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Informational Brochure
(Part 2A and 2B, Form ADV)
Covestor Ltd.

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February 16, 2017

This brochure provides information about the qualifications and business practices of Covestor Ltd. If you have any questions about the contents of this brochure, please contact us at (866) 825-3005 or clientservices@covestor.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. This brochure is for informational purposes only. It does not convey an offer of any type and it is not intended to be, and should not be construed as, an offer to sell, or solicitation of an offer to buy, any interest in any entity, investment, or investment vehicle.

Additional information about Covestor Ltd. is available on the SEC's website at www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliates with Covestor who are registered as investment adviser representatives of Covestor. Covestor's registration as an investment adviser with the SEC does not imply a certain level of skill or training. The oral and written communications of an adviser provide you with information, which can help you determine whether to hire or retain an adviser.

MATERIAL CHANGES

Date	Description of Changes Since the Last Annual Update on March 30, 2016
February 16, 2017	Disclosure of change in suite number for Boston office address Discussion of recently launched Covestor-Managed Smart Beta Portfolios, including their features, fees and commissions, associated risks and conflicts of interest - Items 4, 5, 6, 8, 11 and 12 Discussion of third-party advisors engaging Covestor as a sub-advisor - Item 4 Deletion of references to Covestor providing “limited” investment advice and advice being confined to replication of Portfolio Manager trades throughout the Brochure Distinction made between Covestor investment advice and self-directed brokerage - Item 4 Disclosure of client-specified investment restrictions - Item 4 Disclosure of fees applicable to Smart Beta Portfolios and source of Interactive Brokers LLC’s pricing information - Item 5 Disclosure of Interactive Brokers LLC’s minimum account funding amount (of $10,000) - Item 7 Additional risk disclosures (e.g., Smart Beta Portfolio risks, reliance on client-provided information and third-party data, cyber security and technology, and performance drift) - Item 8 Revised for clarity disclosures of leverage and short selling risk – Item 8 Disclosure of small adjustment trades to better reflect portfolios clients invest in and associated commissions - Item 8 Revised conflict of interest disclosure - Item 10 Principal and agency cross transaction disclosures revised for clarity and consolidated - Item 11 Disclosure of agency cross fractional share transactions executed against a liquidity provider - Item 11 Disclosure of Smart Beta proprietary trading conflict - Item 11 Additional disclosure of Interactive Brokers LLC’ commissions - Item 12 Disclosure of commissions and taxation-related implications of Smart Beta Portfolio rebalancings - Item 12 Deletion of agency cross and principal transactions discussion – Item 12 Additional discussion of account reviews, and periodic client contact and outreach to confirm key client financial and investment information - Item 13 Deletion of discussion of solicitation arrangement - Item 14 Wording changes to clarify Items 16 and 17

	Disclosure of loans from Interactive Brokers Group LLC - Item 18 Withdrawal of Part 2B Brochure Supplement for Alexander MacAndrew, Investment Director Addition of Part 2B Brochure Supplement for Yatharth Manuja, Investment Analyst
August 8, 2016	Disclosure of change in principal office and place of business address Disclosure of Covestor's authority to effect correction trades in Item 4 Discussion of preliminary selection criteria for Portfolio Managers In Item 4 Discussion of the use of aggregate client performance data in Item 4 Increase of net worth requirement amount from $2,000,000 to $2,100,000 in Item 4 Discussion of May 23, 2016 Technology Services Agreement between Interactive Brokers Group LLC and Covestor Ltd. in Item 10 Withdrawal of Part 2B Brochure Supplement for Steven S. Holstein, Chief Marketing Officer
March 30, 2016 (Previous annual update: March 27, 2015)	**Material Changes since the last annual update from March 27, 2015** Description of Covestor's advisory business revised in Item 4 Reference to new options trading capability added throughout the Brochure Multi-Manager Portfolio discussion added in Item 4 Fees and Compensation discussion revised in Item 5 Options strategies and risk discussion added in Item 8 Fee proration discussion added in Item 8 Portfolio Manager Code of Ethics Certification discussion added in Item 8 Leverage and short selling risk discussion added in Item 8 Potential conflict of interest due to affiliation with broker dealer enhanced in the discussion of use of margin in Item 8 Consent to T+2 settlement discussion added in Item 8 Principal trade discussion added in Item 11 Resolution of Trade Errors and discussion of potential brokerage conflict discussions added in Item 12 Annual surprise custody examination reference added in Item 15

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Part 2A: Brochure

Item 4: Advisory Business – Covestor, Ltd. ("Covestor")

Advisory Firm Background and Principal Owner

Covestor Limited ("Covestor"), an investment adviser registered with the United States Securities and Exchange Commission ("SEC"), is a private limited company incorporated in the United Kingdom and established on 15 May 2006. Covestor Ltd. is owned by Covestor Inc., a privately held firm whose principal owner is Interactive Brokers Group, Inc. Interactive Brokers Group, Inc., together with its subsidiaries (the "Interactive Brokers Group"), is an automated global electronic broker and market maker. Interactive Brokers Group, Inc. is a Delaware corporation whose common stock is publicly traded on NASDAQ. Additional information about Interactive Brokers Group is available at https://www.interactivebrokers.com. The information in this brochure has not been approved or verified by the SEC or by any U.S. State Securities Authority.

Additionally Part 1A of the Form ADV providing additional information about Covestor may be reviewed at the SEC's website: http://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspxhttp://www.adviserinfo.sec.gov/IAPD/Content/Search/iapd_Search.aspx (select "Firm" and type in our firm name). Our registration does not imply any level of skill or training. The oral and written communications we provide to you, including this brochure, are for you to evaluate us and our services, and to determine whether the advisory services Covestor offers are right for you and disclose the potential conflicts of interest associated with Covestor's services.

As of February 15, 2017, Covestor manages $57.5 million on a discretionary basis.

Advisory Services

Portfolio Manager Strategies
Covestor offers an online investment platform through which Covestor's Clients can subscribe to a variety of third-party portfolio manager trading strategies. These trading strategies generally replicate (mirror) the trading by third-party portfolio managers ("Portfolio Managers" or "Managers"). Covestor assigns risks scores to the Portfolio Manager strategies on its platform and allows Covestor Clients who have commensurate risk scores to invest in those strategies.

Covestor generally offers the following services to its Clients in connection with trading strategies of Portfolio Managers on the platform:

1. It screens, selects, and assesses the riskiness of Portfolio Manager strategies;
2. It assesses the risk tolerance of Clients by assigning them a risk score based on responses to a risk questionnaire;
3. It allows Clients to invest in and follow the trading in a Portfolio Manager strategy that is in line with their assigned risk score;

4. It replicates the trades in the Portfolio Manager account into the accounts of subscribing Clients while retaining the discretion to block certain manager trades that violate certain preset trading rules;
5. It corrects any discrepancies between the expected positions in Client accounts based on their portfolio subscriptions and the actual positions in Client accounts after the replication process by executing small trades in Client accounts; and
6. It regularly reevaluates the risk scores assigned to Portfolio Manager strategies and Clients (at least annually) to ensure Clients are invested in strategies suitable for their risk appetite and ability to withstand investment losses.

Covestor analyzes each Portfolio Manager's trading and strategy to determine a risk score for the Portfolio. Covestor then assigns a risk score between 1 (least risky) and 5 (most risky) to each Portfolio traded by Portfolio Managers. The purpose of the risk score is to ensure that the Portfolio risk is in line with Client expectations and satisfies Client suitability requirements. To ensure that Covestor Clients have access only to Portfolios that are suitable for their ability to take on risk and risk tolerance, Covestor profiles Clients using a questionnaire to ascertain their risk tolerance, also on a scale of 1 to 5. The client suitability questionnaire includes a variety of questions pertaining to the Client's risk tolerance and ability. Covestor matches up Clients' assigned risk scores with Portfolio risk scores in accordance with a proprietary risk scoring methodology. Clients can update their responses to the risk questionnaire on Covestor's website at any time. Changes to these responses may result in a change in the Clients' risk score and thus the Portfolios that the client may be able to invest in. Covestor provides clients with individual, password-protected, login credentials to its website, covestor.com, where Clients can view their holdings and account history as well as access to other account-related documents.

Covestor provides detailed definitions of all portfolio and Client risk scores in the Help & Support section of on its website.

Based on the risk score assigned to each Client, Covestor Clients may then subscribe to one or more of the Portfolios or strategies that have risk scores equal to or lower than the Client either on their own or with the assistance of Covestor's client service representatives (who are appropriately registered as Investment Adviser Representatives). Covestor does not take into account a Client's personal tax situation when recommending and managing portfolios. Covestor recommends that Clients consult with their tax advisor on such matters.

Once a Covestor Client subscribes to a specific strategy, Covestor mirrors or replicates the activity in that Portfolio into the subscribing Client's account. To implement Covestor's service, Clients and Portfolio Managers enter into agreements with Covestor and a Customer Agreement with Covestor's affiliated broker-dealer Interactive Brokers LLC ("Broker-Dealer" or "Custodian" or "IB LLC") and have to open brokerage accounts with the Broker-Dealer.

Covestor does not automatically replicate all trades in the Portfolio Managers' accounts. For instance, Covestor Clients may specify that certain symbols not be traded in their accounts, and Covestor will block trading in these symbols even if a Manager to which the Client subscribes trades the symbol. Additionally, Covestor may also disallow certain Manager trades altogether or simply block them from replication or mirroring into Client accounts. For instance, Covestor does not allow Managers to trade certain securities, including those with a market capitalization of less than $50 million or an average daily volume of less than $100,000. Covestor may also limit certain types of trading (like short positions, leverage, or option trading) if inconsistent with the strategy's assigned risk score (unless and until the strategy is assigned an appropriately higher risk score and clients have the opportunity to determine if they are comfortable with the strategy's increased risk score). Trades that violate any of Covestor's trading rules are blocked from replication in Client accounts.

Additionally, Portfolio Managers may decide to no longer make their trading data available to Covestor. Should that occur, Covestor will inform Clients investing in those portfolios that the portfolio is no longer available and the client needs to invest in different portfolios or convert his existing investments in such portfolio into cash. Covestor will provide Clients with as much advance notice as practicable, but Clients should be aware that Covestor depends on the Portfolio Managers to provide it with advance notice of such decisions.

A central piece of Covestor's trading process is Covestor's aggregation of all Portfolio Manager and subscribing Client orders into a single order. To ensure pricing and execution fairness and prevent any potential front-running by Portfolio Managers of Client trades following them, Covestor places a single order that combines the Portfolio Manager's order with the number of shares that need to be transacted in order to replicate the Manager's strategy into all subscribing Clients' accounts. Covestor then allocates the share to the Portfolio Manager and Clients' accounts on a pro rata basis at the average price with transaction costs shared pro rata.

Covestor-Managed Portfolios
In addition to Portfolio Manager strategies, Covestor allows its clients to invest in certain portfolios Covestor itself manages. These portfolios, referred throughout this Brochure as Smart Beta Portfolios, are proprietary investment portfolios designed and managed by Covestor itself, and not by third-party Portfolio Managers. To provide these portfolios, Covestor trades some of its own capital in separate proprietary brokerage accounts associated with each Smart Beta Portfolio and then mirrors this trading in the accounts of Clients investing in that specific Portfolio. Subsequently, any quarterly rebalancing

trades placed by Covestor in the Smart Beta Portfolios are proportionally replicated in Client accounts investing in one or more of these portfolios via Covestor's co-trading technology.

Each Smart Beta portfolio seeks, as its investment objective, to achieve total returns that exceed the total returns of certain market-capitalization-weighted indices, such as the S&P 500, by relying on systematic rules-based investment strategies that do not use conventional market capitalization weights. They are designed to provide systematic exposure to a fundamental factor or combination of factors, and employ alternative weighting schemes based on measures such as value, growth, quality, and dividend yield. Covestor has undertaken research and back-testing to select the fundamental factors, rules, and/or weighting used to construct these portfolios. These portfolios combine elements of automated (robo) investing with management oversight, and are auto-rebalanced quarterly to maintain their optimal strategic composition.

The risks associated with investing in these portfolios are discussed in more detail in Item 8 below.

Prior to investing in any Smart Beta Portfolio, Clients are prompted and required to review and acknowledge a separate risk disclosure specifically laying out the risks and conflicts of interest associated with these portfolios, the applicable fees and commissions, and the brokerage arrangements involved.

The **Value Portfolio** (**VALCOV™)** targets an allocation of 300 long positions, with stocks having attractive valuation ratios receiving higher allocations, and both trailing and forward price-earnings valuation ratios being considered when determining allocations. This contrarian approach to stock selection allows the **Value Portfolio** to allocate capital to companies that may be out of favor with the market, but poised for recovery. The **Value Portfolio** has a significant element of broad equity market risk, and is therefore exposed to stock market volatility and drawdowns. Due to this portfolio's focus on value stocks, it will likely suffer greater losses if this segment of the market underperforms.

The **Growth Portfolio (GROCOV™**) targets an allocation of 300 long positions, with stocks having attractive growth ratios receiving higher allocations, and both trailing and forward earnings growth measures being considered when determining allocations. Even if a company reports better than expected past results, the guidance given during the quarter is also important and considered by Covestor in determining attractiveness of the stock. The **Growth Portfolio** has a significant element of broad equity market risk and is therefore exposed to stock market volatility and drawdowns. Due to this portfolio's focus on growth stocks, it will likely suffer greater losses if this segment of the market underperforms.

The **Quality Portfolio** (**QALCOV™)** targets an allocation of 300 long positions, with stocks having attractive quality ratios receiving higher allocations, and return on assets and other earnings quality measures being considered when determining allocations. This portfolio seeks securities with strong fundamentals that are not excessively overvalued. The **Quality Portfolio** has a significant element of broad equity market risk, and is therefore exposed to stock market volatility and drawdowns. Due to this portfolio's focus on quality stocks, it will likely suffer greater losses if this segment of the market underperforms.

The **Dividend Portfolio** (**DIVCOV™)** targets an allocation of 300 long positions, with stocks having attractive dividend yields and stable payouts receiving higher allocations. This ensures that future dividend payouts are less likely to be at risk. One advantage of this portfolio is that it offers investors a stream of dividend income while also providing the potential for longer-term attractive returns.

The **Broad Market Portfolio (BRMCOV™)** targets an allocation of 1,000 long positions, with allocations being a blend of equal and capitalization weight. Because of the equal weight component, the portfolio has a larger proportion of smaller companies compared to a portfolio that is purely capitalization-weighted. During rebalancing of this portfolio, Covestor tends to buy securities that have shown relative decline in value, and sell securities that that have shown relative increase in value. The portfolio is therefore less prone to having concentration in bubble stocks that have experienced dramatic price appreciation. The **Broad Market Portfolio** has a significant element of broad equity market risk, and is therefore exposed to stock market volatility and drawdowns. Due this portfolio's use of half equal weighting, it will likely underperform if small-, mid-cap or value stocks underperform.

Covestor also offers small-capitalization company versions of the above five portfolios: **smVALCOV™**, **smGROCOV™**, **smQALCOV™**, **smDIVCOV™**, and **smBRMCOV™**.

In the future, Covestor may construct and offer to its Clients other Smart Beta portfolios than those offered at this time.

Clients may choose among the available Smart Beta Portfolios, and invest in more than one. Clients may place reasonable restrictions, or make reasonable modifications to existing restrictions, regarding the management of their account by restricting the stocks traded in their accounts. As with Portfolio Manager strategies, Covestor cannot enter trades in a specific stock in the Covestor account of a specific client who is following a portfolio. Clients should understand that imposing restrictions on future investments and selling any existing holdings may affect the performance of their accounts and lead to their accounts performing differently and possibly worse than the portfolios generally.

At least annually, Covestor will contact Smart Beta clients to determine whether there have been any changes in their financial situation or investment objectives and whether clients want to impose new or revise existing restrictions on the trading in their accounts. Also, at least quarterly, Covestor will notify clients who have invested in one or more Smart Beta portfolios in writing to contact it if there have been any changes in their financial situation or investment objectives or they wish to impose any restrictions on the trading in their account. Clients will receive periodic statements and trade confirmations setting forth all transactions in their accounts, all contributions and withdrawals, all fees and expenses charged, and the value of their account at the beginning and end of the period, including any fractional share holdings and transactions. Covestor's client service representatives are available to discuss and explain investment decisions made for their Smart Beta Portfolio investments and may be contacted by telephone at 1-866-825-3005 and by email at support@covestor.com

Covestor started trading some of the Smart Beta portfolios in October 2016, and others in December 2016. Therefore, these portfolios do not have any performance history before those dates. To allow its Clients to evaluate the appropriateness of investing in these portfolios, Covestor has calculated hypothetical back-tested results for these portfolios, which are available, accompanied by appropriate disclosures, disclaimers, and qualifiers on the individual portfolio pages on its website at covestor.com In generating hypothetical back-tested returns for these portfolios, Covestor followed accepted back-testing practices to avoid common pitfalls such as look-ahead bias, survivorship bias and overfitting the data. Covestor Clients or members of the public interested in reviewing the hypothetical back-tested returns calculated by Covestor for these portfolios are required to first review disclosures about the limitations of relying on hypothetical back-tested results in making investment decisions.

Clients can find additional information on Covestor's Smart Beta Portfolio construction process, hypothetical back-tested returns for these portfolios, actual trading results, and other disclosures regarding these portfolios on the Covestor website.

Members Sharing Their Investment Activity

Covestor selects the Portfolio Managers that may participate on its platform and offer Portfolio Manager strategies discussed above using a variety of criteria.

As part of its processes to ensure the quality of the Portfolio Managers on the Platform and to minimize the risk of Manager front-running, Covestor screens the managers and may require that Managers meet certain minimum criteria (e.g., AUM, size of personal funds invested in the strategy). Covestor may also require that Portfolio Managers and their lead traders certify to Covestor that they will not trade ahead of Covestor clients in their proprietary or personal accounts or systematically trade ahead of Covestor clients in any non-Covestor client accounts using the same strategy.

Before Portfolio Managers launch their strategy on the platform, Covestor monitors the performance of the strategy in the Manager's IB LLC account in an incubator environment. Managers complete a questionnaire in which they specify their parameters for portfolio construction, risk control and strategy guidelines. This questionnaire assists Covestor in gathering information about each Manager, including his or her investment philosophy, process and strategy differentiators. Managers may then provide Covestor with historical trade data for their strategy for periods before the Manager joined the platform. Covestor analyzes this information to ensure consistency with the Manager's responses to the questionnaire and other strategy-related materials. If the Portfolio demonstrates performance and risk characteristics consistent with the strategy and Covestor's Investment Management team believes that the Manager has the skills and experience to consistently deliver the strategy described, Covestor will open the Portfolio up to Clients. Covestor does not impose specific performance requirements and views the consistency with which Portfolio Managers implement their strategy and ability to generate alpha as more important in selecting Portfolio Managers for its platform.

Managers on the Covestor platform may be either RIAs or Non-Registered Portfolio Managers exempt from registration. RIAs must be federal or state-registered investment advisers, including hedge fund managers. While Non-Registered Portfolio Managers may be hedge fund managers exempt from registration, Covestor only allows such Non-Registered Portfolio Managers meeting certain trading experience and portfolio size criteria to participate. Portfolio Managers participating on the Covestor platform represent to Covestor that they are appropriately registered or licensed or exempt from such licensing or registration requirements in light of the business they conduct both on and outside the Covestor platform. Portfolio Managers registered as investment advisers with the SEC or a U.S. state also confirm to Covestor they are in good standing, will provide their current Form ADV 2A and 2B filing to Covestor, and they and their access persons comply with all applicable regulatory requirements. Portfolio Managers must also notify Covestor of changes in their registration or regulatory status.

Portfolio Managers share their personal investment history by providing Covestor with access to their trade data in real-time by a data feed. Managers deploy their investment strategy by trading in a brokerage account they open with IB LLC and generally fund with their own funds.

Portfolio Managers also license their portfolio holdings and trading record ("Historical Trade Data") to Covestor for publication and analysis. Historical Trade Data provided by Portfolio Managers may be related to the Manager's trading in client, model (based on aggregate performance of all client assets invested in a given strategy) and/or proprietary accounts. Some Managers also provide additional content including their investment strategy, profile, portfolio market reports and analysis. (Collectively, this additional content along with Historical Trade Data are referred to as "Manager Content.")

Managers may run multiple Portfolios on the Covestor platform. All Manager Content represents the opinions of that Manager, should not be construed as personalized investment advice to you or any other Covestor Client, and is subject to change without notice.

Portfolio Managers may manage accounts outside of Covestor for other clients and may implement the same trading strategy or decisions in those accounts before they do so in their Covestor account. This means that there may be situations where Portfolio Managers enter the same trades on behalf of their clients outside of Covestor before they trade in their Covestor account (and therefore before the strategy is replicated in Covestor Client accounts). This could result in Covestor clients getting less favorable pricing terms and performance in their Covestor account than the Portfolio Manager's clients get in their non-Covestor accounts. To minimize the effects of this potential conflict of interest, all Portfolio Managers must agree to report, monitor and review under their own Code of Ethics provisions trades in the IB account that are mirrored through the Covestor platform. In the Portfolio Manager License Agreement, Portfolio Managers represent to Covestor that neither they nor their personnel or affiliated persons will use their knowledge of the timing of the trades in their Covestor account or the fact that those trades will prompt trades in Covestor Client accounts to trade ahead of Covestor Clients or otherwise improve their position in the ownership of those securities or move their prices. Portfolio Managers must also provide Covestor with an annual certification that they are not aware of any instances of front-running in connection with trades placed at Covestor through their Code of Ethics reviews or otherwise. Portfolio Managers agree to promptly notify Covestor in writing of any instances of front-running trades placed at Covestor. Non-Registered Portfolio Managers (generally exempt hedge fund managers) are subject to a limited version of Covestor's Code of Ethics and are required to report their personal trading activity to Covestor. At this time, there are no non-registered Portfolio Managers on the Covestor platform.

Conversely, Covestor does not require Portfolio Managers to manage any other accounts outside of Covestor using the strategy offered on the Covestor platform although many Managers have tested their strategies elsewhere. Covestor's offering of Portfolio Managers' strategies to its Clients does not imply that these strategies have been tested elsewhere, or have been successful for the manager's clients or the manager himself. Covestor may display to Clients a Manager's Historical Trade Data if available.

Portfolio Managers generally use the following types of investments in their Covestor strategies:

- Equity Securities, including exchange-listed securities, certain over-the-counter securities and American Depositary Receipts ("ADRs");
- Exchange-traded funds ("ETFs"); and
- Options.

Covestor may also mix data from multiple manager Portfolios to create multi-manager portfolios ("MMPs"). An MMP is a combination of different Portfolios on the Covestor platform designed to diversify the risks associated with a single investment Portfolio while still capturing manager alpha. In its sole discretion, Covestor will decide whether to create an MMP and which specific Portfolios will comprise an MMP. Covestor may also periodically rebalance MMPs. By agreement with the Portfolio Managers, Covestor has the right to set the Client fee level at its sole discretion and will pay Managers fees for MMPs based on the proportion of the overall AUM in the Portfolio attributable to each Manager, calculated on a daily basis, and the management fee corresponding to the Manager's Portfolio. Clients will pay the annual management fee applicable to an MMP as they would any other fee applicable to another individual Manager strategy on the platform, in accordance with the calculation set forth in Item 5, Fees and Compensation.

Covestor Clients

Clients must enter into one or more written agreements with Covestor setting forth the terms and conditions under which Covestor shall render its services (the "Investment Management Agreement" or "Client Agreement") before they engage Covestor to provide its investment management services. Pursuant to that agreement, Covestor uses its related custodian's trading facilities to mirror or replicate trades in Portfolio Manager or Covestor's Smart Beta Portfolio accounts into the subscribing Clients' accounts. Covestor uses its affiliated broker-dealer, IB LLC, to execute all trades on its platform.

Clients may become Covestor's clients and become invested in one or more Covestor portfolios in one of two ways:

1. By applying to open a Covestor account on the Covestor website; or
2. By authorizing their investment advisor to open a Covestor account on their behalf on the Covestor website.

Under the first method, clients sign Covestor's Investment Management Agreement and acknowledge all required documents and disclosures online directly.

In the second method, clients' investment advisors may hire Covestor as a sub-advisor. The client's investment advisor has responsibility to communicate with the client and to determine suitability of investments in Covestor portfolios based on the client's financial circumstances, investment objectives, risk tolerance, liquidity needs, net worth, investment experience and any other factors that may be relevant and appropriate for such a determination. Clients' investment advisors gather all information needed to open a Covestor account on behalf of their clients and invest their clients' assets in such portfolios as the advisor and client deem appropriate. These investment advisors are also responsible for providing Clients with a current copy of Covestor's disclosure statement prepared in accordance with Form ADV, Part 2A/2B and any other Covestor disclosures. Before Covestor allows an investment advisor to invest one of its clients in a Covestor portfolio, Covestor will conduct its own due diligence of the advisor and also obtain from the ultimate clients a signed "Agreement to Allow Advisor to Invest My Account in Covestor Portfolios" ("Client Authorization") whereby clients authorize their investment advisors (a) to open an account with Covestor on their behalf, sign and acknowledge all required documents (including, but not limited to the Investment Management Agreement), provide all required consents, and receive on their behalf all disclosures that Covestor makes to its clients (including, but not limited to, the Form ADV Part 2 Informational Brochure), (b) to access their Covestor account and make all investment decisions, including which portfolios to invest in and the amount of those investments, and (c) to specify any investment restrictions to Covestor on clients' behalf. Clients agree to pay Covestor advisory fees applicable to the portfolios their advisors invest in on their behalf and acknowledge that those fees are separate and in addition to any fees they agreed to pay their advisor. Clients also acknowledge in the Client Authorization that all applicable agreements, disclosures, documents, and consents that the advisors may sign, provide or acknowledge on their behalf are available for clients' review on the Covestor website or may be obtained by contacting the advisor or Covestor. Client also are informed that they must notify Covestor immediately in writing if they want to revoke the Client Authorization or if any of their representations and warranties in the agreement become inaccurate.

In the case of portfolios managed by third-party managers, Covestor's Clients do not invest directly with the Portfolio Managers and the Managers do not have any authority over Client assets or discretionary trading authority over Covestor Client accounts. The Portfolio Managers simply license their trade data to Covestor, which then allows its Clients to mirror the same strategy and trading decisions in their accounts. Portfolio Managers implement their trading philosophy and strategy without knowing the identity of Covestor's clients or taking into account Covestor clients' individualized circumstances. Clients may also subscribe to Multi-Manager Portfolios or MMP, which consist of collections of Portfolios selected by Covestor to address particular investment segments and asset classes.

Clients should understand that the Covestor platform is a discretionary investment advisory program and not a self-directed brokerage service. Unlike self-directed brokerage accounts, Covestor clients do not enter individual buy and sell orders for specific securities to be executed at particular times. Rather, Covestor places buy and sell orders for specific securities consistent with the Portfolio Manager or Covestor-managed portfolio strategy selected by Clients, in accordance with the discretionary authority granted Covestor by Clients. If a client wants to control the specific time and securities to be bought and sold in his account, he should not use Covestor or should execute separate self-directed trades in a separate partition of the client's IB LLC brokerage account or another brokerage account.

Covestor Clients may restrict the stocks traded in their account at any time and Covestor will honor these restrictions when mirroring the trading in portfolio Clients choose to invest in. Clients should understand that imposing restrictions on future investments and selling any existing holdings in a portfolio may affect the performance of a client account negatively or positively and lead to that account performing differently or possibly worse than the portfolio.

Covestor's Clients may include "Qualified Clients." Such Qualified Clients, as defined by Rule 205-3 of the Investment Advisers Act of 1940, may invest in portfolios that charge performance fees. Qualified Clients must invest a minimum of $1,000,000 with Covestor, unless they meet the Rule's net worth requirement as follows:

- In the case of a natural person, at the time of entering into a Client Agreement with Covestor, at least $1,000,000 under management with Covestor or a net worth (together with assets held jointly with the Client's spouse, if applicable) in excess of $2,100,000, excluding the value of the Client's primary residence (debt secured by the Client's primary residence may not be included as a liability, but debt secured by the Client's primary residence in excess of its estimated fair market value must be included as a liability); or
- In the case of a company, at the time of entering into a Client Agreement with Covestor, at least $1,000,000 under management with Covestor or a net worth in excess of $2,100,000.

As only Qualified Clients may subscribe to Portfolios that charge Performance Fees, Covestor uses a Qualified Client affirmation process to assess whether a specific Client is a qualified client under the applicable SEC rule.

Unless otherwise agreed upon, Clients are provided with transaction confirmation notices and regular summary account statements directly from IB LLC for the Client accounts. Clients also receive online access to account activity reports from Covestor that include relevant account and/or market-related information such as an inventory of account holdings and account performance on a daily basis. Clients are also provided with monthly updates of account balances and performance. However, Clients should review the information in their custodial statements for accuracy and compare that information to any report they receive from Covestor.

Covestor also monitors the Manager's trading account and calculates performance and risk metrics for this account. Covestor utilizes these performance and risk metrics, along with the Portfolio's Risk Score and the Manager's periodic commentary on their strategy as the basis for its evaluation of the continued appropriateness of Portfolios for Clients. More information on Covestor's performance calculations can be found at http://site.covestor.com/help/disclosures

Additionally, as previously noted, Covestor imposes restrictions regarding minimum market capitalization and average daily volume based on the securities' class and application to risk score categories.

As of February 15, 2017, Covestor's regulatory assets under management were approximately $57.5 million, of which 100% is managed on a discretionary basis.

Investment Management Agreements
Covestor requires prospective Clients to sign an Investment Management Agreement or Client Agreement prior to establishing an investment account. This agreement provides Covestor with discretionary authority to initiate investment activities on behalf of the Client over the Client's investment assets. A copy of Covestor's form Client Agreement is available upon request, as well as via the Covestor.com website (in the Forms and Agreements section).

Termination of Agreement
The agreement between Covestor and the Client will continue in effect until terminated by either party pursuant to the terms of that agreement.

Any Client who has not received a copy of Covestor's written disclosure statement (i.e., this document) at least forty-eight (48) hours prior to executing the Client Agreement shall have five (5) business days subsequent to executing the agreement to terminate Covestor's services without penalty (i.e., will not be responsible for any advisory fees).

Covestor.com Website
The content of the Covestor.com website, including Manager Content, performance analysis and rankings is provided as general and impersonalized investment information and commentary and does not constitute a specific recommendation or solicitation that anyone should purchase or sell any particular security, investment advisory service or portfolio. Covestor relies on information provided to it by Portfolio Managers and certain third parties in publishing Manager Content for the website, and also provides internally-generated content. Covestor obtains Manager Content from sources believed to be reliable, but makes no representation as to the accuracy or completeness.

Item 5: Fees and Compensation

Advisory Fees
If a Client engages Covestor to provide investment management services, Covestor shall do so on a fee basis.

As specified below, Covestor's fees only cover its investment advisory services and do not include brokerage commissions, custodial fees, transaction fees, exchange fees or other related costs and expenses incurred for the investment of Client assets through Covestor. All fees paid to Covestor for its investment advisory services are separate, distinct and in addition to any fees and expenses charged by mutual funds or in conjunction with internal expenses associated with exchange-traded funds. Clients will be solely responsible, directly or indirectly, for these additional expenses. Covestor does not receive any portion of these commissions, fees, or costs. Clients are directed to review Item 12: Brokerage Practices, found later in this brochure.

Covestor automatically deducts its management fees from Client's accounts, as authorized in the Client Agreement, using IB LLC's invoice billing process.

For the initial month of investment management services, the first month's fees shall be calculated on a pro rata basis. Covestor's fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the Client, as appropriate, in a timely manner.

Covestor's advisory fees shall be calculated on the following basis:

1. Annual Management Fees Charged to Self-Directed Accounts

If engaged, Covestor charges an annual fee based upon a percentage of the gross market value of the assets being managed by Covestor, i.e., the assets that a Client chooses to subscribe to a Manager Portfolio ("Management Fee").

a. For third-party Portfolio Manager strategies, Covestor's Management Fee consists of an annual management fee, quoted as an annual percentage of the gross market value of Client assets subscribed to a Manager Portfolio. Generally, this fee will range between 0.25% and 1.5% of the gross market value of Client assets subscribed to each Portfolio.

b. For the Smart Beta Portfolios, Covestor charges subscribing clients an annual Management Fee amounting to 0.08% (8 basis points) of the gross market value of Client assets subscribed to one or multiple Smart Beta Portfolios.

c. Covestor's Management Fee shall be computed daily but prorated and charged monthly, in arrears or retroactively for the previous month (or in connection with a withdrawal from a portfolio), based upon the daily market value of subscribed assets during the previous month. Thus, on a daily basis, the applicable fee rate associated with each Portfolio to which a Client has subscribed will be applied to the end-of-day gross market value of the Client's subscription (i.e., assets in client account subscribed) to that Portfolio, with the resulting amount divided by 365. For purposes of calculating Covestor's Management Fee, the value of the subscription will be the value on the day the fee is calculated (i.e., the initial value of the assets initially subscribed by the Client to the strategy and all intervening additions to or subtractions from that up to the date the fee is calculated). At the end of each month, the Client is charged a Management Fee made up of the sum of all daily fees calculated during that month for each subscription.

d. Management Fees vary by Portfolio chosen and the level of assets to be subscribed to that Portfolio.

e. No Management Fees are charged on assets that are not subscribed to a Portfolio.

f. The gross market value of a Portfolio for purposes of calculating the Management Fee that a Client owes to Covestor is calculated based on data provided by IB LLC, Covestor's affiliated broker-dealer and custodian. IB LLC uses pricing data from an independent third party (SIX Financial, aka Telekurs) to arrive at the asset pricing information used by Covestor to derive Portfolios values for purposes of its management fee calculations.

Covestor, in its sole discretion, may waive its portion of the Management Fee or charge a lower Management Fee based upon certain criteria including but not limited to: the initial launch of a service line, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing Client, account retention, and pro bono activities. Covestor's fees are not generally negotiable by individual Clients. The fees applicable to each Portfolio available on the platform are generally negotiated between Covestor and the Portfolio Manager offering the specific strategy.

Covestor retains 0.25% of any Management Fees charged to its Clients and pays any remaining Management Fees collected from Clients to the Portfolio Managers. Because Covestor staff have constructed and manage the Smart Beta portfolios without any involvement on the part of third-party Portfolio Managers, Covestor retains the entire 0.08% fee charged to its Clients for investments in the Smart Beta Portfolios and does not pay any portion of this fee to any Portfolio Managers.

2. Performance-Based Fees Charged to Qualified Clients

For some investment strategies offered by certain Portfolio Managers, the standard fee schedule includes both:

a. A Management Fee ranging from 0.25% to 1.50% of the gross market value of the Client assets subscribed to each Portfolio (having the same characteristics discussed above), and

b. A performance-based fee ranging from 2% to 12% of the net positive performance of a Client's subscription to the specific Portfolio ("Performance Fee").

Covestor does not currently charge Performance-Based Fees to clients subscribing to any Covestor-managed portfolios (e.g., the Smart Beta Portfolios).

Only Qualified Clients may subscribe to Portfolios that charge Performance Fees. Covestor uses an online Qualified Client affirmation process to assess whether a specific Client is a qualified client under the applicable SEC rule.

If applicable, Performance Fees are calculated on a quarterly basis for each subscription. The applicable Performance Fee rate is applied to any gains over the period after Management Fees have been subtracted. A hurdle or gate requirement applies to certain Portfolios before a Performance Fee may be charged. For those Portfolios, Performance Fees are only charged once the hurdle rate or gate requirement is satisfied and Performance Fees are only charged if gains on the Portfolio for the quarter result in subscription value exceeding the subscription high water mark. The high watermark is a record of the highest value the subscription has achieved since inception and is designed to ensure Performance Fees are only paid on new gains. The high water mark is determined at the Client account level. The final Performance Fee payable is calculated as the Performance Fee rate multiplied by gains over the higher of the gate value or the high water mark. Clients may see whether the specific portfolio they would like to subscribe to charges a Performance Fee and applies a hurdle requirement on the individual portfolio webpage.

Clients may pay a different Performance Fee than other Clients subscribing to the same Portfolio depending on the timing of their subscription to the Portfolio, the high water mark and other factors.

In the case of Portfolios charging both a Management Fee and a Performance Fee, Covestor retains a 0.25% Management Fee and 2% Performance Fee, and pays any remaining amount of management and performance-based fees collected from Clients to the Portfolio Managers.

Clients may be able to contract directly with the Portfolio Managers offering their strategies on the Covestor platform to obtain their advisory services outside of the platform at lower fees than they pay to Covestor.

All fees are calculated based on Portfolio values determined from data provided by IB LLC, Covestor's affiliated broker-dealer and custodian. IB LLC uses pricing data from an independent third party (SIX Financial, aka Telekurs) to arrive at the asset pricing information used by Covestor to derive Portfolios values for purposes of its management fee calculations.

No persons at Covestor nor any supervised persons or representatives of Covestor accept compensation or commissions for the sale of securities or other investment products (e.g., asset-based sales charges or service fees from the sale of mutual funds).

Item 6: Performance-Based Fees and Side-by-Side Management of Client Accounts

As noted above, Covestor charges performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of a client's assets) in a number of situations. Portfolio Managers and other investment personnel may have responsibility for Client accounts with performance-based fees, as well as for accounts with asset-based fees. Strong investment returns increase the performance-based fee paid to Covestor as a firm and the compensation paid to the Portfolio Manager. As a result, Covestor has an incentive, particularly in the case of hedge funds, to favor an account with a performance-based fee. Historically, a relatively small number of portfolios have involved performance-based fees. The following sections describe how Covestor manages this and other conflicts relating to the side-by-side management of Client accounts.

Many of Covestor's Portfolio Managers may utilize and offer more than one investment strategy on the Covestor platform. Those strategies differ based on an array of factors such as issuer concentration levels, average market capitalization ranges, duration, sector or subsector concentrations, geographic concentrations, tax considerations, cash flows, benchmarks, risk profiles, liquidity needs, time horizons and turnover expectations. Accounts within the same investment strategy may also differ as a result of Client contributions and withdrawals, market constraints or other factors.

Even within a single investment strategy, Client accounts may be customized to meet Clients' specific requirements. For example, a particular account may be unable to invest in a particular stock. These restrictions are specified by each Client.

This description of potential differences among a Portfolio Manager's investment strategies and accounts is not meant to be exhaustive. Rather, we want to illustrate that we expect that individual Portfolio Managers may make different investment decisions for different Portfolios. Sometimes those decisions are based on objective criteria, such as industry, sector or capitalization levels. At other times, the decision reflects the Portfolio Manager's subjective professional judgment about the decision to invest in a security for a Portfolio or for a set of Portfolios. Our Portfolio Managers make these judgments based on a wide variety of factors, including but not limited to the other holdings in the Portfolio, the attractiveness of other investment opportunities available for that Portfolio, the Portfolio Manager's understanding of each Portfolio's objectives and risk profile and the costs of transacting in a particular security. These individualized decisions can result in significantly different investment returns between investment strategies and among Portfolios managed by the same Manager.

An important example of how accounts managed by the same Portfolio Manager will differ, as well as how potential conflicts can arise in these situations, is our management of long-short portfolios and more traditional long-only investment strategies. Portfolio Managers who utilize long-short investment strategies in one Portfolio may utilize other strategies in other Portfolios. Some of those other Portfolios may be hedge funds not managed at Covestor. Some investment strategies utilize more diverse investment tools and techniques than other investment strategies. Those tools and techniques include the use of short sales, leverage and a wide range of derivative instruments. Portfolios consisting of positions utilized in a long-short strategy will differ significantly from long-only accounts and typically have different investment objectives, strategies, time horizons, risk profiles, tax and other considerations. In addition, some of these strategies do not typically measure performance against a specific index or benchmark, but instead pursue absolute returns. A Portfolio Manager may utilize both long-short and long-only strategies, but at different times. Because of these differences, we expect that long-short and long-only strategies managed by the same Manager will have significantly different investment results over time.

The fee structures applicable to some Portfolios often differ from those of the accounts that make up the majority of our firm's asset base. In particular, some Portfolios may include a Performance Fee of up to 12% of net positive performance of the subscriptions to the specific Portfolio, in addition to a Management Fee of up to 1.5%. Portfolio Managers associated with performance fee Portfolios receive a percentage of the Performance Fee paid to Covestor. As a result, these Portfolio Managers have an economic incentive to favor Portfolios with performance fees over other Portfolios. Covestor manages this and other conflicts associated with side-by-side management of Client accounts through internal review processes and enhanced oversight. While the procedures Covestor uses to manage these conflicts differ depending upon the specific risks presented, all are designed to guard against intentionally favoring one account over another.

Because Covestor only charges annual management fees and does not charge performance fees to clients investing in its Smart Beta Portfolios, no related side-by-side management conflict issues arise in connection with these portfolios.

How We Allocate Investment Opportunities Generally
Client identities are not generally shared with Portfolio Managers, so the Portfolio Managers employ an investment strategy with no consideration of a particular Client's situation.

Occasionally, a Client and a Portfolio Manager may have had a prior business relationship. In this instance, the risk score system may or may not prevent the Client from subscribing.

At the same time, Covestor prohibits Managers on its platform from basing their decisions on favoritism, "window dressing," or other practices that violate either applicable law or Covestor's fiduciary duties to its Clients.

Covestor uses a number of techniques to perform after-the-fact review of trading in Client accounts. These techniques include performance dispersion analysis and Trade Cost Analysis ("TCA"). However, Covestor does not routinely review individual transactions in isolation. The frequency and extent of reviews vary depending on Covestor's assessment of the opportunity and incentives for inappropriate investment allocation decisions.

Item 7: Types of Clients

Covestor's Clients include individuals, trusts, corporations and other legal entities. Covestor has established the following account minimums:

a. Third-Party Portfolio Manager strategies – investment minimums starting at $10,000, with the majority of portfolios having minimum required investments ranging between $10,000 and $30,000;

b. Covestor-Managed Smart Beta Portfolios- $5,000; and

c. Qualified Client Accounts - $1,000,000 unless minimum net worth requirements are satisfied. (See Item 4).

Clients should note that, despite the lower minimum investment required for investments in the Covestor-managed Smart Beta Portfolios, clients must still open a brokerage account with IB LLC and meet IB LLC's $10,000 minimum funding requirement before being able to invest in any portfolios on the Covestor platform.

Item 8: Methods of Analysis, Investment Strategies and Risk of Loss

Covestor employs a variety of methods and strategies to make investment decisions and recommendations to Clients.

For Portfolio Manager strategies, Covestor typically relies on the investment decisions of Portfolio Managers in its management of Client accounts. Covestor attempts to track the Portfolio Manager's trades as accurately as possible, but does maintain discretion to modify the Portfolio Manager's trades or rebalance Portfolios and/or Client accounts in order to provide the best services to Clients.

For the Smart Beta Portfolios, Covestor utilizes a proprietary computer algorithm or model to select the stocks included in the portfolios initially and during quarterly rebalancing. Covestor's Investment Management team oversees the trading in the Smart Beta portfolios in order to verify the accuracy and reliability of the stock fundamental data used in the model. Covestor's main sources of information for the transactions in the Smart Beta Portfolios include data about US stocks provided by third-party data vendors.

Account Management
Covestor provides management of a Client's account subject to certain restrictions and potential conflicts. Clients are advised as follows:

Additions and Withdrawals:

Clients

Clients may make additions to and withdrawals from the account at any time, subject to the following:

a. Covestor's right to terminate an account.
b. If assets are deposited into or withdrawn from an account after the start of a month, the fee payable with respect to that account will be appropriately adjusted or prorated to reflect the number of days in that month that the assets in the account were subscribed to any Portfolio.
c. Clients may withdraw account assets on notice to Covestor, subject to the usual and customary securities settlement procedures and the Custodian's withdrawal procedures.
d. Additions may be in cash or securities provided that Covestor reserves the right to liquidate any transferred securities, or decline to accept particular securities into a Client's account. Covestor may consult with its Clients about the options and ramifications of transferring securities. However, Clients are advised that, when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.
e. Covestor designs its Portfolios as long-term investments and asset withdrawals may impair the achievement of a Client's investment strategy.

Portfolio Managers
Portfolio Managers can close a Portfolio upon providing a 30-day notice at any time. When a closure occurs, Covestor will attempt to provide Clients with a selection of Portfolios with similar strategies wherever possible. We cannot ensure that any comparable Portfolios will be available, and, whether or not alternative Portfolios exist. Clients are under no obligation to maintain an account or, if they maintain an account, to invest in any Portfolios. Please note that you will incur transaction fees in connection with liquidating your investment in a closed Portfolio and investing in a new Portfolio. You may also incur federal and state tax liabilities if liquidation results in long and/or short-term gains.

Trading Restrictions:

a. Covestor retains discretion over the trading due to certain trading limitations.

   Examples of trading limitations include:

i. Minimum thresholds for market capitalization to ensure Portfolio trades occur in liquid securities.
ii. The size of a Client's account may not make it practical to allocate shares for certain trades initiated by a Manager.
iii. A Client may have specified certain restrictions for investments in his account.

b. The concept of Covestor is to allow investors (i.e., Clients) to replicate Manager trade data. This naturally leads to a significant conflict of interest as the Managers, and if the Manager is an entity, its respective officers, directors, employees and/or affiliates, will send a trade for execution ahead of Clients. It is therefore important to note the following:

i. It is illegal for anyone to manipulate the market for securities.
ii. Managers represent to Covestor that neither they nor their affiliates or employees: trade in securities in which they possess any material nonpublic information or use their knowledge of the timing of the release of their trade data or the fact that the release of that trade data will prompt trades in Covestor Client accounts to trade ahead of Covestor Clients or to otherwise improve their position in the ownership of securities or futures or move the price of any securities or futures.
iii. Covestor has established procedures to mitigate the risk of a Manager trading ahead of Clients including by combining the orders for the sale or purchase of a security by a Manager with those of Clients subscribing to that Manager's Portfolio in a single trade or allocating the combined trades between Manager and Client accounts on a pro rata basis.

c. Portfolio Managers may themselves be SEC- or state-registered investment advisers, or hedge fund managers exempt from registration. Regardless of registration status, we expect Managers to exercise a reasonable level of care, diligence and skill. All Portfolio Managers must agree to report, monitor and review under their own Code of Ethics provisions trades in the IB account that is mirrored through the Covestor platform. Portfolio Managers must also provide Covestor with an annual certification that they are not aware of any instances of front-running in connection with trades placed at Covestor through their Code of Ethics reviews or otherwise. Portfolio Managers agree to promptly notify Covestor in writing of any instances of front-running of trades placed at Covestor. The Non-Registered Portfolio Managers (generally exempt hedge fund managers) are subject to a limited version of Covestor's Code of Ethics and are required to report their personal trading activity to Covestor. At this time, there are no unregistered Portfolio Managers on the Covestor platform.

d. In the specific case of options, the size of a Client's account may not make it practical to allocate shares for certain trades initiated by a Porfolio Manager. Covestor's replication strategy will therefore have to be customized in the case of certain options trades. Under certain circumstances, the Client account size (relative to the size of the Manager Portfolio) may require purchasing partial option contracts. Partial options, however, cannot be traded, so Covestor will need to decide whether to purchase more (i.e., round up) or purchase less (i.e., round down) options positions in a Client Portfolio proportional to the Portfolio Manager Portfolio. Depending on the direction of the rounding, the Client can have either significantly lower or higher cash balances, leverage and risk in the subscription compared to the Portfolio Manager. This can result in Client Portfolios having different hedged and unhedged exposures and therefore significantly different outcomes compared to that of the Manager Portfolio.

Investment Advice

Covestor offers advice on each type of investment described under "Advisory Business" in Item 4.

Clients are advised that:

a. Covestor's investment advice consists of: (a) facilitating Clients' ability to select Managers and Portfolios through the risk scoring system and guidance provided upon request by Covestor's client service representatives; and (b) offering Covestor-Managed Portfolios that Clients may subscribe to based on the same risk scoring system.
b. Covestor may modify recommendations that are implied by Manager Content in certain circumstances. For example, some securities transactions may not be executed under Covestor's Trading Rules laid out in the Portfolio Manager Trading Rules on the Covestor website (posted in the Forms and Agreements section in Item 4). This is discussed in more detail in Item 4 above.
c. Once a Client selects a Manager Portfolio to subscribe to, the Client may not alter the Portfolio or the trades in his account that are subscribed to that Portfolio strategy, except by restricting the trading of specific symbols in their accounts. Clients can unsubscribe from a Portfolio at any time and invest in another Portfolio available on the Covestor platform or choose not to subscribe to any strategy.
d. Any securities transferred to the Custodian to fund an account are solely for liquidation and subsequent investment in a Manager Portfolio or Portfolios. Covestor does not issue recommendations on the further disposition of transferred securities.
e. To ensure that Covestor is able to better track trading activity in Manager Portfolios or Covestor-Managed Portfolios, clients authorize Covestor to make adjustment trades that Covestor in its discretion determines will help a client account mirror the Portfolio(s) to which the client subscribes. Clients understand and acknowledge that these adjustments may require small buy

or sell trades in their accounts, which they authorize Covestor to effect without the clients' specific advance approval or authorization. Clients also understand that they will incur additional transaction costs, including commissions, in connection with these small adjustments. A conflict of interest arises in connection with these adjustments because IB LLC, Covestor's affiliated broker-dealer, collects commissions on these trades. Clients acknowledge this conflict of interest and authorize Covestor to effect these adjustment trades in the Investment Management Agreement.

Use of Margin

To the extent that a Client authorizes the use of margin, and Covestor thereafter employs margin in the management of the Client's investment Portfolio, the market value of the Client's account and corresponding fee payable by the Client to Covestor will be increased. The Client is advised that:

a. Additional principal risks are associated with the use of margin.
b. Margin strategies entail additional fees and expenses, as the Client account must pay interest on any amounts borrowed.
c. Potential conflicts of interests exist, as the Client's decision to employ margin shall correspondingly increase the Management Fee payable to Covestor because the gross market value of a Client's account on which the fee is assessed will be increased through the use of margin.
d. Potential conflicts of interest exist as the Client will be paying IB LLC, Covestor's affiliated broker dealer, interest for the use of margin on his account in addition to paying Covestor a higher Management Fee for the account than would be the case in the absence of margin.
e. Covestor does not recommend whether Clients should apply margin or leverage to their account. The decision as to whether to employ margin or to select a Portfolio that requires the employment of margin is left to the discretion of the Client.
f. In the case of options Portfolios, because options do not trade in fractions of contracts, Covestor may have to buy more or less options for the Client account than the Portfolio when attempting to replicate an option strategy. This may result in the Client's account having different leverage than the Manager Portfolio the Client subscribes to, among other differences.

Covestor generally trades in equity securities traded on U.S. exchanges, exchange-traded funds (ETFs), and options.

Securities Lending

Clients may opt to participate in IB LLC's securities lending program, which allows IB LLC to lend certain securities held in the Client's account. See the Custodian's website (https://www.interactivebrokers.com/Universal/servlet/Registration.formSampleView?doc=Agreements/showSLDisclosure.jsp) for more detailed disclosures. Covestor is not a participant or partner in this program, and Clients may elect to participate at their sole discretion.

General Risk Factors:

Risk of Loss

All investment activities include a risk of loss that Clients should be prepared to bear. The following investment risks fall into several categories. This listing of investment risks may not be all-inclusive but should be considered carefully:

Market Risk: Security prices may decrease due in response to direct and indirect events and market conditions, usually caused by factors independent of the specific attributes of the investment security.

Inflation Risk: Rising inflation reduces the purchasing power of the underlying currency, which is the dollar for U.S. based investments.

Liquidity Risk: Liquidity is the ability to convert an investment into cash. Investment assets are usually more liquid when established markets exist to trade those securities. For instance, U.S. Treasury bills and most equity securities have highly developed markets, while tangible property, such as real estate and precious stones, are less liquid.

Reinvestment Risk: This is the risk that future gains may be reinvested at less favorable (lower) rates of return than currently available.

Interest-Rate Risk: Changes in interest rates may result in fluctuations in the prices of other investment vehicles. For example, when interest rates rise, fixed income securities prices fall.

Currency Risk: Investments in non-U.S. based assets are subject to additional changes in valuation due to changes in currency exchange rates.

Business Risk: This covers risks associated with specific industries or companies within an industry.

Financial Risk: Excessive use of credit (borrowing) to finance a business' operations increases the risk of profitability, because the company must cover its debt obligations in good and bad years.

Counterparty Risk: The risk to each party of a contract that the counterparty will not live up to its contractual obligations.

Cyber-Security Risk: Given Covestor's reliance on the Internet to provide investment advice and conduct its business, it is susceptible to operational, information security and other similar risks. Deliberate cyber attacks or cyber incidents could lead a third-party to gaining unauthorized access to Covestor's computer systems, misappropriating Manager and Client assets or sensitive information, corrupting data or causing operational disruptions.

Leverage Risk: Certain Portfolio Managers may use borrowed funds or leverage to fund investments in their portfolios, i.e., trade on margin. Clients choosing to subscribe to such Portfolios understand and acknowledge that leverage makes the value of their Account increase or decrease at a greater rate than if no funds were borrowed, leading to higher returns in the case of favorable market movements but also larger losses under adverse market conditions. The higher the amount of margin (or leverage) in a Portfolio, the larger both the risk of loss and possibility of profit. In addition, Clients may also incur additional expenses associated with borrowing funds. For instance, Clients must pay the broker interest on their margin loan and may need to pay other fees and expenses as well, such as hard-to-borrow fees and buy-in costs, and may even lead to a lower rate of return than if funds were not borrowed. Generally, investment strategies involving leverage or margin trading are more speculative and carry a greater potential for loss than investments not using margin.

Short Selling Risk: Certain portfolios on the Covestor platform may use short selling strategies. Short selling refers to the sale of a security that the seller does not own or a sale consummated by the delivery of a stock borrowed by or for the account of the seller. A short selling strategy hinges on the short seller's ability to purchase later at a lower price the security he sells without initially owning, and attempts to profit from falling security prices of potentially overvalued stocks. Clients choosing to subscribe to such Portfolios understand and acknowledge that short selling is more complex than simply owning securities, and the risk of loss associated with short selling is virtually unlimited. Unlike with stock purchases (where the risk of loss is limited to the amount paid for the stock and the gains are potentially limitless), short selling theoretically carries virtually unlimited risk of loss because there is no limit on the price that a security could reach before the short position is closed. Short selling may also involve additional expenses and risks, including hard-to-borrow stock charges and buy-in risk.

Reliance on Information Provided by Clients and the Scope of the Risk Questionnaire: The investment advice Covestor provides to Clients is highly dependent on the accuracy of the information provided to Covestor by its Clients. If a Client provides inaccurate information or fails to update outdated information, the quality and relevance of Covestor's investment advice could be materially affected.

Covestor's investment advice is based on the risk questionnaire it asks Clients through its website and the answers and information Clients provide to Covestor. There may be additional information or financial circumstances not asked about in Covestor's risk questionnaire that could inform Covestor's investment advice. Clients may choose to contact another financial advisor to discuss any such additional information or other financial circumstances that Clients may think could be relevant to Covestor's investment advice.

Reliance on Third-Party Data: Covestor's investment advice is based on data and information from third party sources. While Covestor believes that the data it uses in its investment management processes is obtained from reliable sources, it did not audit or validate this data, which may contain errors. Covestor exclusively relied on data compiled by a third-party (i.e., the Thomson Reuters Worldscope database) for market data and information as the basis for the hypothetical return calculations for the Smart Beta Portfolios, and is not responsible for the accuracy of this data.

Reliance on Technology: Covestor's investment activities depend on various computer and telecommunications technologies, some provided by or dependent upon third parties, such as data feed, data center, telecommunications or utility providers. Covestor's services to its Clients could be severely compromised by system and/or telecommunications failures, power loss, unauthorized system access or use, computer viruses, fire or water damage, human errors in using certain systems, or other events or circumstances. Events that may interrupt computer or telecommunications systems could have a material adverse effect on Covestor Clients, including by preventing Covestor from trading, liquidating or monitoring its Clients' investments. Covestor maintains back-up electronic books and records at a third-party disaster recovery site. In case of interruption of its computer and/or telecommunications systems, Covestor will strive to resume service to its Clients promptly, barring any circumstances outside of its control.

Performance Drift Risk: This is the risk that the performance of any portfolio you invest in and the performance of your account diverge, due to the following factors, among others:

- **The Portfolio Manager's compliance with the trading rules**: For the protection of clients, trades that a Portfolio Manager makes that are outside of the Covestor trading rules are not replicated in client accounts.
- **Your risk score and exclusions**: Your risk score and any restrictions you placed on buying or selling certain securities could result in certain trades executed by the Portfolio Manager or Covestor not being replicated in your account.
- **Your cash flow behavior:** Performance drift will result if you frequently invest additional cash or partially redeem your investment.

- **Inability to mirror in exact proportion**: Depending on the size of your investment relative to the Portfolio Manager's, translating each trade the Portfolio Manager makes into whole shares in your account can lead to small rounding differences, and therefore slightly different allocations.
- **The broker's availability of stock to lend**: When shorting, the stock must first be borrowed. The broker may not have the exact amount of stock available to fulfill all that is requested.
- **The unique features of the investment product you invest in, such as options:** Options contracts usually cover 100 shares and do not trade in fractions. Therefore, performance drift can occur whenever Covestor replicates a Portfolio Manager's options trading in your account and has to round down or up any quantity traded to account for the different amount invested in the two accounts. This can lead to over- or under-hedging or leverage in your account in comparison to the Portfolio Manager's. Options are also leveraged instruments, and could be more illiquid than other investment products. Partial assignments of options contracts could also result in performance drift between your account and the Portfolio Manager's. These unique features of options could lead to your account having significantly different performance, leverage, levels of risks and trading costs than the options portfolio you invest in.

Risks Specific to ETFs:

1. Market Risk

ETFs are typically designed to track the performance of certain indices, market sectors, or groups of assets such as stocks, bonds, or commodities. ETF managers may use different strategies to achieve this goal, but, in general, they do not have the discretion to take defensive positions in declining markets. Investors must be prepared to bear the risk of loss and volatility associated with the underlying index/assets.

2. Tracking Errors

Tracking errors refer to the disparity in performance between an ETF and its underlying index or its assets. Tracking errors can arise due to factors such as the impact of transaction fees and expenses incurred by the ETF, changes in composition of the underlying index/assets, and the ETF manager's replication strategy. The most common replication strategies include: i) full replication, ii) representative sampling and iii) synthetic replication, which are discussed in more detail below.

3. Trading at Discount or Premium

An ETF may be traded at a discount or premium to its Net Asset Value (NAV). This price discrepancy is caused by supply and demand factors, and may be particularly likely to emerge during periods of high market volatility and uncertainty. This occurrence may also be observed for ETFs tracking specific markets or sectors that are subject to direct investment restrictions.

4. Foreign Exchange Risk

Investors trading ETFs with underlying assets not denominated in U.S. dollars are also exposed to exchange rate risk. Currency rate fluctuations can adversely affect the underlying asset value, also affecting the ETF price.

5. Liquidity Risk

Market Makers (MMs) are exchange members that provide liquidity to facilitate trading in ETFs. Although most ETFs are supported by one or more MMs, there is no assurance that active trading will be maintained. In the event that the MMs default or cease to fulfill their role, investors may not be able to buy or sell the product.

6. Counterparty Risk Involved in ETFs with Different Replication Strategies

(a) Full replication and representative sampling strategies:

An ETF using a full replication strategy generally aims to invest in all constituent stocks or assets in the same weightings as its benchmark. ETFs adopting a representative sampling strategy will invest in some, but not all of the relevant constituent stocks or assets. For ETFs that invest directly in the underlying assets rather than through derivative instruments issued by third parties, counterparty risk tends to be less of concern.

(b) Replication strategies using swaps and other derivatives (i.e., synthetic replication):

ETFs may utilize swaps or other derivative instruments to gain exposure to a benchmark. Currently, replication ETFs can be further categorized into two forms:

i. ETFs utilizing swaps

Total return swaps allow ETF managers to replicate the benchmark performance of ETFs without purchasing some or all the underlying assets.

ETFs utilizing swaps are exposed to counterparty risk of the swap dealers and may suffer losses if such dealers default or fail to honor their contractual commitments.

ii. ETFs utilizing derivatives

ETF managers may also use other derivative instruments to replicate the economic benefit of the relevant benchmark. The derivative instruments may be issued by one or multiple issuers. ETFs utilizing derivatives are subject to the counterparty risk of the derivative instruments' issuers and may suffer losses if such issuers default or fail to honor their contractual commitments.

Even where collateral is obtained by an ETF, it is subject to the collateral provider fulfilling its obligations. There is a further risk that, when the right against the collateral is exercised, the market value of the collateral could be substantially less than the amount secured resulting in significant loss to the ETF.

Risks Specific to Options Trading:

Covestor offers its Clients the opportunity to subscribe to Portfolios that include options trading. Clients must be approved to trade options in their IB LLC brokerage account to subscribe to Portfolios trading options on the Covestor platform.

At any time Covestor Clients become uncomfortable with the options trading in their Covestor account, including the losses or level of risk associated with options trading, they may terminate any Portfolio subscription that is trading options and easily remove options trading from their Covestor account online using the Account Settings page.

Before being allowed to invest in Portfolio Manager strategies trading options, all Covestor Clients represent that they understand that Covestor will attempt to mirror the option trading in the Portfolio(s) to which the Client subscribes but Covestor may not be able to perfectly replicate the same proportion of options in the Client's account that the Manager holds in his Portfolio for several reasons. For instance, among other circumstances, the ratio may call for a fraction of an option contract to be purchased for a Client's account, but, because options do not trade in fractions of contracts, Covestor must either buy more or less options and underlying stock than the ratio calls for. This may result in the

Client's account having different performance, leverage, levels of risk and trading costs than the Manager Portfolio the Client subscribes to. In particular, the Client's account may have higher leverage, be more imbalanced and have higher risk than the Manager Portfolio.

Risks of Buying (Purchasing) Options

When a Portfolio purchases call options it pays a fee or "premium." This premium is paid at the time the option is purchased and is not refundable to the buyer, regardless of what happens to the stock price or the option. The Portfolio is exposed to gains if the stock underlying the call option increases in price above the pre-determined strike price. This gain is offset by the premium paid for buying the call option. If the price of the stock underlying the call option is below the exercise price, the option expires worthless.

When a Portfolio purchases put options it pays a fee or "premium." This premium is paid at the time the option is purchased and is not refundable to the buyer, regardless of what happens to the stock price or the option. The Portfolio is exposed to gains if the stock underlying the put option decreases in price below the pre-determined strike price, but this gain is offset by the premium paid for buying the put option. If the price of the stock underlying the put option is above the exercise price, the option expires worthless.

The premiums the Portfolio pays when buying options may increase as a result of a number of factors, including changes in interest rates, stock market volumes or price volatility of the underlying securities.

Risks of Selling (Writing) Options

When a Portfolio sells a call option, it provides the buyer the right to buy the security at a pre-determined strike price. The Portfolio is therefore exposed to losses if the stock underlying the call option increases in price above the pre-determined strike price, this loss is offset by a premium received for selling the call option. If the value of the stock underlying the call option is below the exercise price, the call is unlikely to be exercised and the Portfolio will just receive the premium.

When a Portfolio sells a put option, it provides the buyer the right to sell the security at a pre-determined strike price. The Portfolio is therefore exposed to losses if the stock underlying the put option decreases in price below the pre-determined strike price. This loss is offset by a premium received for selling the put option. If the value of the stock underlying the put option is above the exercise price, the put is unlikely to be exercised and the Portfolio will just receive the premium.

The premiums the Portfolio receives for selling options may decrease as a result of a number of factors, including changes in interest rates, stock market volumes or price volatility of the underlying securities.

Risks of Trading Options

1. Trading options is highly speculative in nature, involves a high degree of risk and is not suitable for all Clients.

2. Options may involve certain costs and risks such as liquidity, interest rate, market, credit, and the risk that a position could not be closed when most favorable.

3. Option contracts are traded for a specified period of time and have no value after expiration.

4. Trading options may result in the total loss of premiums and transaction costs.

5. Trading halts in the underlying security, or other trading conditions (for example, volatility, liquidity, systems failures) may cause the trading market for an option (or all options) to be unavailable, in which case, the holder or writer of an option would not be able to engage in a closing transaction and an option writer would remain obligated until expiration or assignment.

6. Even if the market is available, there may be situations when options prices will not maintain their customary or anticipated relationships to the prices of the underlying interests and related interests.

7. An options market may sometimes impose restrictions on the particular types of options transactions, such as opening transactions or uncovered writing transactions.

8. Disruptions in the markets for the underlying interests could also result in losses for options investors.

9. **Lack of Liquidity in Options Market:** There is no assurance that a liquid market will be available at all times for a Portfolio to buy or sell options or to enter into closing purchase transactions. In addition, under certain circumstances, the Portfolio Manager may hold the underlying stocks as part of a hedged strategy, the Portfolio may be less likely to sell stocks to take advantage of new investment opportunities, and the cash available to the Portfolio to purchase new securities may be limited.

10. **Portfolio Turnover:** Portfolio turnover is the percentage of the Portfolio that was replaced once during a one-year period. High rates of Portfolio turnover entail transaction costs that could negatively impact performance. In periods of high market volatility, option exercise is more likely, which can result in a significant increase in turnover.

11. **Tax Consequences:** Portfolios that sell options expect to generate premiums. These premiums typically result in short-term capital gains to the Portfolio for federal and state income tax purposes. Receipts of such short-term capital gains usually are taxable at the same rate as ordinary income to investors. Transactions involving the disposition of a Portfolio's underlying securities (whether due to the exercise of a call option or otherwise) give rise to capital gains or losses. Portfolios that sell options have no control over the exercise of options, redemptions, or corporate events affecting their equity securities investments (such as mergers or reorganizations) and may be forced to realize capital gains or losses at inopportune times.

12. Margin requirements may apply to trading equity options.

13. "Naked" uncovered option trading is the most speculative and riskiest form of trading and exposes investors to potentially significant losses. Uncovered options writing is suitable only for knowledgeable investors who fully understand the risks, have the financial capacity and willingness to incur potentially substantial losses, and have sufficient liquid assets to meet applicable margin requirements. When writing (selling) naked calls, the risk is unlimited, since there is theoretically no limit to the rise in price that could be achieved by the underlying stock. The risk in the naked put is that the stock could go to zero.

14. There may be other risks associated with subscribing to a Manager Portfolio that trades options, and this description of certain risks is not intended to be an exhaustive presentation of all risks associated with options trading. Covestor Clients should review the current Options Clearing Corporation ("OCC") disclosure document "Characteristics and Risks of Standardized Options" and any options risk disclosures provided by the broker-dealer for all Client trades, IB LLC.

Potential future consent to T+2 settlement

In the case of buy-writes or covered call options, Clients may consent to Timber Hill Inc., a market-making affiliate of Covestor and IB LLC, providing them with T+2 settlement for the purchase of replacement shares to use against an option assignment to potentially preclude capital gains and a higher tax liability. Timber Hill Inc. is the only liquidity provider on the T + 2 facility, and it may profit or lose in connection with each such transaction.

Risks of Investing in the Covestor-Managed Smart Beta Portfolios:

Investments in these Portfolios are subject to the risks discussed here and the Risk Disclosures for Smart Beta Portfolios available on the Forms and Agreements page of the Covestor website, any of which may adversely affect the Portfolios' yield, total return, and ability to meet their investment objectives.

As with any investment, there are a number of risks associated with investing in a Smart Beta Portfolio. These include the following:

- You may lose all or part of your investment in the Portfolios, or your investment may not perform as well as other investments or may fluctuate significantly due to short-term or long-term market movements;
- There is no assurance that these Portfolios and strategies will meet their investment objectives, work as intended or perform as well as other investment strategies; and
- Smart Beta Portfolios may not be suitable for all investors.

Market Risk - These Portfolios could lose money over short periods due to short-term market movements and over longer periods during more prolonged market downturns. Due to market conditions, the value of the Portfolios' investments may fluctuate significantly from day to day and this volatility may cause the value of your investment in the Portfolios to decrease.

Equity securities risks – These Portfolios are primarily invested in stocks and therefore bear the risks of the general stock market. In particular, the Portfolios:

- Entail greater risk of loss and volatility than some other asset classes, such as bonds;
- Are primarily composed of US stocks, so may be particularly affected by certain changes in the US economy that do not affect the global economy; and
- Include large-, medium-, and small-capitalization stocks, each of which carries its own risks and may gain or lose value in a different proportion than the stock market overall.
    - For instance, large-capitalization companies have fewer opportunities to expand the market for their products and services, may be slow to respond to new competitive challenges such as changes in technology, and may grow more slowly than smaller companies, especially during extended periods of economic expansion, causing their stocks to underperform investments in small- or medium-capitalization stocks.
    - Medium-capitalization company stocks have historically been subject to greater investment risk than large-capitalization company stocks, may be less stable, more susceptible to adverse developments, and more sensitive to changing market conditions, and have more limited markets and managerial and financial resources while

their stocks may be more volatile and less liquid than those of more established companies, in part due to less certain growth and dividend-yield prospects.

New portfolio risk – Covestor launched the first set of Smart Beta Portfolios in October 2016, and the second set in December 2016. Therefore, these Portfolios are newly formed and have no operating or actual performance history before October 2016, or December 2016, respectively. Clients investing in these Portfolios also bear the risk that Covestor may not be successful in implementing its investment strategy. Additionally, the model used to select the securities in each Smart Beta Portfolio is not certain to maximize returns or minimize risks, and may not be appropriate for every investor. No assurance can be given that a Smart Beta Portfolio will be successful under all or any market conditions. Additionally, Covestor's judgments about the attractiveness, value and potential appreciation of particular asset classes in which these Portfolios invest may prove to be incorrect and may not produce the desired results, and Covestor's strategy may not effectively protect the Portfolios from market declines and may limit their participation in market gains.

Sector and concentration risks – A Portfolio may carry higher risk to the extent it is significantly composed of assets in a particular sector, issuer, group of issuers, country, group of countries, region, market, industry, or asset class. In managing these Portfolios, Covestor attempts (but may not be successful) to avoid excessive concentration in individual sectors of the market.

Regulatory risk - The Portfolios are subject to the risk that a change in US law and related regulations will impact the way Covestor manages these Portfolios, increase the particular costs of their operation and/or change the competitive landscape. This may result in Covestor deciding to cease offering these Portfolios.

Portfolio-specific risks - In addition, each Smart Beta Portfolio carries additional, specific risks, which may lead it to lose or gain money out of proportion with the stock market as a whole.

- ***Value securities risk*** **–** Stocks in the **Value Portfolio (VALCOV™)**, perceived by Covestor as undervalued, may fail to appreciate for long periods of time, may never realize their full potential value, or may underperform other segments of the market or the market as a whole.
- ***Quality securities risk*** – Companies issuing the stocks included in the **Quality Portfolio (QALCOV™)** may experience lower than expected returns, even negative growth, as well as increased leverage.
- ***Growth securities risk*** **–** There is no guarantee that the past performance of the stocks in the **Growth Portfolio (GROCOV™)** will continue. These stocks typically trade at higher multiples of current earnings than other securities and, therefore, may be more sensitive to changes in current or expected earnings than other equity securities and may be more volatile.

- ***<u>High-dividend securities risk</u>*** **–** There is no guarantee that the large-capitalization companies issuing the stocks in the **Dividend Portfolio** (**DIVCOV™)** will declare dividends in the future or that, if the dividends are declared, they will remain at current levels or increase over time.
- ***<u>Equal weighting risk</u>*** – Due to the **Broad Market Portfolio's (BRMCOV™)** use of half equal weighting and the resulting higher proportion of small- and medium-capitalization company stocks, this portfolio may underperform other segments of the market or the market as a whole.
- ***<u>Small-capitalization company risk</u>*** - Small-cap versions of the Smart Beta Portfolios (**smVALCOV™**, **smGROCOV™**, **smQALCOV™**, **smDIVCOV™**, and **smBRMCOV™**) are invested solely in small-capitalization company stocks. Small-capitalization company stocks have historically been riskier than large and medium-capitalization company stocks. Securities of small-capitalization companies generally trade in lower volumes, are often more vulnerable to market volatility, get less analyst coverage, and are subject to greater and more unpredictable price changes than other stocks or the stock market as a whole.

Smart Beta Portfolio investment limitations
In accordance with applicable regulatory requirements, Covestor will not allow clients to make any initial, additional or recurring investments in a Smart Beta Portfolio 3 business days prior to the date of a quarterly rebalance. If a client requests such a transaction during this period, Covestor will send the transaction for execution on the first trading day after the rebalance. Clients may redeem some or all of their investment in any Smart Beta Portfolio at any time. But, if clients have a cash (rather than margin) brokerage account and engage in redemptions less than 3 business days after the quarterly rebalance, IB LLC may require them to pay for purchases in their account on the date of the trade for the next 90 days.

To avoid price swings around market open and close, client requests to invest in or redeem any investments in the Smart Beta Portfolios will be processed in the order in which they are received between 9:35 am and 3:50 pm ET.

Not a bank deposit - Your investment in one of the Smart Beta Portfolios is not a deposit in a bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.

Conflict of interest risks
As we explained above, Covestor will trade its own capital alongside that of the clients who invest in the Smart Beta Portfolios. Covestor has therefore imposed on itself the same protections against potential front-running that it applies to the third-party Portfolio Managers whose trading Covestor mirrors, described in the Investment Management Agreement you signed, and such other protections determined necessary given Covestor's fiduciary duty to its clients.

Limitations of hypothetical back-tested returns

Covestor launched the first set of Smart Beta Portfolios in October 2016 and the second in December 2016. Covestor calculated hypothetical back-tested returns for the Smart Beta Portfolios for informational and educational purposes, to illustrate how these Portfolios would have performed over time if they had existed before their launch date(s). Hypothetical back-tested returns are hypothetical, do not reflect actual trading, and do not place any client money at risk. Actual results in client accounts may differ for many reasons, such as the market's performance, available liquidity, factor returns, interest rates and transaction costs. Covestor provides additional information on how it calculated the hypothetical back-tested returns for the Smart Beta Portfolios and their inherent limitations on each of the portfolio pages.

Risks Associated with Owning and Trading Fractional Shares

Covestor is able to offer the Smart Beta Portfolios and the extensive diversification they are designed to achieve for even relatively small investments by offering Covestor clients the ability to trade fractional shares. Covestor has determined that the benefits of offering fractional shares outweigh the negative effects of investing in them, but clients should be aware of their unique features, risks and costs.

Covestor clients own all the shares held in their Covestor account, including fractional shares acquired as a result of their investment in a Smart Beta Portfolio. No aspect of Covestor's management or operation of the Smart Beta Portfolios should be deemed as an attempt by Covestor to restrict in any way any rights clients would otherwise have over the securities and funds in their accounts, including any fractional share holdings.

Stocks cannot be traded in fractions on public exchanges, so IB LLC, Covestor's affiliated broker-dealer, facilitates trading in Smart Beta Portfolios brokering all fractional share orders on behalf of Covestor clients against one or more liquidity providers. These liquidity providers will sell or buy fractional shares that Covestor clients would not otherwise be able to trade in the open market. These trades will occur either at the execution price the liquidity provider gets on the market for stocks it sells to Covestor clients or, if the fractional shares are provided from the provider's inventory, at the National Best Bid or Offer ("NBBO") at the time of the order.

There is a potential conflict of interest in connection with these fractional transactions as IB LLC will act as broker for both Covestor clients and the liquidity provider counterparty to these transactions that Covestor clients have consented to in the Investment Management Agreement. Covestor clients may revoke their written consent to such transactions at any time by written notice to Covestor or IB LLC, as discussed in the Investment Management Agreement, but Covestor clients will no longer be able to invest in these portfolios as they rely on fractional share investments.

As stocks cannot be traded in fractions on public exchanges and fractional shares are typically unrecognized and illiquid outside of the Covestor platform, if clients want to liquidate their Smart Beta Portfolio investments, they will need to fully redeem their investment in which case IB LLC will sell any fractional shares to the liquidity provider and any whole shares to the market. If clients want to transfer their Smart Beta holdings to another brokerage firm, they will first need to sell their fractional shares to the liquidity provider through IB LLC. Clients will incur commissions on all of these trades.

Please note that IB LLC cannot facilitate customers voting proxies on fractional share holdings, does not provide a mechanism to make voluntary elections on fractional holdings, and cannot provide clients with any shareholder documentation for any holdings of less than one share. But clients will receive payments or value commensurate to their fractional ownership in the case of stock dividends, stock splits, mergers or other mandatory corporate actions (including cash dividends).

Tax burden implications
Given the high volume of trading in the Smart Beta Portfolios due to portfolio composition, quarterly rebalancing trades, and recurring investments, clients will also be responsible for reporting large amounts of stock sales in their tax forms (e.g., IRS Form 8949, Sales and Other Dispositions of Capital Assets). This tax-filing burden is increased for the Broad Market Portfolios (**BRMCOV™** and **smBRMCOV™**), each made up of 1,000 stocks. Covestor is not qualified to and cannot provide any tax advice or prepare any tax documents for clients. Clients will need to consult an accountant or tax attorney to determine the tax-filing burden of investing in these portfolios. Please note that IB LLC provides certain tools to assist clients with their tax filings, but these tools may only be able to support a limited number of trades.

Generally, in making portfolio recommendations, there are a number of factors Covestor does not consider including but not limited to:

- **Tax Implications**: Covestor does not consider its Clients' specific tax implications in recommending portfolios. Covestor does not provide tax advice and does not represent in any manner that investments in a Portfolio will result in any particular tax consequences. Each Client must rely on his own examination and that of its financial, tax and legal advisors in evaluating the tax implications of investing in a Covestor portfolio. Clients and their personal tax advisors are responsible for how the transactions conducted in an account are reported to the IRS or any other taxing authority on the client's personal tax returns. Covestor assumes no responsibility for the tax consequences to any client of any transaction. Clients should not construe the contents of the Covestor website or any recommendation made by Covestor as tax advice.

- **Transaction costs and frequency of trading**: Covestor does not consider but attempts to disclose the frequency of a portfolio's trading when recommending portfolios to clients. A portfolio with a high level of trading and turnover could lead to clients incurring substantial transaction costs, tax implications (such as short-term capital gains) and other similar consequences that could negatively impact the value of a Client's investment. Clients should bear these transaction costs in mind when deciding whether to invest in a portfolio on the Covestor platform.

Item 9: Disciplinary Information

As of the date of this brochure, Covestor has not been subject to any legal or disciplinary actions material to a Client's or a prospective Client's evaluation of Covestor's advisory business. Therefore, Covestor has no information applicable to this item.

Item 10: Other Financial Industry Activities and Affiliations

Covestor is part of the Interactive Brokers Group, an automated global electronic broker and market maker.

Neither Covestor nor its representatives are registered as a broker-dealer or representative of a broker-dealer.

In order to perform the mirroring/replication processes for its platform described in Item 4 of this brochure, Covestor Ltd. entered into a Technology Services Agreement with the Interactive Brokers Group, LLC ("IBG LLC"). Specifically, pursuant to this agreement, IBG LLC, at Covestor's direction, will develop and program Covestor's software, which, among other things, calculates the amount of securities and/or options contracts to be traded for Covestor clients to effectuate Covestor's replication/mirroring procedures. Covestor remains solely responsible for the investment advice provided to its clients, and will periodically monitor IBG LLC's implementation of its replication procedures. Covestor will pay to IBG LLC a fee equal to IBG LLC's cost of performance of the services under this agreement plus ten percent (10%), and reimburse IBG LLC for any disbursements incurred in the performance of the agreement. Covestor will not charge its clients advisory fees higher than it would otherwise charge them in the absence of this agreement.

IB LLC, the Broker-Dealer and Custodian for all Covestor Manager and Client trades, is a related party to and is under common control with Covestor; both entities are subsidiaries owned by Interactive Brokers Group. IB LLC is a registered Broker-Dealer, Futures Commission Merchant and Forex Dealer Member, regulated by the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission and the National Futures Association, and is a member of the Financial Industry Regulatory Authority and several other self-regulatory organizations.

IB LLC provides clearing and custody services for the Covestor trading platform, which executes Portfolio Manager trades alongside client accounts in accordance with Covestor's internal trading rules and specific client restrictions. Trading is performed on an agency basis through IB LLC.

Covestor's relationship with IB LLC is material to its advisory business and a conflict of interest exists to the extent that Covestor recommends the purchase of securities given that IB LLC receives commissions in connection with transactions in Covestor clients' accounts. Additionally, the parent company of both affiliates, the Interactive Brokers Group LLC derives the majority of its revenues from the brokerage operations of IB LLC subsidiary. As Covestor places all of its clients' trades through IB LLC (which receives compensation for these services), this compensation ultimately benefits both IB LLC and Covestor given their corporate affiliation.

Covestor does not receive any compensation from the unaffiliated third-party Portfolio Managers who provide strategies for the Covestor platform.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics

Covestor and persons associated with Covestor ("Associated Persons") are permitted to buy or sell securities that are traded by Portfolio Managers on the same day. Portfolio Managers trade at their own discretion, and without notice to us. In addition, Associated Persons may also become clients of Covestor and, as such, any Covestor-initiated trades for those Associated Persons will be executed alongside all other Covestor Clients. Covestor currently aggregates trades initiated by Portfolio Managers and the trades of Clients subscribing to those Managers' Portfolios and allocates shares accordingly at the average price for each trade, so as not to affect any Clients favorably or unfavorably. Associated Persons may also open brokerage accounts for use by Covestor as test accounts. Trades in these accounts are also executed alongside all other Covestor Clients. Covestor provides the owners of these test accounts with funding to invest in these accounts.

Covestor has adopted a code of ethics that sets forth the standards of conduct expected of its Associated Persons and requires compliance with applicable securities laws (*"Code of Ethics"*). In accordance with Section 204A of the Advisers Act, its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by Covestor or any of its Associated Persons. The *Code of Ethics* also requires that certain of Covestor's personnel (called *"Access Persons"*) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Clients may contact Covestor to request a copy of its *Code of Ethics*.

Covestor Access Persons must acknowledge the terms of the Code of Ethics annually, or as amended.

Covestor's Code of Ethics permits Covestor's Access Persons to effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) transactions in a security which may be actively purchased or sold by Portfolio Managers for any Covestor Client accounts. As mentioned above, Covestor's Access Persons are permitted to become Clients of Covestor and their accounts and trade activity are managed alongside and consistent with Covestor's management of other Clients' accounts. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds; and (v) accounts under the control of Covestor (i.e. those of Access Persons who are Clients or maintain accounts for use as Covestor Test Accounts).

But Covestor's Access Persons may not purchase or sell, directly or indirectly, any security which they know at the time of the purchase or sale is being considered for purchase or sale on behalf of any Client account or being actively purchased or sold on behalf of any Client account. Given the firm's historical business model which was limited to implementing transactions in Client accounts by tracking the trade activity in Manager Portfolios, Covestor personnel generally were not considered to know or expected to know that a security is being purchased or sold by a Client unless that personnel had access to the firm's trade blotter or has other knowledge of the firm's purchases or sales before their implementation in Client accounts.

But, unlike with third-party Portfolio Manager trades, certain Covestor personnel on Covestor's Investment Management team will be transacting in Covestor's Smart Beta portfolios and will be considered to know (or are likely to know) that a security will be eventually purchased or sold by any Clients who are following that portfolio. In accordance with the provisions of Covestor's Code of Ethics, Covestor's Access Persons (including Covestor's Investment Management team) may not purchase or sell, directly or indirectly, any security which they know at the time of the purchase or sale is being considered for purchase or sale on behalf of any Client account or being actively purchased or sold on behalf of any Client account. Covestor employees are allowed to become Covestor clients and subscribe to any Covestor portfolios, including the Smart Beta Portfolios. But individuals involved in making investment and trading decisions for the Smart Beta portfolios and placing related trades will be subject to certain black-out periods for trading stocks considered or transacted for the Smart Beta portfolios in any personal trading accounts.

Covestor's Access Persons must obtain pre-clearance and approval from Covestor's Chief Compliance Officer before acquiring securities in an Initial Public Offering or a Limited Offering.

Covestor's Access Persons may not trade securities, commodities, derivative products, financial instruments or exchange-traded investment products on their own behalf between the hours of 8:30 a.m. and 6:00 p.m. local time at the Access Person's place of employment. However, Access Persons may retain financial advisers to conduct such trading on their behalf during such prohibited hours.

Proprietary trading for Covestor's Smart Beta Portfolios

Covestor manages the Smart Beta Portfolios by trading in one or more proprietary brokerage account(s). A conflict of interest thus arises between Covestor executing trades in that proprietary account with the knowledge that it will be executing similar trades in Client accounts subscribing to that Smart Beta Portfolio. Covestor may have an incentive to provide favored treatment to its proprietary account to the detriment of Covestor client accounts subscribing to a Smart Beta Portfolio by trading ahead of clients in that proprietary account or take other actions which favor the proprietary account. By choosing to subscribe to one or more Smart Beta Portfolios, Covestor clients acknowledge and agree that Covestor will manage their accounts by replicating trading Covestor conducts in proprietary accounts funded with its own capital.

To mitigate any conflict of interest or risk of trading ahead of its clients presented by Covestor trading in a proprietary brokerage account in connection with the management of the Smart Beta Portfolios, Covestor has imposed on itself the same protections against potential front-running that it applies to the third-party Portfolio managers whose trading Covestor mirrors, described in the Investment Management Agreement Covestor clients sign:

- combining orders for the sale or purchase of a security by Covestor with those of Covestor's clients that track any one of Covestor's Smart Beta Portfolio accounts;
- placing the combined orders through IB LLC; and
- allocating the combined trades between Covestor and client accounts on a pro rata basis (*i.e.*, Covestor clients and Covestor will receive the same average price per share and transaction costs will be shared equally).

Agency cross transactions

IB and Covestor may only execute trades referred to as "Agency cross transactions" if a Client has given written consent in advance through the Investment Management Agreement executed with Covestor. In that agreement, Covestor clients acknowledge and agree that a Covestor affiliate (namely, IB LLC) may engage in "agency cross transactions" as defined in Rule 206(3)-2 (17 C.F.R. § 275.206(3)-2) promulgated by the SEC under the Advisers Act, in which a Covestor affiliate acts as a broker both for a Covestor client and for the customer on the other side of the transaction. Covestor clients acknowledge that the Covestor Affiliate may receive commissions from and have a potentially conflicting division of loyalties and responsibilities regarding both parties to such Agency cross transactions. Nonetheless, Covestor clients consent to and authorize IB LLC to engage in such agency cross transactions, and may revoke this consent and authorization at any time by written notice to Covestor or IB LLC.

Specifically, Covestor clients consent to IB LLC designating your orders to trade: (1) on IB LLC's Automated Trading System or a public exchange, against the orders of other IB LLC customers, including liquidity providers; (2) through an exchange-operated price improvement facility; or (3) against a third-party liquidity provider that would fill orders (such as orders for less than a full share), which could otherwise not be filled in the open market. These agency cross transactions are reflected and identified in Covestor clients' IB LLC activity statements. IB LLC will act as a broker for and receive commissions from both parties to these transactions.

Covestor is able to offer the Smart Beta Portfolios and the extensive diversification they are designed to achieve for even relatively small investments by allowing Covestor clients to trade fractional shares. Because stocks cannot be traded in fractions on public exchanges, IB LLC, Covestor's affiliated broker-dealer, facilitates trading in Smart Beta Portfolios by executing all fractional share orders on behalf of Covestor clients against one or more liquidity providers who are IB LLC's clients. These liquidity providers sell or buy fractional shares that Covestor clients would not otherwise be able to trade in the open market. These trades occur either at the execution price the liquidity provider gets on the market for shares it sells to Covestor clients or, if the fractional shares are provided from the provider's inventory, at the National Best Bid or Offer ("NBBO") at the time of the order.

Covestor Clients subscribing to a Smart Beta Portfolio consent to IB LLC matching their fractional share buy and sell orders with liquidity providers willing to trade fractional shares with Covestor and its clients. Clients may revoke their written consent to such transactions at any time by written notice to Covestor or IB LLC, as discussed in the Investment Management Agreement. But clients revoking their written consent to these agency cross transactions in fractional shares should note that they will no longer be able to invest in the Smart Beta Portfolios as they rely on fractional share investments.

Compliance with Rule 206(3)-2 requires Covestor here to satisfy all of the following conditions:

- Clients must provide written consent in the Client Agreement prospectively authorizing agency cross transactions after full written disclosure that IB LLC, Covestor's affiliate, will act as a broker, receive commissions from and have a potentially conflicting division of loyalties and responsibilities regarding both parties to these transactions. Covestor's Investment Management Agreement with its Clients provides such written disclosure and obtains such written consent from its Clients.
- Covestor or IB LLC on behalf of Covestor must send each Client a written confirmation at or before the completion of each transaction that includes (i) a statement of the nature of this transaction, (ii) the date this transaction took place, (iii) an offer to furnish, upon request, the time when this transaction took place, and (iv) the source and amount of any other remuneration received or to be received by Covestor's affiliated broker-dealer. This confirmation would take place prior to settlement, but after execution, and a transaction is not complete until the settlement takes place. We do not receive any compensation from IB LLC. IB LLC will provide these written confirmations of agency cross transactions to Covestor Clients in the trade confirmations and daily activity statements for the accounts.
- Covestor or IB LLC on behalf of Covestor must send Clients an annual statement identifying the total number of agency cross transactions and the total amount of commissions or other remuneration that Covestor or IB LLC received in connection with these agency-cross transactions since the last summary. IB LLC will provide this information in the annual activity statements for Clients' accounts.
- Client consent may be revoked at any time, and all written disclosure statements and confirmations discussed above must include a conspicuous statement that Clients' written consent to these agency cross transactions may be revoked at any time by written notice to

Covestor or IB LLC. Covestor's Investment Management Agreement with its Clients includes such a conspicuous statement. Trade confirmations and activity statements provided by IB LLC to Clients will also include such conspicuous statement.

Principal transactions
Neither Covestor nor any of its Affiliates will engage in any principal transactions with Covestor clients.

IB LLC will not knowingly designate your orders to trade with the orders of Covestor's Affiliates engaged in proprietary trading. This may affect the timing, price and quantity of the execution you receive. Please note that your orders may execute against the orders of Covestor Affiliates and their customers on the open market, but these trades are not principal transactions within the meaning of Section 206(3) of the Advisers Act.

Item 12: Brokerage Practices

Covestor establishes relationships with selected brokers to provide brokerage services to Covestor Clients. All brokerage commissions and/or transactions fees charged by these selected brokers are exclusive and in addition to Covestor fees. Factors which Covestor considered in its selection of selected brokers and will consider in recommending any other broker-dealer include: financial strength; reputation; stability; combination of transaction, execution, and asset custody services; capability to execute, clear and settle trades; capability to facilitate transfers and payments to and from accounts; breadth of available investment products; availability of investment tools and technology, services; quality of services; pricing; competitiveness of the prices of services; and research. The commissions and/or transaction fees charged by these selected brokers may be higher or lower than those charged by other broker-dealers. The commissions paid by Covestor's Clients shall comply with Covestor's duty to obtain "best execution." In seeking best execution, Covestor not only considers the cost, but also whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Therefore, while Covestor will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions. Covestor shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its Clients in light of its duty to obtain best execution, but may consider other brokerage firms.

All Covestor trades are affected on an agency basis. When selecting broker-dealers, Covestor does not consider whether Covestor or a related party receives client referrals from that broker-dealer. But the use of an affiliate for brokerage services may represent a conflict of interest.

Currently, due to technical and best execution considerations, Covestor is only utilizing the brokerage services of IB LLC, a related party. Covestor does not accept clients who direct the use of other brokers. Covestor thus directs all of the Managers and Clients on its platform to establish brokerage and custodial relationships with IB LLC. In the Investment Management Agreement, Covestor Clients appoint IB LLC as the broker and custodian for the assets in their accounts and direct Covestor to execute all trading in their Covestor accounts through IB LLC, and acknowledge the conflict of interest in this brokerage arrangement. Clients also acknowledge that the appointment of IB LLC as the sole broker for their account may result in disadvantages to them, i.e., less favorable executions (e.g., higher commissions, greater spreads, or less favorable net prices) than may be available through the use of a different broker-dealer.

Covestor has evaluated the brokerage services and cost of IB LLC and believes that IB will provide Covestor clients with a blend of execution services, commissions costs, financial strength and reputation, trading platform, responsiveness to Clients' execution needs, block trading capabilities, accuracy of trades and trade confirmations, and professionalism that fulfills Covestor's best execution requirement for client transactions. While Covestor has a reasonable belief that IB LLC is able to obtain best execution and competitive prices, Covestor will not independently seek best execution price capability through other broker dealers. Covestor periodically undertakes Trade Cost Analysis ("TCA") of trades in Client accounts to confirm the quality of IB LLC's brokerage execution services.

Both Covestor Clients and Covestor Portfolio Managers pay IB LLC commissions for the trades in their Covestor accounts, which represents a conflict of interest. Covestor does not directly receive any of the brokerage revenue generated by IB LLC from Managers or Clients trading through Covestor. But Covestor is supported financially by the Interactive Brokers Group Inc, the parent company of both Covestor and IB LLC, and the Interactive Brokers Group's revenues primarily stem from its brokerage operations.

Commissions Charged by IB LLC

IB LLC charges Covestor clients commissions based on IB's tiered commissions structure.

Generally, for transactions in portfolios managed by third-party Portfolio Managers, IB charges Covestor clients commissions of $0.0035 per share, with exchange, regulatory and clearing fees charged separately. (This is subject to a minimum per order commission of $0.35 and a maximum of 0.5% of the value of the trade.)

For transactions in Covestor Smart Beta Portfolios IB offers Covestor clients a modified tiered commission structure, which we believe will facilitate efficient investing. Under this structure, IB charges $0.0035 in commissions based on the whole "basket" of securities in a client's Smart Beta investment rather than on each security. Generally, for Smart Beta Portfolio trades, IB charges a minimum commission equal to the lower of $5 or 0.05% of trade value per client account, if more than the standard tiered commissions charge of $0.0035 per aggregated shares in the client basket. IB LLC caps commissions on Smart Beta portfolios at 0.5% of the value of the basket trade.

Additionally, IB LLC requires all brokerage accounts to generate a minimum level of commissions each month. Under certain circumstances, IB will charge Covestor clients a minimum monthly commission charge of up to $10. Specifically, whenever the overall monthly commissions paid by all Covestor client accounts do not amount to at least $10 in commissions per account per month, IB will collectively charge Covestor clients the difference between the actual commissions charged and the overall $10 minimum due for all Covestor clients, determined on a pro rata basis (based on the amount by which each Covestor client account is below the $10 minimum).

Additional information on IB LLC commissions can be found on the IB LLC website: https://www.interactivebrokers.com/en/index.php?f=commission&p=stocks2

Commissions and Tax Burdens Associated with the Rebalancing of the Covestor-Managed Smart Beta Portfolios

Covestor rebalances each of the Smart Beta portfolios on a quarterly basis, which could result in a large number of quarterly transactions in many or all of the symbols in which the Smart Beta portfolios and client accounts are invested. While the annual management fee collected by Covestor for the Smart Beta portfolios is not affected by this portfolio turnover, clients should be aware that they will incur transactions costs, including commissions, whenever Covestor buys and sells securities in these portfolios as these trades are then mirrored in the accounts and account statements of the clients subscribing to that portfolio. These commissions are payable to IB LLC, Covestor's affiliated broker-dealer, which is a conflict of interest. A higher turnover rate leads to higher transaction costs in client account and may also result in higher turnover taxes when held in a taxable account. The additional costs associated with higher portfolio turnover will affect the performance of client accounts following Covestor's Smart Beta models.

The Smart Beta Portfolios involve a large number of stocks and there will be trades in many of these stocks whenever Covestor rebalances the portfolios or clients add to or subtract from their investment. Clients will need to report some (or all) of these trades on their tax forms. Covestor cannot provide tax advice or prepare tax documents for clients. Clients should consult an accountant or tax attorney to determine the tax-related obligations associated with investing in these portfolios. IB LLC provides certain tools to assist its brokerage clients with their tax filings, but these tools may only be able to support a limited number of trades.

Best execution

Regardless of how transactions are executed, Covestor strives to ensure IB LLC obtains best execution of Client trades whenever possible.

Trade Aggregation

Trade orders placed by Portfolio Managers will normally be aggregated with Clients orders to assist in providing best execution. We note however that trades may not be aggregated if Client restrictions prevent us from doing so.

Trade Allocation

We will always attempt to allocate investment opportunities on a pro-rata basis among eligible accounts based on the originally planned allocation. Both the Portfolio and the Client will receive the average price for each trade. However, in certain situations, it may not be equitable to allocate on a pro-rata basis (e.g. round lots or size restrictions on the allocation). The trading systems used by IB LLC automatically allocate trades on a pro-rata basis (with respect to the market imposed round lot requirements).

Resolution of Trade Errors

Clients acknowledge that Covestor will be responsible for Client account losses resulting from its failure to follow its own trading procedures or a lapse in its internal communications. Clients acknowledge that Covestor cannot and will not be responsible for any Client account errors and/or losses occurring when Covestor uses its best efforts to execute trades in a timely and efficient manner. Clients also acknowledge that Covestor is not responsible if a trade or a portion of a trade is not effected or an electronic "glitch" occurs even though Covestor followed its trading procedures and best efforts.

In certain situations, Covestor may manually send Client trades for execution after a Portfolio Manager's trades are executed. Differences in execution prices due to delays in replication of the Portfolio Manager's trade of less than 48 hours will not constitute a trade error, regardless of the cause of this delay.

Clients also acknowledge that Covestor cannot and will not be responsible for trades that are not properly executed by any third parties, including but not limited to broker-dealers, clearing firms, or custodians, when Covestor has properly submitted the order.

Clients are responsible for immediately notifying Covestor if they think that a trade error has occurred in their account. Clients also agree to promptly return any assets or funds erroneously credited to their account by IB LLC in connection with any of the trades in their Account.

Timeliness
We will ensure that transactions are promptly and fairly allocated between the Portfolio and Clients at the average price.

Directed Brokerage
All brokerage transactions under the Investment Management Agreement will occur through IB LLC, an affiliate of Covestor. Covestor does not offer services through any other broker-dealer. The use of an affiliate for brokerage services represents a conflict of interest. In the Investment Management Agreement Covestor Clients acknowledge this conflict of interest and authorize Covestor to execute transactions through IB LLC consistent with Covestor's duty of best execution.

Our agreement with IB LLC requires the costs for all brokerage transactions with Covestor and its Clients to be consistent with the costs charged by IB LLC to unrelated third parties. This will include volume discounts where appropriate.

While we reasonably believe the use of IB LLC is in its Clients' best interests and allows for a more effective investment of the Portfolio, Clients should be aware and understand the use of IB LLC may prevent Covestor from negotiating brokerage commissions and other charges on Clients' behalf. This practice may also prevent Covestor from obtaining best execution of some or all of Clients' orders. As a result, directed brokerage transactions may result in higher commissions, greater spreads or less favorable net prices than would be the case if Covestor were able to select other brokers-dealers to execute transactions.

Soft Dollar Arrangements
An investment adviser receives soft dollar benefits from a broker-dealer when the investment adviser receives research or other products and services in exchange for client securities transactions or maintaining an account balance with the broker-dealer. We do not have a soft dollar agreement with IB LLC or a third-party.

Item 13: Review of Accounts

Covestor will periodically contact clients to review its previous services or investment recommendations to them and to discuss the impact resulting from any intervening changes in clients' financial situation or investment needs.

At least annually, Covestor will contact clients to determine whether there have been any changes in their financial situation or investment objectives and whether they want to impose new or revise existing restrictions on the trading in their account. Also, at least quarterly, Covestor will ask clients in writing to contact it if there have been any changes in their financial situation or investment objectives or they wish to impose any restrictions on the trading in their account.

Clients who have experienced material changes to their financial circumstances or investment objectives, or wish to impose or modify restrictions on their investments, should promptly update their information and responses to the risk questionnaire on the Covestor website or contact one of our client services representatives to inform them of the intervening changes.

Covestor implements its investment management services for its advisory Clients by providing:

1. Collaboration with each Client on the appropriate investment strategy for their investment objectives. This investment strategy includes overall objectives, Manager Content preferences, risk tolerance, and other guidelines and restrictions specified by the Client. Covestor utilizes aspects of the Client's investment strategy to calculate a Client's Risk, which Covestor uses during the subscription and trade execution processes.

2. Access to Manager Content and evaluation of appropriateness of Manager Portfolios, including:
    a. Asset allocation;
    b. Asset selection; and
    c. Trade activity implied by selected Portfolios, trade type, and projected costs.

3. Implementation of an investment strategy on behalf of Client:
    a. Portfolio Management and Accounting;
    b. Subscription to selected Portfolios, provided the Client's Risk Score is greater than or equal to the Portfolio's Risk Score; and
    c. Trade Execution, in order to obtain best execution on behalf of the Client.

4. Investment activity in all Client accounts may be monitored periodically by the Chief Investment Officer for potential conflicts with the Client's stated investment objectives and risk tolerances, namely in the areas of liquidity, risk exposure, and investment strategy and trade activity associated with subscriptions.

5. Clients are contacted periodically regarding their accounts by Client Services staff. In addition, Covestor provides additional reporting to its Clients through its website: covestor.com. Clients have direct access to their secure, private account detail pages, where they can revise their investment objectives; view their account holdings, daily account activity and performance, and access their monthly Portfolio reports detailing performance and risk exposure.

6. Clients are urged to periodically compare activity statements prepared by Covestor and quarterly account statements and transaction confirmations provided by IB LLC with regard to activity, holdings and valuations in their Covestor account. Clients should immediately inform Covestor of any discrepancies they detect between Covestor and IB LLC account statements.

7. Clients are advised to promptly notify Covestor if they wish to impose any reasonable restrictions upon Covestor's management services or make any other changes to the management of their assets.

Item 14: Client Referrals and Other Compensation

Solicitations and Referrals
Covestor does not receive compensation or other economic benefits from persons other than clients for providing investment advice or advisory services to its clients.

Covestor does not currently use solicitors to refer advisory clients to the firm and does not compensate a third-party for client referrals.

Covestor offers a free month of advisory fees to Clients for each client they refer to Covestor. While the amount of credit is nominal, such an advisory fee credit may cause a conflict of interest if existing Covestor Clients make this referral solely to receive the credit.

Portfolio Manager Compensation
Covestor compensates Managers with a portion of any Management Fee(s) or/and any Performance Fee(s) it charges to Clients. Occasionally, Covestor Clients may have initially heard about Covestor from

one of the Portfolio Managers on the platform. But Covestor will not compensate Portfolio Managers for client referrals. Covestor will compensate Portfolio Managers only with a portion of the Management Fee and/or Performance Fee Covestor charges Clients investing in the Manager's Portfolio.

Item 15: Custody

Recommended Custodian and Clearing Services
Covestor recommends that Clients utilize the brokerage and clearing services of IB LLC. Covestor only implements its investment management services after the Client has arranged for and furnished Covestor with all information and authorization regarding the opening of a brokerage account with IB LLC, a related party of Covestor.

Covestor may be deemed to have custody of Client funds and securities by virtue of its affiliation with IB LLC, the qualified custodian for Client funds and securities. IB LLC sends quarterly account statements directly to Covestor Clients identifying the amount of funds and securities in their account(s) at the end of the period and setting forth all transactions in the account(s) during that period, including but not limited to any fees charged by Covestor. Covestor clients should carefully review those statements to ensure that they accurately reflect the transactions in their Covestor account(s). Under certain circumstances, Covestor may also separately provide account updates to its Clients. Clients should compare the account updates they receive from Covestor with the activity account statements they receive from IB LLC, the qualified custodian.

In accordance with the SEC's Custody Rule and in recognition of the new corporate relation between Covestor and IB LLC, the qualified custodian of its Clients' assets, since 2015, Covestor has engaged an independent public accountant (Spicer Jeffries LLP) to conduct an annual, independent surprise audit of Client funds and securities.

Clients should contact IB LLC or Covestor immediately if they do not receive account statements from IB LLC on at least a quarterly basis. Covestor provides clients with separate reports or account statements providing information about their Covestor account. Clients should compare these carefully to the account statements received from IB LLC, the custodian of the accounts. The account statements received from IB LLC are the official custodial records for Covestor client accounts. The reports provided by Covestor are not statements but simply tools Clients should use in evaluating the performance of their investments and are not intended to replace the statements received from the custodian of assets, IB LLC. If Clients discover any discrepancy between the account statements provided by Covestor and that provided by IB LLC, then they should contact Covestor immediately.

Item 16: Investment Discretion

As authorized in the Covestor Client Agreement, Covestor assumes discretionary authority over Client assets placed with Covestor for management. This is done via a power of attorney granting Covestor the ability to initiate financial transactions and trades on behalf of its Clients in order to execute trades in Portfolios Clients are subscribed to. This grant of investment discretion allows Covestor to place trades in client accounts without contacting Clients before each trade. In all cases, however, Covestor's discretion will be exercised in a manner consistent with the investment objectives, risk tolerance and risk score for the particular client account. Clients maintain authority to revise their answers to the risk questionnaire, change their subscription status, and to have restrictions placed on the securities to be bought or sold for their account.

Covestor uses its best judgment and good faith efforts in rendering services to clients. But Covestor cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time. Not every investment decision or recommendation made by Covestor will be profitable. Covestor Clients assume all market risk involved in the investment of account assets under the Investment Management Agreement and understand that investment decisions made by Covestor in Client accounts are subject to various market, currency, economic, political and business risks.

Covestor Clients are responsible for advising Covestor of any changes in their financial situation or investment objectives.

Item 17: Voting Client Securities

As a matter of firm policy and practice, Covestor does not have any authority to and does not vote proxies on behalf of its Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive shareholder notices directly from the designated custodian, IB LLC.

Covestor will neither advise nor act on behalf of any client in legal proceedings involving companies whose securities are held or were previously held in the client's account, including but not limited to, the filing of "Proofs of Claim" in class action settlements.

Item 18: Financial Information

Covestor does not require or solicit the prepayment of its advisory fees, and does not have any adverse financial condition or financial commitment that is reasonably likely to impair its ability to meet contractual and fiduciary commitments to clients. Covestor has never been the subject of a bankruptcy proceeding.

Covestor is not self-sustaining through its advisory fee revenue alone, and is financially supported by IBG LLC, through periodic unsecured loans. Clients may obtain information about the financial condition of Interactive Brokers Group, Inc. by visiting the Group's website at https://investors.interactivebrokers.com/ir/main.php

Item 19: Requirements for State-Registered Advisers

Because our principal place of business is outside the U.S., in the United Kingdom, Covestor is not required to register with the individual states. Covestor qualifies to register directly with the U.S. Securities and Exchange Commission. However, Covestor makes notice filings in states that require such notice under state "Blue Sky" laws.

AML Officer Contact Information

Covestor's AML Officer is Andrew Marchment, Level 20 Heron Tower, 110 Bishopsgate, London EC2N 4AY, United Kingdom, 44 203 787 9250.

This brochure supplement provides information about Joseph Sullivan that supplements Covestor Ltd.'s brochure. You should have received a copy of that brochure. Please contact us at 1-866-825-3005 if you did not receive Covestor's brochure or if you have any questions about the contents of this supplement. Additional information about Joseph Sullivan is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B: Brochure Supplement

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February 16, 2017

Joseph Sullivan, Director, Manager Relations

Born 1985

Educational Background:

Emmanuel College, 9/2003 to 5/2007, B.A. Economics and Management

Business Experience:

Covestor, Director, Manager Relations - 7/2014 - Present
NGAM, Investment Consultant - 5/2012 - 7/2014
JPMorgan, Investment Specialist - 1/2008 - 5/2012

Professional Certifications:

FINRA Series 7, 63 and 66

Joseph is supervised by Sanjoy Ghosh, Chief Investment Officer. He reviews Joseph's work on an ongoing basis along with Joseph's activities through our investment management systems. All inquiries should be directed to Sanjoy Ghosh at (866) 825-3005 x 702.

This brochure supplement provides information about John Dahlstrom that supplements Covestor Ltd.'s brochure. You should have received a copy of that brochure. Please contact us at 1-866-825-3005 if you did not receive Covestor's brochure or if you have any questions about the contents of this supplement. Additional information about John Dahlstrom is available on the SEC's website at www.adviserinfo.sec.gov.

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John Dahlstrom, Client Adviser

Born 1982

Educational Background:

Suffolk University, 09/2000 to 05/2004, B.A. – Finance

Business Experience:

Covestor, Client Adviser, 07/20 – present
NGAM - Investment Consultant - 03/2011 - 07/2015
MSSB - Client Service Associate - 06-2003 - 02-2011

Professional Certifications:

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John is supervised by Sanjoy Ghosh, Chief Investment Officer. He reviews John's work on an ongoing basis along with John's activities through our investment management systems. All inquiries should be directed to Sanjoy Ghosh at (866) 825-3005 x 702.

This brochure supplement provides information about Yatharth Manuja that supplements Covestor Ltd.'s brochure. You should have received a copy of that brochure. Please contact us at 1-866-825-3005 if you did not receive Covestor's brochure or if you have any questions about the contents of this supplement. Additional information about Yatharth Manuja is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B: Brochure Supplement

Yatharth Manuja

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Yatharth Manuja, Investment Analyst

Born 1990

Educational Background:

London School of Economics & Political Science, 2012-2013 – Master of Science in Finance

Indian Institute of Technology, Hyderabad, 2008-2012 – Bachelor of Technology in Electrical Engineering and a Minor in Economics

Business Experience:

Covestor Ltd., Analyst, 08/2015 – Present
Covestor Ltd., Consultant, 10/2013-08/2015
Covestor Ltd., Intern, 07/2013-10/2013

Professional Certifications:

FINRA Series 65

Disciplinary Information:

None

Other Business Activities:

None

Additional Compensation:

None

Yatharth is supervised by Sanjoy Ghosh, Chief Investment Officer. He reviews Yatharth's work on an ongoing basis along with Yatharth's activities through our investment management systems. All inquiries should be directed to Sanjoy Ghosh at (866) 825-3005 x 702.

This brochure supplement provides information about Sanjoy Ghosh that supplements Covestor Ltd.'s brochure. You should have received a copy of that brochure. Please contact us at 1-866-825-3005 if you did not receive Covestor's brochure or if you have any questions about the contents of this supplement. Additional information about Sanjoy Ghosh is available on the SEC's website at www.adviserinfo.sec.gov.

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Sanjoy Ghosh, Chief Investment Officer

Born 1973

Educational Background:

Colgate University, B.A., Economic and Math, 1992 - 1996
Wharton, University of Pennsylvania, M.A, and Ph.D, Finance, 1996 - 2000

Business Experience:

Covestor Ltd., Chief Investment Officer, 05/2013 – Present
Panagora Asset Management, Director, Equities, 7/2004 - 4/2013

Professional Certifications:

FINRA Series 65

Disciplinary Information:

None

Other Business Activities:

None

Additional Compensation:

None

This brochure supplement provides information about Bimal Shah that supplements Covestor Ltd.'s brochure. You should have received a copy of that brochure. Please contact us at 1-866-825-3005 if you did not receive Covestor's brochure or if you have any questions about the contents of this supplement. Additional information about Bimal Shah is available on the SEC's website at www.adviserinfo.sec.gov.

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Bimal Shah, Chief Technology Officer

Born 1969

Educational Background:

King's College, University of London, B.Sc. (1st Hons.), Physics and Computer Science, 1986 - 1989
Queen Mary University of London, M.Sc. (Distinction), Computer Science, 1999 - 2000

Business Experience:

Covestor Ltd., Chief Technology Officer, 09/2008 – Present
Betfair, Engineering and Product Manager, 04/2005 - 08/2008
Thinkingcap Technology, Founder, 01/1999 - 03/2005
D.E.Shaw & Co., Group Manager and Architect, Financial Data, 10/1996 - 12/1998
Accenture, Consultant and Manager, 01/1991 - 09/1996

Disciplinary Information:

None

Other Business Activities:

None

Additional Compensation:

None