covestor

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

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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. Additional information about Covestor Ltd. also is available on the SEC's website at www.adviserinfo.sec.gov. Covestor's registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Material Changes

Date	Description of Changes
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 (Last 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
October 30, 2015	Qualified Client Disclosure added Trading Methodology for Equities added Portfolio Subscription Disclosure removed Multi-Manager and Core Portfolio Disclosures removed

Material Changes

	Agency Cross Transactions, Trade Aggregation, Directed Brokerage added
29-May-2015	Advisory Business-Change in Control; Firm Ownership: Interactive Brokers Group now owns 100% of the parent, Covestor, Inc. Other Financial Industry Activities & Affiliations: Interactive Brokers LLC is now a related party Custody: Interactive Brokers LLC is now a related party Financial Information AML Officer Contact Information
27-Mar-2015	Qualified Client Account Disclosure removed Accredited Investor Account Disclosure removed
8-Aug-2014	New Product Disclosure-Covestor Core Portfolios
11-June-2014	New product disclosure-Multi-Manager Portfolios
18-Mar-2014	Wealth Account disclosure removed; changes to Client Advisors

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Part 2A: Brochure

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

Advisory Firm Background and Principal Owner

Covestor Limited ("Covestor"), a registered investment adviser, 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 United States Securities and Exchange Commission ("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.

Advisory Services

Portfolio Manager Strategies

Covestor offers an online investment platform through which Covestor's clients can subscribe to a variety of 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 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 (on a quarterly basis) 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 and assigns a risk score between 1 (least risky) and 5 (most risky) to each Portfolio managed by Covestor 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. Covestor provides detailed definitions of all portfolio and Client risk scores 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).

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") 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 account. 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.

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.

Members Sharing Their Investment Activity

Covestor selects the Portfolio Managers that may participate on its platform 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). All Portfolio Managers and their lead traders must 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 Interactive Brokers 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. 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 establish a brokerage account with Interactive Brokers generally funded 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) 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.") Some Managers run multiple Portfolios with Covestor**.** 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. 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.

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 Members Subscribing to Managers (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 accounts into the subscribing Clients' accounts. Covestor uses its affiliated broker-dealer, Interactive Brokers LLC, to execute all trades on its platform. 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.

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 $2,000,000, 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 Interactive Brokers 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 August 8, 2016 Covestor’s regulatory assets under management were approximately $11.6 million, of which 100% is managed on a limited 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 limited 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.

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. 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 Interactive Brokers 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. 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 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. 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.

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

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

e. 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 Interactive Brokers LLC, Covestor's affiliated broker-dealer and custodian. Covestor reconciles the data provided by Interactive Brokers LLC daily by using asset prices quoted by reputable independent third-party market data providers.

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.

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").

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.

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 Interactive Brokers LLC, Covestor's affiliated broker-dealer and custodian, subject to a reconciliation process using information provided by reputable independent third-party market data providers to arrive at the correct price of the assets.

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. 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 industry or issuer. 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.

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. Annual Management Fee Accounts - $10,000 for actively-managed strategies; and

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

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

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 limited discretion to modify the Portfolio Manager's trades or rebalance Portfolios and/or Client accounts in order to provide the best services to Clients.

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. If a Client elects to invest in new Portfolio, we will credit future management fees to the extent necessary to offset the transaction fees associated with liquidating the closed Portfolio and purchasing securities in the new Portfolio. Federal and state tax liabilities may also be incurred if liquidation results in long and/or short-term gains.

Trading Restrictions:

a. Covestor retains limited 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.

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.

Limited Investment Advice

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

However, Clients are advised that:

a. Covestor's investment advice consists of facilitating Clients' ability to select Managers and Portfolios through the risk scoring system and guidance provided upon request by Covestor's client service representatives
b. Covestor does not recommend specific securities, and trading strategies available for subscription by Clients on the Covestor platform generally replicate (mirror) the trading and holdings of Portfolio Managers.
c. 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.
d. 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.
e. 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.

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.
a. 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.
b. Potential conflicts of interest exist as the Client will be paying Interactive Brokers 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.
c. 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 totally to the discretion of the Client.
d. 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 Interactive Brokers LLC's securities lending program, which allows Interactive Brokers 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.

Risk of Loss

All investment activities include a risk of loss that Clients should be prepared to bear. The following investment risks fall in to 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.

Leverage Risk: Certain Portfolio Managers may use borrowed funds or leverage to fund investments in their portfolios. 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 Portfolio Managers may use short selling strategies in managing their Portfolios. 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. Short selling may also involve additional expenses and risks, including hard-to-borrow stock charges and buy-in risk.

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:

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 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.

Options Strategies

Covestor offers its Clients the opportunity to subscribe to Portfolios that include options trading. Clients must be approved to trade options in their Interactive Brokers 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.

Risks Specific to Options Trading:

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, Interactive Brokers LLC.

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 Interactive Brokers 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.

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.

Item 10: Other Financial Industry Activities and Affiliations

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

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.

Interactive Brokers 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. Interactive Brokers 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.

Interactive Brokers 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 Interactive Brokers LLC.

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'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 business model which is limited to implementing transactions in Client accounts by tracking the trade activity in Manager Portfolios, Covestor personnel generally are not considered to know or expected to know that a security is being purchased or sold by a Client unless that personnel have access to the firm's trade blotter or has other knowledge of the firm's purchases or sales before their implementation in Client 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.

Agency cross trades

Generally, buy and sell orders executed in Covestor Client accounts will not be matched internally at Interactive Brokers LLC against the accounts of another Covestor Client, a customer of a Covestor affiliate, or a Covestor affiliate acting in a proprietary trading capacity. But all orders in Covestor Client accounts will be routed for execution in the open market, where they may still execute against the orders of Covestor affiliates and their customers.

Covestor Clients may consent to their orders being designated to trade against the orders of other Interactive Brokers LLC clients, including liquidity providers, either in Interactive Brokers LLC's alternative trading system or on a public exchange through a facilitation/price improvement procedure. (These liquidity providers may offer prices better than would otherwise be available). Interactive Brokers LLC will act as broker for and receive commissions from both parties to these transactions. Covestor Clients may revoke their written consent to such transactions at any time by providing written notice to Covestor or Interactive Brokers LLC.

Principal trades

Generally, Interactive Brokers LLC will not intentionally designate orders in Covestor Client accounts to trade with the orders of Covestor affiliates engaged in proprietary trading, although Covestor Client orders may still execute against the orders of Covestor affiliates and their customers on the open market. This may affect the timing, price and quantity of the execution Covestor Clients receive.

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, execution, pricing, research, and services. 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 Interactive Brokers LLC, a related party. Covestor thus directs all of the Managers and Clients on its platform to establish brokerage and custodial relationships with Interactive Brokers LLC. Both Covestor Clients and Covestor Portfolio Managers pay Interactive Brokers LLC commissions for the trades in their Covestor accounts, which may represent a conflict of interest. Covestor does not directly receive any of the brokerage revenue generated by Interactive Brokers 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 Interactive Brokers LLC, and the Interactive Brokers Group's revenues primarily stem from its brokerage operations.

Agency Cross Transactions

Compliance with Rule 206(3)-2 is required in any transaction in which an SEC-registered investment adviser (RIA), or any person controlling, controlled by, or under common control with this RIA, acts as broker for both the advisory client and the other party to the transaction.

Agency cross transactions may be executed by Interactive Brokers, our affiliate, which may result in a conflict of interest.

Compliance with Rule 206(3)-2 requires the RIA - 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 Interactive Brokers 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 Interactive Brokers 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 the RIA. 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 Interactive Brokers LLC. Interactive Brokers 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 Interactive Brokers 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 Interactive Brokers LLC received in connection with these agency-cross transactions since the last summary. Interactive Brokers 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 Interactive Brokers LLC. Covestor's Investment Management Agreement with its Clients includes such a conspicuous statement. Trade confirmations and activity statements provided by Interactive Brokers LLC to Clients will also include such conspicuous statement.

Principal transactions require disclosure and consent prior to completion of every transaction. Neither Covestor nor Interactive Brokers LLC will engage in any principal transactions.

Regardless of how transactions are executed, Covestor strives to ensure Interactive Brokers 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 Interactive Brokers 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 Interactive Brokers 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 this Agreement will occur through Interactive Brokers LLC, an affiliate of Covestor. Covestor does not offer services through any other broker-dealer. The use of an affiliate for brokerage services may represent a conflict of interest. In the Investment Management Agreement Covestor Clients acknowledge this conflict of interest and authorize Covestor to execute transactions through Interactive Brokers LLC consistent with Covestor's duty of best execution.

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

While we reasonably believe the use of Interactive Brokers 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 Interactive Brokers 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 Interactive Brokers LLC or a third-party.

Item 13: Review of Accounts

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: www.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 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

If a Client is introduced to Covestor by either an unaffiliated or an affiliated solicitor, Covestor pays that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Covestor's investment Management Fee, and shall not result in any additional charge to the Client. If the Client is introduced to Covestor by an unaffiliated solicitor, the solicitor shall provide the Client with a copy of Covestor's written disclosure statement that meets the requirements of Rule 204-3 of the Advisers Act, and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement, including compensation (the "Solicitation Documents"). The Solicitation Documents may also be delivered electronically by Covestor prior to or simultaneously with account opening. Generally, referral programs create a conflict of interest by providing an incentive to unaffiliated persons. Any affiliated solicitor of Covestor shall disclose the nature of his/her relationship with Covestor to prospective Clients at the time of the solicitation and will provide all prospective Clients with a copy of Covestor's written disclosure statement at the time of the solicitation.

Portfolio Manager Compensation

Covestor compensates Managers with a portion of any Management Fee(s) or/and any Performance Fee(s) it charges to Clients.

Item 15: Custody

Recommended Custodian and Clearing Services

Covestor shall generally recommend that Clients utilize the brokerage and clearing services of selected financial institutions. Covestor only implements its investment management services after the Client has arranged for and furnished Covestor with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, Interactive Brokers LLC, a related party of Covestor, other broker-dealers recommended by Covestor, broker-dealers directed by the Client, trust companies, banks and other appropriate institutions (collectively referred to herein as "Financial Institutions").

Covestor may be deemed to have custody of Client funds and securities by virtue of its affiliation with Interactive Brokers LLC, the qualified custodian for Client funds and securities. Interactive Brokers 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 Interactive Brokers LLC, the qualified custodian.

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

Item 16: Investment Discretion

As authorized in the Covestor Client Agreement, Covestor assumes limited discretionary authority over Client assets placed with Covestor for management. This is done via a limited 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. Clients maintain authority to change their subscription status, and to have restrictions placed on the securities to be bought or sold for their account.

Item 17: Voting Client Securities

Covestor does not vote proxies on behalf of its Clients.

Item 18: Financial Information

Covestor does not require or solicit the prepayment of its advisory fees, and does not have any adverse financial condition 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. 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 exists outside the U.S. in the United Kingdom, Covestor is not required to register with the individual states. We qualify to register directly with the U.S. Securities and Exchange Commission. However, we make 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 Alexander MacAndrew 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 Alexander MacAndrew is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B: Brochure Supplement

Alexander MacAndrew

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August 8, 2016

Alexander MacAndrew, Investment Director

Born 1983

Educational Background:

University of Nottingham, 08/2004 to 07/2007, B.A. (Hons) – Finance, Accounting and Management.

Business Experience:

Covestor, Investment Analyst, 11/2011 – present
Dimensional Fund Advisors, Analyst, 08/2009 – 11/2011
UBS Investment Bank, Equity Sales, 08/2007 – 06/2009

Professional Certifications:

Chartered Financial Analyst, awarded 11/2011
CAIA, awarded, 10/2014

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute, the largest global association of investment professionals. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations testing proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct. To learn more about the CFA charter, visit www.cfainstitute.orghttp://www.cfainstitute.org

Disciplinary Information:

None

Other Business Activities:

None

Additional Compensation:

None

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

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

<u>Joseph Sullivan</u>

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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.

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.

Part 2B: Brochure Supplement

John Dahlstrom

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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:

FINRA Series 7, 63 and 66

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 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.

Part 2B: Brochure Supplement

<u>Sanjoy Ghosh</u>

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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 Alexander Bimal Shah is available on the SEC's website at www.adviserinfo.sec.gov.

Part 2B: Brochure Supplement

Bimal Shah

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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