

## Part 2A of Form ADV: Firm Brochure

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**This Brochure provides information about the qualifications and business practices of Pluscios Management LLC (“Pluscios”). If you have any questions about the contents of this Brochure, please contact us. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Pluscios is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training.**

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

## **Item 2 – Material Changes**

This Brochure dated March 15, 2013 includes several immaterial changes versus the version previously filed on March 23, 2012.

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## **Item 4 – Advisory Business**

Pluscios is a Delaware limited liability company that was formed in June 2006. The co-managing members of Pluscios are Ms. Constance Teska and Ms. Kelly Chesney. Ms. Theresa Mozzocci, a former employee owns a less than 5% interest. Pluscios provides investment advice and management with respect to alternative investments.

### ***Types of services provided***

Currently, Pluscios provides investment advisory services to pooled investment vehicles (such as funds of hedge funds referred to in this document as Funds). The nature of the investment advisory services includes:

1. Sub-fund selection and due diligence;
2. Asset allocation and portfolio construction;
3. Portfolio and risk monitoring.

Pluscios also provides advisory or sub-advisory services to other pooled investment vehicles and institutional investors with respect to alternative investments generally.

### ***Current “clients”***

Pluscios acts as the general partner and/or investment advisor to the following funds:

1. Pluscios Fund LLC, a Delaware limited liability company, which allocates substantially all of its assets to hedge funds managed by other investment advisors, primarily by investing in the Pluscios Master Fund SPC.
2. Pluscios Offshore Fund SPC, a Cayman Islands segregated portfolio company, which allocates substantially all of its assets to hedge funds managed by other investment advisors by investing in Pluscios Master Fund SPC.
3. Pluscios Master Fund SPC, a Cayman Islands segregated portfolio company, which allocates substantially all of its assets to hedge funds managed by other investment advisors.

Investments in the Funds are made into either the Pluscios Fund LLC or the Pluscios Offshore Fund (we call these feeder funds) based on eligibility requirements and tax status of the Investor (described in Item 7 below). Each class in the Funds has its own fee and liquidity terms which are fully described in the relevant Offering Memorandum. Currently Investors can choose between the Diversified Core portfolio which is a multi-strategy fund of hedge funds; the Catalyst portfolio which is a single strategy fund of hedge funds; or, for larger Investors, a customized portfolio. The Funds are not subject to regulatory restrictions or oversight.

In addition, Pluscios acts as a sub-advisor on other registered and private investment funds.

### ***AUM***

On December 31, 2012 Pluscios had \$123 million in assets under management of which \$109 million were managed on a discretionary basis and \$14 million were managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### ***Management Fees***

Pluscios receives a monthly management fee for managing the Funds. We deduct the fee from an Investor's account in advance in an amount equal to a specified percentage of each investor's account. The percentage for calculation depends on the class as described in the relevant Offering Memorandum.

### ***Expenses***

The Funds also directly incur expenses for various administrative services and indirectly incur fees and expenses, including brokerage fees and other transaction costs, incurred by sub-funds.

### ***Our Ability to Negotiate Fees***

We reserve the right to negotiate and charge different fees for different accounts. For example, we may offer discounted fee schedules to certain clients based on the totality of their (and/or their affiliates') relationship with us. We take a variety of factors into consideration in making this determination which may include: the number of accounts managed, the nature of services rendered, and any special requirements of the account(s) managed, the size of the account and the length of the lock-up. All of these factors, including the totality of our relationship with a client and/or its affiliate(s), may also be taken into consideration in determining whether a client is similarly situated to another client for most-favored-nation purposes.

Advisory and sub-advisory fees are negotiated on a contract by contract basis.

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

For most Fund classes Pluscios also receives, as of each year-end, a performance-based fee as set forth in the relevant Offering Memorandum. Currently the Pluscios Offshore Fund has a class that does not pay a performance based fee but that class is an institutional class that is subject to a higher minimum, higher management fee and a three year lock up.

The Funds may establish classes in the future that have different or no incentive allocations.

## **Item 7 – Types of Clients**

Pluscios primarily provides portfolio management services to Funds. The Investors in the Funds can or may include high net worth individuals, corporate and public pension and profit-sharing plans, charitable institutions, foundations, endowments, Taft-Hartley plans, municipalities, registered mutual funds, private investment funds, trust programs, sovereign funds, foreign funds such as UCITs, and other U.S. and international institutions. Pluscios may also provide advisory services to institutional investors.

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

As a general matter, regardless of methodology or strategy, investing in securities involves risk of loss that clients should be prepared to bear. The following describes our process and the associated risks.

### ***Methods of Analysis and Sources of Information***

Pluscios builds portfolios of pooled investment vehicles (referred to throughout as sub-funds) for its clients. The sub-funds are primarily what are known as hedge funds.

In building a portfolio, Pluscios starts with a “top down” view of the near term opportunities determining the areas with distinct, favorable risk reward profiles. This approach allows for forward-looking opportunistic allocations that can be missed when simply using optimization models based solely on historical performance.

Pluscios then utilizes a “bottom up” approach to build the portfolio: at the highest level diversifying among strategies; then, within each strategy diversifying among style, geography, size, capital structure, industry, etc.; and finally, diversifying among the sub-funds. This diversification helps to mitigate the greatest risk in hedge fund investing – sub-fund risk. Pluscios also seeks to maintain a low correlation among sub-funds which is designed to provide the portfolio with an enhanced risk/return profile.

### ***Portfolio Strategies, Benefits, & Risks***

While there is no material limitation on the nature of the strategies the sub-funds may employ, Pluscios categorizes sub-funds into five strategies: three core strategies – Directional, Relative Value and Catalyst Driven; and two opportunistic strategies – Global Macro and Emerging Markets. Each of these strategies is described below:

Directional Strategy. Directional strategies seek to profit by taking positions with a directional bias, and generally involve fundamental analysis in the investment decision process. These strategies generally operate on the belief that the market will come to realize the “fair” value of the asset at some point in the future. These strategies provide diversified exposure across industries, market caps and geographies but are generally highly correlated to the general equity markets. Directional strategies include long/short equity trading, sector investing and short selling.

- Benefits: Diversified exposure (long and short) across industries, market capitalizations, and geographies. Historically, strong returns over time.
- Risks: Higher correlation to equity markets given the group’s net long bias, higher volatility. Unlimited downside involved in short selling.

Relative Value Strategy. Relative value strategies seek to profit from the relative mispricing of related assets while remaining neutral to directional price movements in any one market. These strategies may be highly quantitative and based on historical or theoretical pricing relationships. The relative value strategies generally have a low and sometimes negative correlation with the general equity markets. They frequently use leverage since the mispricings that these strategies exploit are often small. Relative value strategies include, but are not limited to, convertible bond arbitrage, fixed income arbitrage, options arbitrage, pairs trading and multiple “market neutral” strategies.

- Benefits: Exposure to numerous asset classes with low volatility and low, often negative correlation with equity markets.
- Risks: These funds tend to use higher leverage than other strategies. Extreme market events may increase the correlation as was seen in 1998.

**Catalyst Driven Strategy.** Catalyst Driven strategies involve investing in opportunities created by significant transactional events, such as spin-offs, mergers and acquisitions, liquidations, reorganizations, bankruptcies, recapitalizations and share buybacks and other extraordinary corporate transactions. The portfolio is expected to have moderate volatility and tend to be less correlated with the general equity markets because these opportunities are issuer and transaction specific. These strategies rely more on fundamental research than on quantitative analysis. They are, however, limited in number. Catalyst Driven strategies include risk arbitrage, distressed, credit and special situations investing.

- Benefits: Exposure to announced deals, often hedged, that have been scrutinized by funds' team of analysts and attorneys. Low to moderate correlation to equity markets.
- Risks: Deal termination or incorrect event analysis can result in significant losses. Limited events in market, position overlap.

**Global Macro Strategy.** Global macro strategies profit from taking positions relating to global macro-economic trends. At any given time, a sub-fund employing a global macro strategy may take positions in currencies, global or sovereign bonds, global equities and equity indices or commodities. These strategies provide diversified exposure to most other financial assets and generally have a low correlation with the general equity markets. Global macro strategies tend to be highly directional and can be highly volatile.

- Benefits: Diversified exposure to virtually every financial asset. Low correlation to equity markets.
- Risks: High volatility. Trend analysis not always effective.

**Emerging Markets Strategy.** Emerging market strategies take positions in the securities of companies in or the sovereign debt instruments of developing or "emerging" countries and often require specialized knowledge of local markets. Sub-funds designated by Pluscios as pursuing emerging market strategies invest a majority of the assets they manage (i.e., greater than 50%) in such developing or "emerging" countries. These strategies provide diversification away from the more developed countries but tend to be highly volatile. These strategies generally have a low correlation with the general equity markets.

- Benefits: Good portfolio diversifier over time.
- Risks: Expect higher volatility in returns. Liquidity issues.

### ***Active Portfolio Management***

The allocation guidelines to each of these strategies will vary depending on the portfolio. Strategy guidelines for each portfolio are included in the relevant offering documents. However, to optimize the combined benefits and risks of the strategies, we can and do change allocations over time based on the top down view of market opportunities. Furthermore, the markets in which a Fund directly or indirectly trades and invests are dynamic and therefore Pluscios may increase or decrease the allocations to various strategies, outside of the anticipated ranges in response to perceived market changes.

Pluscios may also make direct investments on behalf of a Fund in various kinds of debt, equity and hybrid securities including, without limitation, securities issued in the private capital markets, collateralized debt obligations, commercial mortgage-backed securities and other asset-backed securities.

### ***Manager/Sub-Fund Selection***

Before we allocate assets to a sub-fund we evaluate the sub-fund and its manager. Our evaluation process is based on our investment strategy of hiring the best managers and having a portfolio that is diversified both with respect to strategies and managers. This philosophy centers around mitigating what we believe to be the biggest risk in a fund investment – sub-fund risk, or the impact that poor performance by one sub-fund can have on a portfolio. We believe that a well-diversified hedge fund portfolio can deliver consistent results in varying market environments while keeping volatility significantly lower than that of the general equity markets. We do not hesitate to exit a sub-fund if warranted, but we view ourselves as long-term investors and have established that reputation in the industry. Therefore, we conduct rigorous due diligence before adding a sub-fund to the portfolio.

Thorough due diligence isn't just checking the boxes or filling in answers to boilerplate questions; it is an effort focused on understanding exactly what you will get when you invest in a sub-fund and much of what you get depends on the specific style of investing employed by the manager of the sub-fund.

Our evaluation process is the same for all sub-funds, regardless of how long the evaluation takes. A sub-fund will start on our "radar screen" if it meets certain broad quantitative criteria. It will move up through classifications such as "Long Term Consideration," "Secondary Prospects," "Primary Prospects," and "Pre-Investment Committee" as our interest, knowledge, and confidence in the sub-fund increases. A sub-fund that for one reason or another does not advance will move to the "Reviewed and Rejected" portion of the radar screen.

The first step in evaluating any sub-fund is a quantitative analysis. We look at a number of factors including returns across a variety of market cycles and correlations to other sub-funds in our portfolio as well as to the broad market indices. But over the long term the quality of the returns is as important as the quantity. How a sub-fund generates returns and sustainability of that return generation is a key question in our due diligence process. Understanding the style of investing is critical to our judgment of the sustainability of returns.

For sub-funds that meet our specific initial requirements, we have a comprehensive due diligence process that researches qualitative and quantitative information for each sub-fund. As part of the due diligence, we conduct on-site visits and at least two of the investment committee members must have met with the sub-fund manager to qualify the sub-fund for potential inclusion in the portfolio.

Upon completion of the due diligence for a sub-fund, the sub-fund passes through legal review, and then the investment committee meets a final time to authorize negotiation of terms and investment. The decision to invest is valid for 6 months. If no investment is made in that 6-month period, then the sub-fund must begin the review process again.



**General Risks**

Investors should be aware that they can lose money. Additional risk factors associated with an investment in a Fund include, but are not limited to, the following:

1. General Investment Risk, i.e., the risk of deterioration in the financial markets in general;
2. Strategy Risk, i.e., the risk that the investment strategies and/or investment techniques may not work as intended;
3. Sub-fund Risk, i.e., the risks associated with the use of third-party investment management firms, such as fraud, deviation from defined strategies, human or system error and poor judgment;
4. Institutional Risk, i.e., the risk of losses due to: the failure of counterparties to perform their contractual commitments; or (ii) the financial difficulty of brokerage firms, banks or other financial institutions that hold assets;
5. Fund Structure Risk, i.e., the special considerations and risks arising from the operation of certain provisions of any governing document such as an LLC Agreement; and
6. Operational Risk, i.e., the special considerations and risks arising from the day-to-day management of a portfolio of alternative investments.

A detailed description of the risks is provided in the relevant Fund offering documents or can be requested by contacting Pluscios at 224-420-7040.

**Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Pluscios or the integrity of Pluscios' management. Pluscios has no information applicable to this Item.

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

None.

**Item 11 – Code of Ethics**

Pluscios has all of the policies and procedures required of SEC registered investment advisors pursuant to SEC Rule 204A-1 including a Compliance Manual which contains a robust code of conduct. The purpose of the Compliance Manual is to set forth the standards of conduct expected from all Pluscios personnel with the overall objective to promote full and conscientious compliance by firm personnel with fiduciary standards applicable to Pluscios. Pluscios' Compliance Manual covers five broad areas including:

1. General principles such as conflicts of interest, confidentiality, privacy and Pluscios' duty as a fiduciary;
2. Policies regarding marketing material and investors, including limitations on the solicitation of investors and the handling of investor complaints;
3. Trading issues such as securities allocations, safekeeping of assets and a prohibition on "principal" and "cross" trades;
4. Policies relating to money laundering; proxies; insider trading; and
5. Valuation procedures.

All of these policies are available in our offices for inspection and review.

## **Item 12 – Brokerage Practices**

Pluscios is primarily in the business of selecting sub-funds, so it is generally the sub-funds, rather than Pluscios, who select the brokers and arrange for the execution of transactions. Where brokerage accounts are needed for custody etc., Pluscios does not receive soft dollar or other consideration.

## **Item 13 – Review of Accounts**

Pluscios does not maintain any individual client accounts. Pluscios does review the Funds and sub-funds on an ongoing basis. As part of the monitoring process, Pluscios reviews each sub-fund's performance against its peers, as well as management stability, asset growth and shrinkage, style drift, suspicious activity, employee turnover, and changes in strategy, approach or administrative procedures. We maintain frequent phone communication with each sub-fund in addition to conducting on-site visits. In addition to monthly returns, on a periodic basis (typically quarterly), Pluscios receives and reviews financial and qualitative investment reports submitted to it by a sub-fund.

Fund performance and other information are regularly reported to Pluscios' investors. On a quarterly basis, Pluscios supplies commentary and unaudited performance updates. In addition, monthly statements report each investor's account performance. Finally, annual audited financial statements and annual tax reporting are provided to all clients.

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

We do use third party marketing firms for specific target markets. Any compensation paid to the marketers is done pursuant to a written agreement and disclosed in advance to investors.

## **Item 15 – Custody**

Investors in Funds receive monthly account statements approximately 30-45 days after month end from the Funds' administrator. Pluscios encourages Investors to carefully review the statements and contact us immediately if the Investor has any questions.

The Funds are audited every year by a nationally recognized accounting firm. Audits are completed in accordance with generally accepted accounting principals.

## **Item 16 – Investment Discretion**

Pluscios has discretionary authority over the Funds and may have discretionary authority from an advisory client. We exercise this discretion in a manner consistent with the stated investment objectives for the particular Fund or client account.

When selecting securities and determining amounts, Pluscios observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, Pluscios' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment guidelines and restrictions must be provided to Pluscios in writing.

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

Pluscios is responsible for the allocation of assets on behalf of the Funds to various sub-funds that are generally structured as private limited partnerships, limited liability companies or offshore corporations (collectively, "Alternative Investments"). The voting rights of Alternative Investments generally are contract rights set forth in the organizational documents (e.g., the limited partnership agreement, limited liability company or memorandum and articles of association). As privately placed securities, Alternative Investments generally are not subject to the regulatory scheme applicable to public companies. Consequently, in most cases, Alternative Investments do not issue proxies. Instead, they often solicit consents from their limited partners, members or shareholders.

As an investment manager, Pluscios in the normal course of business is typically granted by its clients the authority to vote the solicitations or consents of Alternative Investments and the proxies of securities directly held by clients that are not under the management of a sub-fund (e.g., securities that are received from in-kind redemptions). In accordance with relevant regulations and other applicable fiduciary standards, Pluscios' objective is to vote the solicitations, consents and proxies (hereinafter referred to as "proxies") in the best interests of its clients. To further that objective, Pluscios has adopted specific Proxy Voting Policies and

Procedures. Investors may obtain a copy of Pluscios' complete proxy voting policies and procedures upon request.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Pluscios' financial condition. Pluscios has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **Item 19 – Requirements for State-Registered Advisers**

Not applicable.