funds' portfolio.
- *Cybersecurity Risk.* The Funds, their service providers and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Funds, despite the efforts of service providers to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to the systems of the Funds, their service providers, counterparties or

data within these systems. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of such systems to disclose sensitive information to gain access to the confidential data. A successful penetration or circumvention of the security of such systems could result in the loss or theft of data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could cause the Funds to incur regulatory penalties, reputational damage, additional compliance costs or financial loss.

- *Debt Securities.* The Funds may invest in unrated or low-grade debt securities, which are subject to greater risk of loss of principal and interest than higher-rated debt securities. The Funds may invest in debt securities which rank junior to other outstanding securities and obligations of the issuer, all or a significant portion of which may be secured on substantially all of that issuer's assets. The Funds may invest in debt securities, which are not protected by financial covenants or limitations on additional indebtedness. Lower or unrated securities are more likely to react to developments affecting market and credit risk than are more highly rated securities, which primarily react to movements in the general level of interest rates. Investors should be aware that ratings are relative and subjective and are not absolute standards of quality. Subsequent to its purchase by the Funds, an issue of securities may cease to be rated or its rating may be reduced. Neither event will require sale of such securities by the Funds, although SBBRG will consider such event in its determination of whether the Funds should continue to hold the securities.

The market value of securities in lower-rated categories is more volatile than that of higher quality securities. In addition, the Funds may have difficulty disposing of certain of these securities because there may be a thin trading market. The lack of a liquid secondary market for certain securities may have an adverse impact on the Funds' ability to dispose of such securities and may make it more difficult for the Funds to obtain accurate market quotations for purposes of valuing the Funds and calculating the value of its net assets.

- *Novel Coronavirus Pandemic, Public Health Emergency and Global Economic Impacts.* As of the date of this Form ADV Part 2A, there is an ongoing outbreak of a novel and highly contagious form of coronavirus ("COVID-19"), which the World Health Organization declared a pandemic on March 11, 2020. The outbreak of COVID-19 has caused a worldwide public health emergency with a substantial number of hospitalizations and deaths, and has significantly adversely impacted global commercial activity and contributed to both volatility and material declines in equity and debt markets. The global impact of the outbreak is rapidly evolving, and many country, state and local governments have reacted by instituting mandatory or voluntary quarantines, travel prohibitions and restrictions, closure or reduction of offices, businesses, schools, retail stores and other public venues and/or cancellation, suspension or postponement of certain events and activities, including certain non-essential government and regulatory activity. Businesses are also implementing their own precautionary measures, such as voluntary closures, temporary or permanent reductions in work force, remote working arrangements and emergency contingency plans. Such measures, as well as the general

uncertainty surrounding the dangers, duration and impact of COVID-19, are creating significant disruption in supply chains and economic activity, impacting consumer confidence and contributing to significant market losses, including having particularly adverse impacts on transportation, hospitality, tourism, sports, entertainment and other industries dependent upon physical presence. As COVID-19 continues to spread, potential additional adverse impacts, including a global, regional or other economic recession of indeterminate duration, are increasingly likely and difficult to assess.

The extent of the impact of COVID-19 on the Firm's and/or a Fund's operational and financial performance and each Fund's investments will depend on many factors, including the duration and scope of the resulting public health emergency, the extent of any related 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 the COVID-19 pandemic may materially and adversely impact the value, performance and liquidity of a Fund's investments, the Firm's ability to source, manage and divest investments and the Firm's ability to achieve its investment objectives on behalf of the Funds, all of which could result in significant losses to a Fund.

COVID-19 may also adversely impact the financial condition of one or more beneficial owners of a Fund, which could result in capital call defaults/redemption requests by such beneficial owner as a result of their individual liquidity situations and irrespective of Fund performance. Such beneficial owner defaults/redemption requests could also adversely affect a Fund.

In addition, COVID-19 and the resulting changes to global businesses and economies likely will adversely impact the business and operations of the Funds and the Firm. Certain businesses and activities may be temporarily or permanently halted as a result of government or other quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors, including the potential adverse impact of COVID-19 on the health of key personnel.

- *Other Catastrophic Risks.* In addition to the potential risks associated with COVID-19 as outlined above, the Funds and the Firm may be subject to the risk of loss arising from direct or indirect exposure to a number of types of other catastrophic events, including without limitation (i) other public health crises, including any outbreak of SARS, H1N1/09 influenza, avian influenza, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof; or (ii) other major events or disruptions, such as hurricanes, earthquakes, tornadoes, fires, flooding and other natural disasters; acts of war or terrorism, including cyberterrorism; or major or prolonged power outages or network interruptions. The extent of the impact of any such catastrophe or other emergency on the Firm's and/or a Fund's operational and financial performance and each Fund's investments will depend on many factors, including the duration and scope of such emergency, the extent of any related travel

advisories and restrictions, the impact 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. In particular, to the extent that any such event occurs and has a material effect on global financial markets or specific markets in which a Fund participates (or has a material effect on any locations in which the Firm operates or on any of its personnel) the risks of loss could be substantial and could have a material adverse effect on the Funds or the ability of the Firm to fulfill its investment objectives on behalf of the Funds.

## **Item 9 – Disciplinary Information**

Like other registered investment advisers, SBBRG is required to disclose all material facts regarding any legal or disciplinary events that would materially impact an investor's or prospective investor's evaluation of SBBRG or the integrity of SBBRG's management. To that end, on September 30, 2019, the SEC filed a civil lawsuit against SBBRG, Samuel Barnett and Matthew Aven (collectively, "SBB") alleging that their proprietary valuation model utilized prior to 2016 artificially inflated the value of structured notes held by SBBRG's funds. As a result, the SEC alleged that SBB misstated the funds' historical performance and overcharged investors approximately \$1.4 million in fees. The SEC further alleged that SBB took steps to conceal their alleged conduct from investors and SBB's auditor. The SEC's complaint, filed in the U.S. District Court for the Northern District of Illinois, alleged that SBB violated the antifraud provisions of the federal securities laws and seeks permanent injunctions and civil penalties. For more information regarding the foregoing, see Case: 1:19-cv-06473 available at <https://www.sec.gov/litigation/complaints/2019/comp-pr2019-201.pdf>. SBB strongly denies the SEC's allegations and are vigorously defending themselves against the SEC's complaint in court.

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

SBBRG is not actively engaged in a business other than giving investment advice to the Funds and separately managed accounts. Neither SBBRG nor any of its management persons is registered or has an application pending to register as a broker-dealer, futures commission merchant, or associated person of the foregoing, and SBBRG does not anticipate such affiliations in the future. The Firm qualifies for an exemption from registration as a commodity pool operator with the CFTC pursuant to Regulation 4.13(a)(3), due to its *de minimis* amount of commodity interest trading.

SBBRG has no arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships that are material to its advisory services, the Funds or its investors.

In addition to his role at SBBRG, Dr. Barnett: has an ownership stake in, and makes investment decisions on behalf of, a family business which sponsors investments in real estate ventures; leads the investment effort at a family-owned manufacturer and distributor of medical products; and owns a neuromarketing firm. Additionally, Dr. Barnett and several SBBRG employees have an ownership stake and/or make investment and other decisions on behalf of another family business which makes investments in private equity, real estate, and other ventures. The Firm does not believe such activities create material conflicts of interest, but will continue to monitor whether potential or actual material conflicts of interest may arise in the future. If potential or actual conflicts are identified, the Firm will adopt policies and procedures designed to address and manage them, if necessary.

The Firm's Funds are not structured with affiliated entity general partners.

SBBRG has and will continue to develop relationships with professionals who provide services it does not provide, including, but not limited to, legal, accounting, banking, tax preparation, and insurance brokerage services. None of these relationships creates a material conflict of interest with any of SBBRG's clients or its investors.

From time to time, SBBRG receives training, information, promotional material, meals, gifts, or prize drawings from vendors and others with whom it may do business or to whom it may make referrals. At no time will SBBRG accept any benefits, gifts, or other arrangements that are conditioned on directing Fund or co-investment vehicle transactions to a specific security, product, or provider. Similarly, the personnel of SBBRG or its affiliates may speak at conferences and programs for potential investors interested in investing in hedge funds that are sponsored by prime brokers. Through such capital introduction events, prospective investors have the opportunity to meet with SBBRG. Neither SBBRG nor any Fund compensates the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events.

## **Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

As fiduciaries, SBBRG and its employees have certain legal obligations to put clients' interest ahead of their own. SBBRG has adopted a written Code of Ethics based on principles of openness, honesty, integrity and trust. At least once a year, each SBBRG employee is required to acknowledge this Code of Ethics and agree to be bound by it. The Code of Ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated. Employees of SBBRG who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, fines, censure, suspension or dismissal. Employees are also required to promptly report any violations of the Code of Ethics of which they become aware.

SBBRG will provide a copy of its Code of Ethics to any existing or prospective investor upon request to its Chief Compliance Officer, Matt Aven, at (847) 656-1111 or [maven@sbborg.com](mailto:maven@sbborg.com).

### **Participation or Interest in Client Transactions**

SBBRG, its principal Dr. Barnett, and some of its employees invest in and alongside some of the Funds as direct investors.

SBBRG or its affiliates engage in participation agreements on behalf of its Funds and separately managed accounts. In such agreements, SBBRG or its affiliates are the issuer of securities, which are then sold to the participating Fund or separately managed account. Such participation agreements provide liquidity and smaller transaction size for the participating Funds and/or separately managed accounts, which generally would not be large enough to participate in such transactions. Additionally, these participation agreements provide benefits to SBBRG clients by mitigating the default risks. SBBRG or its affiliates do not profit financially from these participation agreements.

SBBRG's third-party structured products investments are allocated through the above-mentioned participation agreements, which are transactions between SBBRG or its affiliates (which purchase the structured products from financial institutions) and the Funds or separately managed accounts (which purchase participation interests in the structured products from SBBRG through written participation agreements). The purchase price paid by the investors is the same price that SBBRG pays to the third-party seller of the structured product.

SBBRG may affect securities trades (including outright purchases and sales) between a Fund or separately managed account and other clients of SBBRG, known as a cross trade. Any cross trading transactions conducted between the Fund and SBBRG's other clients will be made at the then market rate for similar transactions between unrelated parties and only where an independent pricing mechanism (such as the last sales price on the exchange where the security is principally traded) is available. Transactions between the Fund and other clients of SBBRG are affected for no consideration other than cash payment against prompt delivery of the relevant security or other instrument, are affected at current market prices, and do not involve any brokerage commissions, clearing charges, other transaction costs or fees, or other remuneration.

To the extent that cross trades may be viewed as principal transactions due to the ownership interest in a client by SBBRG or its personnel, SBBRG will comply with the requirements of Section 206(3) of the Advisers Act, including that any such transactions will be considered on behalf of investors in such client and approved or disapproved by (i) a committee consisting of one or more persons selected by SBBRG (or its affiliate), and any valuation approved by such a committee may, in the discretion of the committee, be determined by an independent third party that has appropriate experience in providing such valuations; or (ii) the underlying investors of such client.



## **Conflicts of Interest**

Certain inherent conflicts of interest arise from the fact that SBBRG provides management and investment management services to each of the Funds and may carry on investment activities for other clients, including other client accounts, separately managed accounts and proprietary accounts in which one or more of the Funds have no interest and whose respective investment programs may or may not be substantially similar. Investors in other investments managed by SBBRG may invest on different terms than other investors with respect to, among other things, voting rights, withdrawal rights, fees, allocations and other terms.

Each Fund's investors include persons or entities resident in various jurisdictions, who may have conflicting investment, tax and other interests with respect to their investments. Trading decisions made by the Firm may result in different after-tax returns being realized by different investors. As a consequence, conflicts of interest may arise in connection with decisions made by SBBRG that may be more beneficial for one investor than another investor, especially with respect to investors' individual tax situations. SBBRG considers the investment and tax objectives of each Fund as a whole, and not the individual investment, tax or other objectives of any particular investor.

SBBRG may manage multiple Funds with similar investment strategies on a side-by side basis. As a result of the foregoing, SBBRG and/or affiliate(s) may have conflicts of interest in: (i) allocating their time and activity among the multiple Funds; (ii) allocating investments among the multiple Funds; and (iii) effecting transactions among the multiple Funds, including ones in which SBBRG and/or affiliate(s) may have a greater financial interest. These conflicts of interest may create an incentive for SBBRG to favor a Fund in which it and/or affiliate(s) have a greater financial interest with respect to allocation of time and activity, limited investment opportunities, or investments that SBBRG regards as more attractive or better performing investments.

To address these conflicts of interest, the Firm has implemented policies and procedures to ensure that all Funds receive equitable and fair treatment over time with respect to the allocation of investment opportunities. These policies and procedures require SBBRG to at all times allocate investments among the Funds in a manner which it believes to be fair and equitable to the Funds.

## **Personal Trading**

In rare cases, SBBRG's business may provide SBBRG and its employees with access to material, nonpublic ("insider") information. The Code of Ethics includes a prohibition on insider trading and outlines strict policies that dictate how any such information is treated.

SBBRG supervised persons are permitted to make securities transactions in their personal accounts, subject to certain limitations. SBBRG manages the potential conflicts of interest inherent in employee

trading by strict enforcement of its Code of Ethics, which includes certain pre-clearance and reporting requirements. Supervised persons are prohibited from trading, either personally or on behalf of others, in securities while in possession of material non-public information or communicating material non-public information about such securities to others. While it is uncommon for SBBRG to have access to any material non-public information, the Firm does maintain a restricted list of those securities about which it contains material nonpublic information. Supervised persons are required to submit reports of security transactions for their own accounts or any account in which they have a direct or indirect beneficial interest and to seek pre-clearance for purchases of publicly traded securities which are on the Firm's restricted list.

The principals and employees of SBBRG may carry on investment activities for their own account and for family members, friends or others who do not invest in the Funds, and may give advice and recommend securities to vehicles which may differ from advice given to, or securities recommended or bought for, the Funds, even though their investment objectives may be the same or similar.

## **Item 12 – Brokerage Practices**

Transactions for the Funds and separately managed account(s) are allocated to broker-dealers on the basis of best execution available in light of the overall quality of brokerage, prime brokerage, financing and other services provided. SBBRG is authorized to determine the broker or dealer to be used for each securities transaction for its Funds and certain of the separately managed accounts. In selecting brokers or dealers to execute transactions, SBBRG will consider the following factors, among others: the financial stability and reputation of the broker, SBBRG's experience with the broker, investment strategies, special execution capabilities, clearance, settlement, custody, and other services provided by such broker. SBBRG need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost.

Each Fund and separately managed account's securities transactions generate brokerage commissions and other compensation, all of which the respective Fund and/or separately managed account, not SBBRG, will be obligated to pay. The Firm has complete discretion in deciding what brokers and dealers each Fund will use and in negotiating the rates of compensation a Fund will pay. For certain separately managed account clients, the Firm has complete discretion in deciding what brokers and dealers the account will use and negotiating the rates of compensation the account will pay. For other separately managed account clients, the brokerage is directed by the client. In such circumstances, such direction may cause the account to incur higher commissions or transaction costs than the account would have incurred if the client had allowed SBBRG to select the broker or dealer on a discretionary brokerage basis, and similar brokerage services may be obtained from other brokers or dealers at lower costs and possibly with an execution that is more favorable. In addition to using brokers as "agents" and paying commissions, each Fund and/or separately managed account may buy or sell securities directly from or to dealers acting as principals at prices that include markups or markdowns, and may buy securities from underwriters or dealers in public offerings at prices that

include compensation to the underwriters and dealers.

Section 28(e) of the Securities Exchange Act of 1934, as amended, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Research and brokerage services within Section 28(e) may include, but are not limited to: research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; analyses concerning specific securities, companies or sectors; data services (including services providing market data, company financial data and economic data); services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer); and trading software operated by a broker-dealer to route orders. SBBRG does not receive research or other products or services or “soft dollar benefits” from a broker-dealer or a third party in connection with securities transactions.

SBBRG personnel or affiliates may speak at conferences and programs for potential investors interested in investing in private funds or managed accounts. Through such capital introduction events, prospective investors have the opportunity to meet with SBBRG personnel. Neither SBBRG nor the Funds and/or separately managed accounts compensates the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events. These events and other services (including, without limitation, capital introduction and business consulting services and technology) provided by a prime broker to the Funds and separately managed accounts may be a factor in deciding whether to use such prime broker in connection with brokerage, financing and other activities of the Funds or separately managed accounts.

SBBRG does not have any directed brokerage agreements. Also, it is not expected that opportunities to aggregate the purchase or sale of securities will occur frequently. However, when such opportunities arise, SBBRG intends to trade such securities on an aggregated basis and allocate such securities among its participating clients on a pro rata basis at the average price.

### **Item 13 – Review of Accounts**

SBBRG’s Chief Compliance Officer directs that records of trades placed for the Funds and separately managed accounts are reviewed on a monthly basis, to confirm that each Fund and separately managed account is maintained in accordance with its stated objectives. Additional reviews are performed whenever a Fund makes a distribution or an investor requests a withdrawal.

SBBRG distributes periodic written reports to investors in the Funds and to separately managed account clients, which may be monthly, quarterly, and/or annual. Monthly and quarterly reports contain an income statement for the month or quarter and summary information regarding performance for such month or quarter. Fund investors also receive an annual report summarizing

performance, as well as annual audited financial statements within 120 days of year-end, except under extraordinary circumstances. All reports are sent to investors in writing and are delivered by post or are made available electronically as per each investor's stated preference. SBBRG has contact with investors (personal visits, telephone calls and e-mails) throughout the year as conditions warrant. Additionally, upon request, certain investors may receive additional information and reporting that other investors may not receive.

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

SBBRG does not receive any monetary compensation or any other economic benefit from a non-client for SBBRG's provision of investment advisory services to a client.

As of the date hereof, SBBRG does not use third party marketers to assist in its fundraising efforts. SBBRG may, from time to time in the future, enter into solicitation agreements pursuant to which it compensates one or more third parties for client referrals that will result in the provision of investment advisory services by SBBRG. Any future cash solicitation agreements will comply with Rule 206(4)-1 of the Advisers Act.

As mentioned above in Item 12, from time to time, the personnel of SBBRG or its affiliates may speak at conferences and programs for potential investors interested in investing in hedge funds which are sponsored by prime brokers. Through such capital introduction events, prospective investors have the opportunity to meet with SBBRG. Neither SBBRG nor the Funds compensates the prime brokers for organizing such events or for investments ultimately made by prospective investors attending such events.

#### **Item 15 – Custody**

Rule 206(4)-2 promulgated under the Advisers Act (the "Custody Rule") requires that pooled investment vehicles advised by the adviser either undergo an annual GAAP financial statement audit or be subject to a surprise custody examination by a PCAOB-registered auditing firm. SBBRG is deemed to have custody over its Fund's accounts. SBBRG complies with the custody rules under the Advisers Act applicable to pooled investment vehicle managers, including the requirement that that SBBRG deliver a copy of Fund audited financial statements within 120 days of the fiscal year end. SBBRG does not deduct fees from separately managed account clients; separately managed account clients maintain custody over their own accounts and are not subject to the Custody Rule requirements.

SBBRG does not take physical possession of client money or securities; called capital is directly sent or wired to SBBRG's qualified custodian(s). The Firm receives monthly statements from all of its custodians on behalf of the Funds. Further information about SBBRG's custodians is available in its Form ADV Part 1, Item 7.B.

## **Item 16 – Investment Discretion**

SBBRG is retained on a fully discretionary basis and is authorized to determine and direct execution of investments pursuant to the terms of each Fund's Governing Documents. The terms upon which SBBRG serves as an investment manager are established at the time each Fund and separately managed account retains SBBRG as their investment manager. As mentioned in Item 4 above, SBBRG provides investment advice directly to the Funds and not to the investors in the Funds individually.

To become an SBBRG Fund investor, a prospective investor must execute a subscription agreement. Fund investors participate in the overall scheme of the applicable Fund. Separately managed account clients sign an investment management agreement and establish account objectives at the commencement of the relationship. An investor in a Fund may impose limitations on SBBRG's authority through a side letter agreement and SBBRG may choose to accept reasonable limitations or restrictions at its discretion; no Fund investors to date have limited SBBRG's discretion to provide investment advice through side letters or otherwise. SBBRG has discretionary authority based on the Governing Documents to buy and sell securities and other investments on behalf of the Funds. SBBRG is not required to contact a Fund investor prior to transacting any business once an investor executes these documents.

However, for a related group of separately managed accounts, SBBRG does not have investment discretion. These separately managed account clients direct trades using SBBRG's trading platform.

## **Item 17 – Voting Client Securities**

SBBRG does not exercise voting rights on behalf of its Funds or separately managed accounts.

## **Item 18 – Financial Information**

SBBRG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to investors.