

# **MAGNITUDE CAPITAL, LLC**

## **PART 2A OF FORM ADV (THE “BROCHURE”)**

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*This Brochure provides information about the qualifications and business practices of Magnitude Capital, LLC (SEC File No. 801-65284) (“Magnitude”). If you have any questions about the contents of this Brochure, please contact us at +1 212.915.3900 or [magnitudecapital@magnitudecapital.com](mailto:magnitudecapital@magnitudecapital.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.*

*Registration with the SEC as an investment adviser does not imply that Magnitude or any principals or employees of Magnitude possess a particular level of skill or training in the investment advisory or any other business.*

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

*Updated May 2013*

## **I. MATERIAL CHANGES TO THE BROCHURE**

Prior to this version of the Brochure, Magnitude's most recent version of its Form ADV, Part 2A was finalized in March 2012 (the "2012 Brochure"). Since March 2012, no material changes have occurred in Magnitude's advisory business. The following changes have been incorporated into the Brochure:

- (i) The 2012 Brochure included Magnitude Strategy Fund – Relative Value Opportunities, Ltd. and Magnitude Strategy Fund – Relative Value Opportunities Master Ltd. (collectively, the "MRVO Funds"), which were in the process of being liquidated in March 2012. Magnitude completed the liquidation of the MRVO Funds, and the MRVO Funds were dissolved, in January 2013. Therefore, they are not included in this version of the Brochure.
- (ii) The 2012 Brochure contained disclosures relating to the speculative and illiquid nature of investments in the Magnitude Funds. This Brochure contains descriptions of some additional risks, including the investment strategies of underlying funds, investors' dependence on Magnitude, shock risk, concentration of holdings, valuation, and use of leverage. These risk factors are also disclosed to investors in Magnitude's offering memoranda, which all investors review prior to investment. Please refer to Section VI.B for the disclosures added to this document.
- (iii) The 2012 Brochure contained a description of Magnitude's procedures regarding trade execution and proxy voting with respect to investments in interests of hedge funds. In addition, this Brochure contains about a description of a fund managed by Magnitude that holds accounts managed by unaffiliated portfolio managers, Magnitude's procedures regarding trade execution with respect to these managed accounts, and Magnitude's procedures regarding proxy voting with respect to securities held in these managed accounts. Please refer to Section III.C for a description of the managed account fund, Sections X.B for a description of trade execution procedures, and Section XV.B for a description of proxy voting procedures.

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## II. ADVISORY BUSINESS

Magnitude is a limited liability company organized under the laws of the State of Delaware. Magnitude was founded by James M. Hall and Benjamin S. Appen, who launched Magnitude International, Magnitude's flagship fund, in October 2002. Mr. Hall and Mr. Appen are Magnitude's principal owners. Since inception, the focus of Magnitude has been to deliver attractive risk-adjusted returns to investors with limited exposure to passive risk factors through the management of multi-strategy funds of hedge funds. The pooled investment vehicles managed by Magnitude (each, a "Magnitude Fund" and together "the Magnitude Funds") aim to achieve low direct exposure to traditional markets primarily through the identification, selection, and monitoring of investment managers and the allocation of capital to these managers ("Portfolio Managers"). Each of the Magnitude Funds offered to investors is managed with a similar investment mandate. As of December 31, 2012, Magnitude had approximately \$3.1 billion in net assets under management, all of which is allocated on a discretionary basis.

### *A. The Feeder Funds*

Below is a brief description of each of the Magnitude Funds offered to investors (the "Feeder Funds"). Please refer to any Feeder Fund's offering memorandum for a more detailed description of the applicable business and associated investment terms.

#### Magnitude International

Magnitude International ("MI") is a unit trust organized under the laws of the Cayman Islands and part of a master-feeder structure that invests in hedge funds through its ownership of Magnitude Master Fund ("MMF") shares. Non-U.S. investors and U.S. tax-exempt investors may invest in MI.

#### Magnitude Leveraged International

Magnitude Leveraged International ("MLI") is a unit trust organized under the laws of the Cayman Islands and invests in hedge funds via a derivative instrument providing leveraged exposure to MMF. Non-U.S. investors and U.S. tax-exempt investors may invest in MLI.

#### Magnitude Institutional, Ltd.

Magnitude Institutional, Ltd. ("MIL") is organized as a Cayman Islands exempted company and invests in hedge funds both directly and indirectly via an investment in MMF. Non-U.S. investors and U.S. tax-exempt investors, including ERISA plans, may invest in MIL.

#### Magnitude Partners International, Ltd.

Magnitude Partners International, Ltd. ("MPI") is organized as a Cayman Islands exempted company and invests in hedge funds through its ownership of MMF shares. Non-U.S. investors and U.S. tax-exempt investors may invest in MPI.

### Magnitude U.S. Partners

Magnitude U.S. Partners (“MUP”) is a unit trust organized under the laws of the Cayman Islands and part of a master-feeder structure that invests in hedge funds through its ownership of Magnitude Partners Master Fund, L.P. (“MPMF”) interests. U.S. taxable investors may invest in MUP.

### Magnitude Private Partners, L.P.

Magnitude Private Partners, L.P. (“MPP”) is a Delaware limited partnership that invests in hedge funds through its ownership of MPMF interests. U.S. taxable investors may invest in MPP.

## ***B. The Master Funds***

Below is a brief description of the Magnitude Funds that are not offered to investors but which invest directly in hedge funds on behalf of the Feeder Funds (the “Master Funds”).

### Magnitude Master Fund

Magnitude Master Fund (“MMF”) is a unit trust organized under the laws of the Cayman Islands and invests directly in hedge funds and in MSIPF (as defined below).

### Magnitude Partners Master Fund, L.P.

Magnitude Partners Master Fund, L.P. (“MPMF”) is a Delaware limited partnership that invests directly in hedge funds and in MSIPF.

## ***C. MSI***

### Magnitude Special Investments Portfolio Fund, Ltd.

Magnitude Special Investments Portfolio Fund, Ltd. (“MSIPF”) is an entity through which MMF and MPMF (investing through wholly owned subsidiaries Magnitude Special Investments International Master Fund, Ltd. and Magnitude Special Investments Partners Master Fund, L.P.) may invest in prime brokerage and other similar accounts managed by unaffiliated Portfolio Managers. MSIPF is organized as a Cayman Islands exempted company.

## **III. FEES AND COMPENSATION**

All investors and potential investors should review the offering documents for the Magnitude Fund in which they invest or are considering investing in conjunction with this Brochure for complete information on the fees and compensation payable with respect to the applicable Magnitude Fund.

### ***A. Management Fees and Performance Compensation***

Magnitude receives the following management fees and performance compensation from the Magnitude Funds as compensation for its services:

<b>Magnitude Fund</b>	<b>Management Fee</b>	<b>Performance Fee or Allocation<sup>1</sup></b>
Magnitude International	1.00%	10.0%
Magnitude Leveraged International	1.00% <sup>2</sup>	10.0%
Magnitude U.S. Partners	1.00%	10.0%
Magnitude Institutional, Ltd.	1.00%	10.0%
Magnitude Private Partners, L.P.	1.00% - 1.50%	10.0%
Magnitude Partners International, Ltd.	1.00% - 1.50%	10.0%

MMF, MPMF, and MSIPF are not offered to investors and do not charge management or performance fees.

Management fees are generally charged at an annual rate of pre-performance-compensation net assets under management. Such fees are payable monthly in arrears and prorated for partial periods.

Performance compensation is generally charged as a percentage of the increase in value per share above the previous highest value per share. Performance compensation is calculated after the management fee has been charged. Performance-based compensation is charged by Magnitude, or by an affiliate in the case of MUP and MPP, quarterly in arrears and upon redemption or withdrawal.

Fees and compensation are not typically negotiated. However, fees and compensation may be effectively waived or reduced, at the discretion of Magnitude. Partners, employees, and their family members invest in a fee-free share class or have fees rebated in whole on their investments. Magnitude compensates certain banks, brokerage firms, and other similar organizations for investor service functions out of its management fees.

### ***B. Other Expenses***

The Magnitude Funds are also subject to a variety of other operating and administrative expenses that are indirectly borne by investors. Operating and administrative expenses include fund administration, custody, legal counsel, audit, expenses associated with borrowings and leverage, and accounting expenses. Additionally, Portfolio Managers charge management and performance compensation on capital invested by the Magnitude Funds with that Portfolio Manager. Expenses borne by the Magnitude Funds are described in detail in their offering documents.

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<sup>1</sup> Represents percentage of profits during the period. For share classes with the longer 1-year redemption notice period, represents percentage of profits during the period above a LIBOR hurdle.

<sup>2</sup> Represents percentage of assets in the portfolio held on behalf of Magnitude Leveraged International.

#### IV. PERFORMANCE-BASED COMPENSATION AND SIDE-BY-SIDE MANAGEMENT

As disclosed above, Magnitude charges performance-based compensation based on a share of capital gains on or capital appreciation of Magnitude Fund assets. Performance-based compensation may create an incentive for Magnitude and its affiliates to make investments that are riskier or more speculative than would be the case in the absence of such compensation. In addition, performance compensation received by Magnitude is based on both realized and unrealized gains and losses. As a result, the performance-based compensation earned could be based on unrealized gains that clients may never realize.

Magnitude does not manage any pooled investment vehicles with substantially different fee structures.

#### V. TYPES OF CLIENTS

Magnitude is the investment manager of the Magnitude Funds. Investment advice is provided directly to the Magnitude Funds and not individually to the investors in the Magnitude Funds.

Magnitude's investor base is comprised primarily of high net worth investors, private banks, and institutional investors (including pension plans, corporate accounts, endowments, and foundations). Magnitude requires that each U.S. investor in a Feeder Fund be an "accredited investor" as defined in Regulation D under the Securities Act of 1933, as amended (the "Securities Act"), and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act. Further details concerning the applicable suitability criteria for investment in the Magnitude Funds are set forth in their offering documents.

The Feeder Funds have minimum dollar investment amounts and redemption or withdrawal terms as follows:

<b>Magnitude Fund</b>	<b>Minimum Investment</b>	<b>Redemption Frequency</b>	<b>Redemption Notice</b>
Magnitude International	\$5 million	Quarterly	65 days or 12 months
Magnitude Leveraged International	\$5 million	Quarterly	65 days
Magnitude U.S. Partners	\$5 million	Quarterly	65 days or 12 months
Magnitude Institutional, Ltd.	\$5 million	Quarterly	65 days or 12 months
Magnitude Private Partners, L.P.	\$250 thousand or \$1 million	Quarterly	65 days or 12 months
Magnitude Partners International, Ltd.	\$250 thousand	Quarterly	65 days or 12 months

No investors in the above Feeder Funds have liquidity terms that grant them redemption rights more frequently than quarterly or with less than 65 days' notice, or any exemptions from standard gate language.

MMF, MPMF, and MSIPF are not currently being offered to investors.

Magnitude may waive the minimum investment amounts in its discretion.

## **VI. METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### ***A. Methods of Analysis and Investment Strategies***

Magnitude uses a variety of information sources to identify prospective investments including, but not limited to, industry contacts, prime brokers, and databases. These sources are intended to help to significantly narrow down the potential universe of hedge fund managers. The goal of the hedge fund manager filtering process is to identify a group of high quality hedge fund managers for further review by Magnitude. Magnitude selects hedge fund managers based on a number of factors including, but not limited to, portfolio management experience, market knowledge, strategy style, historical performance, diversification among all of the hedge fund investments in each Magnitude Fund's portfolio, and the market environment.

Magnitude generally conducts a number of on-site and off-site interviews and substantial investment and operational due diligence prior to selecting a Portfolio Manager. The goal of the due diligence process is to evaluate:

- (i) The background of the Portfolio Manager and its investment professionals;
- (ii) The infrastructure of the Portfolio Manager (including research, trading, operations, and any other relevant infrastructure);
- (iii) The Portfolio Manager's strategy and method of trade execution;
- (iv) The Portfolio Manager's risk controls and portfolio management processes; and
- (v) The differentiating factors that give the Portfolio Manager an investment edge.

Magnitude monitors the correlations of performance among Portfolio Managers and attempts to assess how these correlations may change in various market scenarios, especially in a stress environment. Upon the completion of the investment and operational due diligence processes, Magnitude may allocate available Magnitude Fund capital to a new Portfolio Manager. Magnitude may periodically make recommendations for larger or smaller allocations to or full redemptions from certain strategies and Portfolio Managers. Portfolio positions may be held for less than one year but are often held for more than one year. The Magnitude Funds may borrow or enter into derivative arrangements with counterparties to provide leverage, take advantage of particular investment opportunities, or otherwise manage cash inflows and outflows in a more efficient manner.

### ***B. Certain Risk Factors***

Certain risks of investing in the Magnitude Funds are set forth below. In addition, relevant risks are discussed in further detail in the Magnitude Funds' offering documents, and Magnitude discusses risks in a one-on-one setting with prospective investors upon request.

#### **Investment Strategies**

The risks of the strategies employed by the Magnitude Funds and the portfolio funds are substantial and cannot be fully described in this Brochure. Such risks include the possibility that Magnitude and Portfolio Managers may fail to estimate the correct valuation of financial instruments, the timing for correction of any such mistaken valuation, the volatility and pricing path of the instruments over time, and the risk that subsequent events may alter the valuation of the instrument. In building portfolios,



Magnitude or the Portfolio Managers may fail to estimate correctly the prospective relationship among elements of the respective portfolios, leading to greater risk than intended. Strategies that work at one time may cease to work at another time, or forever. Any of these risks could result in significant losses to investors in the Magnitude Funds.

#### Speculative and Illiquid Nature of Investment

Investment in the Magnitude Funds should be considered speculative and involves substantial risk due to, among other things, the nature of the Magnitude Funds' investments, the significant fees and costs associated with such investments, and the illiquidity of interests. A person who invests in a Magnitude Fund should not expect near-term liquidity with respect to such investment, should be able to bear the financial risk of such investment for an indefinite period of time, and should be able to sustain the possible loss of the entire amount invested.

#### Dependence on Magnitude and Portfolio Managers

Investors in a Magnitude Fund have no authority to make decisions or to exercise business discretion on behalf of the Magnitude Fund. This authority is delegated to Magnitude or other third parties. Magnitude invests assets of the Magnitude Funds through portfolio funds. The success of the Magnitude Funds depends upon the ability of Magnitude to develop and implement investment strategies that achieve the Magnitude Funds' investment objectives.

#### Shock Risk

From time to time, normal market processes may be disrupted by extreme events. At these times, the volatilities of, and correlations among, instruments, strategies, and portfolio funds may increase substantially, and significant losses may be realized by investors in the Magnitude Funds.

#### Concentration of Holdings

While Magnitude may seek to diversify the assets of the Magnitude Funds through investments in various portfolio funds, there are no restrictions on the amount of the Magnitude Fund's assets that may be invested through various portfolio funds in a particular market sector or type of security. At any given time, it is therefore possible that Magnitude may select portfolio funds that will cause one or more Magnitude Funds' portfolios to be concentrated in a particular market or industry, or in a limited number or type of securities. This limited diversity could expose a Magnitude Fund to losses disproportionate to market movements in general.

#### Valuation

Interests in portfolio funds will generally be valued in accordance with the valuations provided by such portfolio funds, which will typically be provided by Portfolio Managers based on unaudited financial records and will therefore be subject to adjustment. Fees are charged to investors based on these valuations. If an investor redeems from a Magnitude Fund, subsequent adjustments to valuations of one or more portfolio funds may occur, and there is a risk that such investor may receive an amount upon

redemption that is greater or less than the amount such investor would have received on the basis of the adjusted valuation.

#### Use of Leverage

MLI indirectly borrows funds to incur portfolio-level leverage. In addition, all of the Magnitude Funds may invest in portfolio funds or accounts that themselves incur leverage. While leverage presents opportunities for increasing return, it has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment, either directly or indirectly, by a Magnitude Fund or a portfolio fund would be magnified to the extent that leverage is employed by the Magnitude Fund or the applicable portfolio fund. The use of leverage in adverse markets could result in losses that would be greater than if leverage were not employed.

Generally, incurring leverage requires posting of collateral with the counterparty that provides leverage in amounts that may be changed by the counterparty in its discretion. If a counterparty increases the amount of collateral required, the party incurring leverage might be forced to dispose of assets at times and prices that could be disadvantageous and result in substantial losses.

### **VII. DISCIPLINARY INFORMATION**

Magnitude and its principals have not been involved in any legal or disciplinary events in the past 10 years that would be material to an investor's evaluation of Magnitude in deciding whether or not to make an investment in a Magnitude Fund.

### **VIII. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Magnitude believes that relationships with other financial industry firms and their representatives may pose potential conflicts of interest that Magnitude seeks to identify and address. Investors in the Feeder Funds may be persons associated with Portfolio Managers of portfolio funds or managed accounts in which Magnitude invests. In addition, Magnitude personnel may have personal relationships with personnel of Portfolio Managers of portfolio funds or managed accounts in which Magnitude invests. Magnitude seeks to mitigate any conflicts of interest by reasonably determining that investment decisions are made in the best interests of the Magnitude Funds.

Magnitude is a member of the Managed Funds Association and the Alternative Investment Management Association.

### **IX. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS, AND PERSONAL TRADING**

Magnitude maintains and enforces a written code of ethics (the "Code") that is applicable to all employees. The Code is designed to communicate Magnitude's culture with respect to compliance and how to handle potential conflicts of interest and to guide Magnitude's employees in their compliance with legal and regulatory requirements. Magnitude's employees and principals hold themselves to high ethical standards and have a duty to act in the best interests of the Magnitude Funds.

Magnitude's Code requires Magnitude and its personnel to:

- (i) Comply with the spirit and the letter of Federal Securities Laws and the rules governing the capital markets;
- (ii) Act with competence, dignity, integrity, and in an ethical manner when dealing with the Magnitude Funds, their investors, the public, prospects, third-party service providers, fellow employees, and other persons with whom Magnitude does business;
- (iii) Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, making investments on behalf of clients, promoting Magnitude's services, and engaging in other professional activities;
- (iv) Adhere to the highest standards with respect to potential conflicts of interest with the Magnitude Funds;
- (v) Act in the best interests of the Magnitude Funds subject to appropriate disclosure standards; and
- (vi) Report violations of the Code to appropriate supervisory personnel.

Magnitude's employees are also required to follow certain rules regarding trading in their personal securities accounts. These rules include:

- (i) A requirement to obtain pre-clearance of certain transactions in securities or commodity futures (including those involving private placements, public equities, and certain other financial instruments);
- (ii) An expectation to hold on to acquired securities positions for a minimum of 30 days; and
- (iii) A requirement to provide initial, quarterly, and annual personal securities reports of holdings and transactions to the Chief Compliance Officer ("CCO").

Magnitude reviews employee trading to monitor for potential improper transactions.

Conflicts of interest may exist among various individuals and entities, including Magnitude, employees, the Magnitude Funds, and current or prospective investors. Failure to identify or properly address a conflict can have severe negative repercussions.

Magnitude's policies and procedures have been designed to identify and properly disclose, mitigate, or eliminate applicable conflicts of interest whenever feasible. However, written policies and procedures cannot address every potential conflict, so employees must use good judgment in identifying and responding appropriately to actual or apparent conflicts. Conflicts of interest that involve Magnitude (or its employees) and the Magnitude Funds or investors will generally be resolved in a way that favors the interests of the Magnitude Funds or investors over the interests of Magnitude or its employees, unless subject to appropriate considerations and disclosure.

Magnitude has additional policies and procedures designed to address other potential regulatory and conflict of interest issues employees might face. These topics include:

- (i) Insider trading laws;
- (ii) Political contributions;
- (iii) Gifts and entertainment; and
- (iv) Outside business activities.

## **X. BROKERAGE PRACTICES**

### ***A. Funds of Hedge Funds***

The Magnitude Funds typically invest directly or indirectly in hedge funds through direct transactions with such funds (or their Portfolio Managers) without using a broker. However, Magnitude may engage in direct investment transactions utilizing brokers on behalf of the Magnitude Funds. For example, Magnitude has used a broker to purchase interests in hedge funds in the secondary market. In the past the Magnitude Funds have invested directly in U.S. Treasury bills and may invest in other financial instruments. Magnitude also processes conversion and hedging foreign exchange transactions on behalf of investors in non-U.S. dollar denominated share classes of MI and MPI.

In the instances where Magnitude must select a broker to effect a transaction, Magnitude considers financial stability and reputation of the broker and the broker's execution capabilities and may consider services that would enhance Magnitude's investment research and portfolio management capability. If the amount of commission or fee charged by a broker is reasonable in relation to the value of the brokerage functions and services provided by such broker, Magnitude may effect brokerage transactions with such broker notwithstanding the fact that such broker may charge higher commissions or fees than another broker. It is Magnitude's policy, consistent with investment considerations, to seek the most favorable execution for brokerage orders, taking into account the price and levels of the services provided.

Due to the limited trading activity of Magnitude, orders for securities on behalf of the Magnitude Funds would not typically be aggregated. Magnitude may conduct cross transactions or transfers-of-interest between Magnitude Funds when such transactions are believed to be in the best interest of all Magnitude Funds involved. Generally, such transactions will occur at market value or at a value determined by a third-party such as an underlying hedge fund's administrator. However, in the absence of a reliable market price or valuation from a third-party, such transactions will occur at fair value as determined by Magnitude.

### ***B. Managed Accounts***

MSIPF has a prime brokerage relationship with Morgan Stanley & Co. LLC ("Morgan Stanley"). Magnitude has determined that the commissions paid to Morgan Stanley are reasonable in light of the services provided.

Portfolio Managers who trade in accounts held by MSIPF are typically permitted to select executing brokers. Magnitude believes that these Portfolio Managers are generally fiduciaries with obligations to obtain best execution in the accounts that they manage. In its discretion, Magnitude may also attempt to obtain contractual covenants from Portfolio Managers to seek to obtain best execution.

## **XI. REVIEW OF ACCOUNTS**

### ***A. Portfolio Management***

Magnitude's portfolio management team (the "Portfolio Management Team") consists of five partners, Benjamin S. Appen, James M. Hall, Henry Hawes Bostic, Christopher J. English, and Eric D. Stiles, and one managing director, Rick Lodewick. The five partners who are members of the Portfolio Management Team make up the Investment Committee.

The Portfolio Management Team reviews each Magnitude Fund portfolio on at least a monthly basis. The portfolio review takes into account many factors including capacity available for specific Portfolio Managers and the hedge funds they manage relative to future flows of investment into each Magnitude Fund; the quality of the opportunity set for each hedge fund in the portfolio relative to other investment opportunities; the ability of each Portfolio Manager to add value going forward; and the current disposition of the portfolio relative to a hypothetically optimal allocation. In addition, the Portfolio Management Team uses an optimization tool to help evaluate the portfolio.

Final investment decisions are based on the Portfolio Management Team's members' experience and judgment. A majority vote of the Investment Committee members determines investment decisions. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk in any investment in the portfolio. Separately, the partner with oversight of the operational due diligence process has the right to override Investment Committee decisions to address substantive operational due diligence concerns.

### ***B. Reporting to Investors***

The following reports are sent to investors in the Magnitude Funds:

- (i) Weekly performance estimates;
- (ii) Monthly performance estimates;
- (iii) Monthly investor reports with performance statistics, historical monthly performance, and a strategy profit attribution;
- (iv) Quarterly investor reports with portfolio reviews, statistical analysis, and manager commentary;
- (v) Periodic investor letters;
- (vi) Annual audited financial statements; and
- (vii) Tax reporting information for U.S. taxable investors.

In addition to the above, the administrator of the Magnitude Funds sends each investor a monthly statement showing the net asset value or capital balance of the account. The administrator also sends confirmation of subscriptions and redemptions.

## **XII. CLIENT REFERRALS AND OTHER COMPENSATION**

Other than the management and performance compensation disclosed herein, Magnitude does not receive any compensation or economic benefits in connection with the provision of investment advice to the Magnitude Funds. Magnitude does have formal arrangements with placement agents whereby Magnitude compensates certain banks, brokerage firms, and other similar organizations for marketing and investor service functions, which may include investor referrals, out of its own fees.

## **XIII. CUSTODY**

Magnitude is deemed to have custody of Magnitude Fund assets by virtue of the general power of attorney provided to Magnitude in the investment management agreements it enters into with the Magnitude Funds. Magnitude complies with the SEC's rules regarding custody of the assets owned by the Magnitude Funds by, among other things, arranging for annual financial statement audits of the

Magnitude Funds and by distributing the audited financial statements to investors in the Magnitude Funds. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 180 days of the Magnitude Funds' fiscal year-end.

#### **XIV. INVESTMENT DISCRETION**

Subject to the investment objectives, policies, and restrictions of each Magnitude Fund as set forth in the offering documents of such Magnitude Fund, Magnitude has full discretion over the Magnitude Funds.

#### **XV. VOTING CLIENT SECURITIES**

##### ***A. Funds of Hedge Funds***

Magnitude, in its capacity as an investment advisor to funds of hedge funds, makes proxy votes and processes corporate actions associated with Magnitude Fund investments in hedge funds as needed. Magnitude votes such proxies and takes such corporate actions in accordance with the best interests of the Magnitude Funds, its fiduciary duty to clients, and the Advisers Act.

Magnitude has the authority and responsibility to evaluate potential changes to the investment terms and structure associated with the Magnitude Funds' underlying investments in hedge funds. The Portfolio Management Team considers the best interests of each affected Magnitude Fund when approving or rejecting proposed changes in the investment terms of underlying hedge funds.

A copy of Magnitude's written proxy voting policies and procedures is available upon request, as is information about how Magnitude has voted.

##### ***B. Managed Accounts***

Each Portfolio Manager who trades in an account held by MSIPF is delegated the responsibility of making proxy votes for securities held in the account that such Portfolio Manager is trading. Magnitude believes that these Portfolio Managers are generally fiduciaries with obligations to vote proxies in the best interests of the accounts they manage. In its discretion, Magnitude may also obtain contractual covenants from the Portfolio Manager that the Portfolio Manager will vote proxies in the best interests of the account that it manages.

#### **XVI. FINANCIAL INFORMATION**

Magnitude has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

# **MAGNITUDE CAPITAL, LLC**

## **PART 2B OF FORM ADV (THE “BROCHURE SUPPLEMENT”)**

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*This Brochure Supplement provides information about Benjamin S. Appen, James M. Hall, Henry Hawes Bostic, Christopher J. English, and Eric D. Stiles (collectively, the “Investment Partners”). It supplements the accompanying Form ADV Part 2A Brochure of Magnitude Capital, LLC (SEC File No.: 801-65284) (“Magnitude”). If you have any questions about the contents of this Brochure Supplement, please contact us at +1 212.915.3900 or [magnitudecapital@magnitudecapital.com](mailto:magnitudecapital@magnitudecapital.com). The information in this Brochure Supplement has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.*

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## **I. BIOGRAPHICAL INFORMATION ABOUT BENJAMIN S. APPEN**

### ***A. Educational Background and Business Experience***

Mr. Appen was born in 1970. He received a Bachelor of Arts degree in Political Science, *magna cum laude*, from Columbia University in 1992. Mr. Appen was awarded the CFA<sup>1</sup> designation in 1999.

Mr. Appen is a founding partner of Magnitude. Previously, he was the founder and CEO of Alkindi, a statistical software company, from 2000 to 2001. From 1992 to 2000, Mr. Appen worked at D. E. Shaw Group. He served as Senior Vice President and managed the firm's fund of funds business, overseeing the evaluation of all investment strategies, manager selection, and quantitative research.

### ***B. Disciplinary Information***

Mr. Appen has not been involved in any legal or disciplinary events that would be material to a current or prospective client.

### ***C. Other Business Activities***

Mr. Appen is the chairman of the board of directors of Neighborhood Trust Financial Partners, a non-profit organization focused on financial literacy and economic empowerment in communities that are underserved by traditional financial institutions. Mr. Appen is also a trustee of the Citizens Budget Commission. These activities are not expected to significantly impair his ability to serve as an officer of Magnitude; related activities rarely encroach materially on professional time. Mr. Appen is not engaged in any other investment-related business, and he does not receive compensation in connection with any business activity outside of Magnitude.

### ***D. Additional Compensation***

Mr. Appen does not receive economic benefits from any person or entity other than Magnitude in connection with the provision of investment advice to clients.

### ***E. Supervision***

As one of two founding partners of Magnitude, Mr. Appen maintains ultimate responsibility for Magnitude's operations along with James M. Hall. Mr. Appen discusses investment decisions with the other Investment Partners. A vote by three or more of the five Investment Partners determines investment decisions. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk

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<sup>1</sup> The Charter Financial Analyst (CFA) designation is an international professional certification issued by the CFA Institute to qualified candidates who complete a series of three examinations. To become a candidate for a CFA charter, candidates must meet one of the following requirements: 1) Undergraduate degree and four years of professional experience involving investment decision-making, or; 2) Four years qualified work experience (full time, but not necessarily investment related). Candidates may become a CFA Charterholder if they successfully pass three course exams, Levels I, II, and III. The CFA Institute has stated that the average candidate may need approximately 250 hours of study for each of the three levels. The CFA curriculum includes these topic areas: Ethical and Professional Standards; Quantitative Methods (such as the time value of money, and statistical inference); Economics; Financial Reporting and Analysis; Corporate Finance; Analysis of Investments (stocks, bonds, derivatives, venture capital, real estate, etc.); Portfolio Management and Analysis (asset allocation, portfolio risk, performance measurement, etc.). CFA Charterholders are also obligated to adhere to a strict Code of Ethics and Standards governing their professional conduct. More information on the CFA charter is available at [www.cfainstitute.org](http://www.cfainstitute.org).

in any investment in the portfolio. Separately, the partner with oversight of the operational due diligence process has the right to override Investment Committee decisions to address substantive operational due diligence concerns. Operational decisions are discussed with Magnitude's Director of Operations and Chief Compliance Officer ("CCO"), Raymond A. Waterhouse, Jr. Any of these individuals can be reached directly by calling the telephone number on the cover of this Brochure Supplement.

## **II. BIOGRAPHICAL INFORMATION ABOUT JAMES M. HALL**

### ***A. Educational Background and Business Experience***

Mr. Hall was born in 1965. He received a Bachelor of Science degree in Chemical Engineering, *magna cum laude*, from the University of Illinois in 1987.

Mr. Hall is a founding partner of Magnitude. Previously, he was a Managing Director and Global Head of UBS's Alternative Asset Management business from 1995 to 2001. Prior to 1995, Mr. Hall was a floor trader and built and oversaw various foreign exchange businesses in the Swiss Bank/UBS organization.

### ***B. Disciplinary Information***

Mr. Hall has not been involved in any legal or disciplinary events that would be material to a current or prospective client.

### ***C. Other Business Activities***

Mr. Hall is not engaged in any other investment-related business, and he does not receive compensation in connection with any business activity outside of Magnitude.

### ***D. Additional Compensation***

Mr. Hall does not receive economic benefits from any person or entity other than Magnitude in connection with the provision of investment advice to clients.

### ***E. Supervision***

As one of two founding partners of Magnitude, Mr. Hall maintains ultimate responsibility for Magnitude's operations along with Benjamin S. Appen. Mr. Hall discusses investment decisions with the other Investment Partners. A vote by three or more of the five Investment Partners determines investment decisions. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk in any investment in the portfolio. Separately, the partner with oversight of the operational due diligence process has the right to override Investment Committee decisions to address substantive operational due diligence concerns. Operational decisions are discussed with Magnitude's Director of Operations and CCO, Raymond A. Waterhouse, Jr. Any of these individuals can be reached directly by calling the telephone number on the cover of this Brochure Supplement.

### **III. BIOGRAPHICAL INFORMATION ABOUT HENRY HAWES BOSTIC**

#### ***A. Educational Background and Business Experience***

Mr. Bostic was born in 1973. He received a Bachelor of Arts degree in English Literature from the University of Virginia in 1995. Mr. Bostic was awarded the CFA designation in 2008.

Mr. Bostic joined Magnitude in 2005 and serves as a Partner and is Director of Manager Research. Prior to joining Magnitude, Mr. Bostic was a trader with KBC Financial Products and D. E. Shaw Group.

#### ***B. Disciplinary Information***

Mr. Bostic has not been involved in any legal or disciplinary events that would be material to a current or prospective client.

#### ***C. Other Business Activities***

Mr. Bostic co-owns Post-Southern Productions, a small film production company. This activity is not expected to significantly impair his ability to serve as an officer of Magnitude; related activities rarely encroach materially on professional time. Mr. Bostic is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of Magnitude.

#### ***D. Additional Compensation***

Mr. Bostic does not receive economic benefits from any person or entity other than Magnitude in connection with the provision of investment advice to clients.

#### ***E. Supervision***

Mr. Bostic is one of five Investment Partners of Magnitude. He reports to Mr. Hall. A vote by three or more of the five Investment Partners determines investment decisions. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk in any investment in the portfolio. Separately, the partner with oversight of the operational due diligence process has the right to override Investment Committee decisions to address substantive operational due diligence concerns. Compliance oversight of Mr. Bostic is provided by the CCO, Raymond A. Waterhouse, Jr. Any of these individuals can be reached directly by calling the telephone number on the cover of this Brochure Supplement.

#### **IV. BIOGRAPHICAL INFORMATION ABOUT CHRISTOPHER J. ENGLISH**

##### ***A. Educational Background and Business Experience***

Mr. English was born in 1960. He received a Bachelor of Arts degree in Economics from Vassar College in 1982.

Mr. English joined Magnitude in 2008 and serves as a Partner and Senior Investment Officer. Prior to joining Magnitude in 2008, Mr. English was a Managing Director and Co-Head of Deutsche Bank Alternative Trading's Cross Market Arbitrage Group from 2002 to 2007. Before that, Mr. English worked in senior trading capacities at Merrill Lynch and JPMorgan and also ran hedge fund firm New Bond Trading.

##### ***B. Disciplinary Information***

Mr. English has not been involved in any legal or disciplinary events that would be material to a current or prospective client.

##### ***C. Other Business Activities***

Mr. English is a minority owner of a minor league baseball team. This activity is not expected to significantly impair his ability to serve as an officer of Magnitude; related activities rarely encroach materially on professional time.

Mr. English is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of Magnitude.

##### ***D. Additional Compensation***

Mr. English does not receive economic benefits from any person or entity other than Magnitude in connection with the provision of investment advice to clients.

##### ***E. Supervision***

Mr. English is one of five Investment Partners of Magnitude. He reports to Mr. Appen. A vote by three or more of the five Investment Partners determines investment decisions. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk in any investment in the portfolio. Separately, the partner with oversight of the operational due diligence process has the right to override Investment Committee decisions to address substantive operational due diligence concerns. Compliance oversight of Mr. English is provided by the CCO, Raymond A. Waterhouse, Jr. Any of these individuals can be reached directly by calling the telephone number on the cover of this Brochure Supplement.

## **V. BIOGRAPHICAL INFORMATION ABOUT ERIC D. STILES**

### ***A. Educational Background and Business Experience***

Mr. Stiles was born in 1967. He received a Doctor of Philosophy degree in Finance from New York University in 1996 and a Bachelor of Arts degree in Mathematics and Economics, *magna cum laude*, from Colgate University where he was elected to Phi Beta Kappa in 1990.

Mr. Stiles joined Magnitude in 2008 and serves as a Partner and is Director of Risk Management. Prior to joining Magnitude, Mr. Stiles was a Portfolio Manager with HBK Investments where he founded and managed the firm's quantitative volatility trading business.

### ***B. Disciplinary Information***

Mr. Stiles has not been involved in any legal or disciplinary events that would be material to a current or prospective client.

### ***C. Other Business Activities***

Mr. Stiles is not engaged in any other investment-related business, and does not receive compensation in connection with any business activity outside of Magnitude.

### ***D. Additional Compensation***

Mr. Stiles does not receive economic benefits from any person or entity other than Magnitude in connection with the provision of investment advice to clients.

### ***E. Supervision***

Mr. Stiles is one of five Investment Partners of Magnitude. He reports to Mr. Hall. A vote by three or more of the five Investment Partners determines investment decisions. Mr. Hall and Mr. Appen each retain the right to veto a proposed new investment or reduce risk in any investment in the portfolio. Separately, the partner with oversight of the operational due diligence process has the right to override Investment Committee decisions to address substantive operational due diligence concerns. Compliance oversight of Mr. Stiles is provided by the CCO, Raymond A. Waterhouse, Jr. Any of these individuals can be reached directly by calling the telephone number on the cover of this Brochure Supplement.