



GLADIUS CAPITAL MANAGEMENT LP

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PART 2A OF FORM ADV FIRM BROCHURE

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This brochure provides information about the qualifications and business practices of GLADIUS CAPITAL MANAGEMENT LP ("Gladius" or "Adviser"). If you have any questions about the contents of this brochure, please contact us at 312-348-5900 or info@gladiusinvgroup.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.

GLADIUS CAPITAL MANAGEMENT LP is registered as an investment adviser with the SEC. Registration does not imply a certain level of skill or training.

Additional information about GLADIUS CAPITAL MANAGEMENT LP also is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number and SEC number for GLADIUS CAPITAL MANAGEMENT LP are 152023 and 801-70841, respectively.



Item 2 – Material Changes

Please see Exhibit A attached hereto for a summary of material changes, if any, since the last annual update of this firm brochure dated March 30, 2012.

Item 3 – Table of Contents

Item 2 – Material Changes.....	2
Item 3 – Table of Contents	3
Item 4 – Advisory Business.....	4
Item 5 – Fees and Compensation	5
Item 6 – Performance-Based Fees and Side-By-Side Management	8
Item 7 – Types of Clients.....	8
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	9
Item 9 – Disciplinary Information.....	10
Item 10 – Other Financial Industry Activities and Affiliations.....	10
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12 – Brokerage Practices	12
Item 13 – Review of Accounts	13
Item 14 – Client Referrals and Other Compensation	14
Item 15 – Custody	14
Item 16 – Investment Discretion.....	14
Item 17 – Voting Client Securities.....	15
Item 18 – Financial Information.....	16
Privacy Policy	16

Item 4 – Advisory Business

A. The Advisory Firm and its Owners

Gladius Capital Management LP (“Gladius” or the “Advisor”) provides investment management services on a discretionary basis to private investment vehicles. Gladius commenced operations on September 1, 2009. The Advisor’s founder and principal owner is Pav Sethi, Chief Executive Officer and Chief Investment Officer.

B. Advisory Services

Gladius provides discretionary investment management services to private collective investment vehicles including, without limitation, Gladius Volatility Opportunities Onshore Fund LLC (the “Onshore Fund”), Gladius Volatility Opportunities Offshore Fund Ltd. (the “Offshore Fund” and together with the Onshore Fund, the “Feeder Funds”) and Gladius Volatility Opportunities Master Fund L.P. (the “Master Fund”) (the Onshore Fund, the Offshore Fund and the Master Fund collectively, the “Gladius Volatility Opportunities Funds”) (the Gladius Volatility Opportunities Funds and each other private collective investment vehicle to which Gladius provides discretionary investment management services, each a “Fund” and together the “Funds”).

The Gladius Volatility Opportunities Funds utilize a master-feeder structure whereby each of the Onshore Fund and the Offshore Fund invests substantially all of its capital in the Master Fund. The Adviser makes all investment and trading decisions on behalf of the Master Fund pursuant to an investment management agreement. Although trading is currently anticipated to be only at the Master Fund level, the Adviser may also trade at the Feeder Fund level in the future.



Gladius advises additional private collective investment vehicles according to the investment objectives specified in the pertinent investment management agreement.

C. Investment Guidelines

There are no material limitations on the instruments, strategies, markets or countries in which the Gladius Volatility Opportunities Funds may invest.

Gladius advises other private investment funds according to the investment objectives specified in the pertinent investment management agreement.

D. Wrap Fee Programs

Not Applicable. Gladius does not currently participate in wrap fee programs by providing portfolio management services.

E. Assets Under Management

Gladius manages USD 1,761,055,209.00 of client assets on a discretionary basis calculated as of February 28, 2013.

Item 5 – Fees and Compensation

A. Gladius Volatility Opportunities Funds

i. Management Fees

The Master Fund pays to the Adviser a monthly management fee based on the beginning of the month gross asset value of each capital account or each series of each class of shares of each of the Feeder Funds, as pertinent, prior to reduction for any profit allocations not yet made and for the management fees being calculated, as provided in the investment



management agreement. Management fees are calculated and deducted from client accounts monthly in advance.

The Adviser may waive or rebate all or a portion of the management fee due. Certain investors that are members, partners, affiliates or employees of Gladius, members of the immediate families of such persons and trusts or other entities for their benefit are eligible for and pay reduced management fees.

ii. Profit Allocations

The Master Fund allocates to the capital account of Gladius Holdings LLC, the general partner ("General Partner") of the Master Fund and an affiliate of the Adviser, a share of the appreciation, if any, attributable to each capital account or each series of each class of shares of each of the Feeder Funds, as pertinent, subject to a traditional "high water mark" and, where applicable, a hurdle amount, as more fully described in the Feeder Fund offering documents. Profit allocations are generally, but not necessarily finally, determined as of each December 31 and upon withdrawals, transfers, distributions and conversions (with respect to the amounts withdrawn, transferred, distributed or converted, as applicable) as more fully set forth in the Feeder Fund offering documents.

The Adviser may waive or rebate all or a portion of the profit allocation due. Certain investors that are members, partners, affiliates or employees of Gladius, members of the immediate families of such persons and trusts or other entities for their benefit are eligible for and make reduced profit allocations.



All performance-based compensation received by the Adviser or the General Partner will comply with Rule 205-3 under the Investment Advisers Act of 1940 (the "Advisers Act").

iii. Other

In addition to the Adviser's and the General Partner's fees and allocations, unless and to the extent otherwise specified in the relevant Gladius Volatility Opportunities Fund's private placement memorandum, investors bear indirectly certain fees and expenses charged to the Funds. The Master Fund (and each Feeder Fund, to the limited extent that it incurs any expenses directly as opposed to as an investor in the Master Fund) will pay all expenses incurred in connection with the Fund's trading, operations and administration. Such expenses include, without limitation, the following: legal and compliance fees and expenses; audit and accounting fees; insurance costs and expenses; administrative, custodial and transaction fees; costs and commissions paid to custodians, broker-dealers and other third parties; and investment and research-related expenses. Please refer to Item 12 (Brokerage Practices) for additional information regarding the brokerage and transaction costs clients will incur.

B. Other Private Investment Vehicles

Fees for other private investment vehicles are as set forth in the pertinent investment management agreement or offering document, as applicable. Unless and to the extent otherwise specified in the pertinent investment management agreement or offering document, as applicable, investors in a Fund bear indirectly certain fees and expenses charged to the Fund including all expenses incurred in connection with the Fund's trading, operations and administration. Such expenses include, without limitation, the following: legal and compliance fees and expenses; audit and accounting fees; insurance costs and expenses;



administrative, custodial and transaction fees; costs and commissions paid to custodians, broker-dealers and other third parties; and investment and research-related expenses. Please refer to Item 12 (Brokerage Practices) for additional information regarding the brokerage and transaction costs clients will incur.

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

The Adviser and the General Partner of the Master Fund receive performance-based compensation from qualified clients. The Adviser also advises accounts that are charged a flat fee. All performance-based compensation received by the Adviser or the General Partner will comply with Rule 205-3 under the Investment Advisers Act of 1940 (the “Advisers Act”).

Profit allocations are calculated on the basis of unrealized, as well as realized, gains and losses. As a result, profit allocations could be made in respect of unrealized gains that may never be realized. The fact that the General Partner, an affiliate of the Adviser, is eligible to receive profit allocations from the Master Fund may create an incentive for the Adviser to make investments on behalf of the Master Fund that are riskier or more speculative than would be the case in the absence of such an arrangement. Performance-based fee arrangements also create an incentive to favor higher fee paying clients over others in the allocation of investment opportunities. The Adviser has designed and implemented policies and procedures to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients.

Item 7 – Types of Clients

A. The Firm’s Clients

Gladius provides investment advice to private pooled investment vehicles

B. Minimum Initial Investment

The minimum initial investment in the Gladius Volatility Opportunities Funds is either \$5 million or \$10 million depending on the terms on which the investor invests. Gladius may reduce or waive the stated minimums at its discretion. Minimum initial investment for other private investment vehicles managed by Gladius is either separately negotiated with the client or set forth in the pertinent investment management agreement or offering document, as applicable.

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

A. Methods of Analysis and Investment Strategies

The Adviser employs multiple investment strategies using a wide array of instruments in an attempt to profit from changes in the prices of capital market variables. The Adviser attempts to locate mispriced instruments then transacts in them in an effort to capture gains from their subsequent revaluation.

The Adviser's research processes are broad and comprehensive. Extensive and rigorous modeling of securities and highly sophisticated risk assessment techniques provide a framework for evaluating investment opportunities which are sourced from a global opportunity set.

B. Material Risks

Interests in the Funds managed by Gladius are a speculative and illiquid investment. Investors must be prepared to lose all or substantially all of their investment in a fund or account managed or advised by Gladius. There are no material limitations on the strategies, instruments, markets or countries in which the Adviser may invest. Material risks associated with the Adviser's investment strategy include, without limitation, unanticipated directional price



movements, inaccurate or incomplete market information, unexpected fundamental or other dominant factors and potential market disruptions.

In addition to the risks associated with the Adviser's trading strategies, the risks associated with an investment in a Fund include: (1) market risk; (2) credit risk; (3) systemic risk; (4) portfolio concentration risk; (5) differential withdrawal rights risk; (6) unexpected liquidity risk; (7) operational risk; (8) settlement risk; (9) legal risk; and (10) documentation risk.

This summary of material risks does not purport to be complete. Please refer to the confidential offering memorandum and other disclosure documents of a Fund for a more detailed explanation of the material risks of the investment strategies and methods of analysis which are or may be used by the Adviser in managing the assets of the Fund.

Item 9 – Disciplinary Information

Not Applicable. Gladius does not have any disciplinary information to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

The Adviser's affiliate, Gladius Holdings LLC, is the general partner of the Master Fund. Gladius Holdings LLC receives a profit allocation from the Master Fund.

From time to time, the Adviser or the board of directors or general partner, as pertinent, of a Gladius Volatility Opportunities Fund may permit certain Gladius Volatility Opportunities Fund investors (including, but not limited to, the Adviser and its affiliates and their employees and their families) to acquire interests in the Gladius Volatility Opportunities Fund on different economic terms than other investors, provided that doing so does not have a material adverse effect on such other investors.

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

A. Adviser’s Code of Ethics

The Adviser has adopted a Code of Ethics which sets forth standards of ethical and business conduct expected of the Adviser’s personnel and addresses conflicts that may arise from personal trading by the Adviser’s personnel. The Adviser’s Code of Ethics, among other things, requires compliance with the federal securities laws, reflects the Adviser’s fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions, requires the Adviser’s personnel to periodically report their personal securities transactions and to pre-clear certain securities transactions and addresses prevention of the misuse of material nonpublic information.

The Adviser’s Code of Ethics will be provided to any client or prospective client upon request.

B. Personal Investment and Trading Policy

Personnel of the Adviser and its affiliates (“Adviser Personnel”) may, subject to the Adviser’s Personal Investment and Trading Policy, buy and sell for their own accounts certain securities the Adviser buys and sells for client accounts. The Adviser has established internal policies and procedures designed to ensure that the personal trading of Adviser Personnel in no way disadvantages client accounts and that Adviser Personnel in no respect misappropriate any benefit properly belonging to any Adviser client. The Adviser’s Personal Investment and Trading Policy is contained in the Adviser’s Code of Ethics and is available to any client or prospective client upon request.

Item 12 – Brokerage Practices

A. Factors the Firm Considers in Selecting a Broker-Dealer

In selecting broker-dealers to effect portfolio transactions with or for its clients (including the Master Fund and each other Fund), the Adviser will use its reasonable efforts to obtain best price and execution and will take into account such relevant factors as (i) price, (ii) the broker-dealer's facilities, reliability and financial responsibility, (iii) the ability of the broker-dealer to effect securities transactions, particularly with regard to such aspects as timing, order size and execution of orders, (iv) the research, brokerage and other services provided by such broker-dealer to Gladius and (v) ancillary services such as capital introduction. Accordingly, Gladius may cause a client to pay a broker-dealer that provides brokerage or research services (either directly or through third-party relationships) an amount of commission or transaction cost in excess of that which another broker-dealer would have charged, if Gladius determines in good faith that such commission or transaction cost is reasonable in relation to the value of brokerage, research or other services provided. Gladius periodically reviews its relationships with broker-dealers and the effectiveness of its efforts to obtain best price and execution. The Adviser is not committed to continue its broker relationship with custodians for any minimum period and may enter into broker relationships with other brokers at any time.

B. Soft Dollars

The Adviser currently has no soft dollar arrangements. However, the Adviser may use full-service broker-dealers and may on occasion receive and use research provided by these full service broker-dealers.

C. Aggregation

Gladius may aggregate sales and purchase orders of securities for orders being made simultaneously for more than one account managed by Gladius. In



accounting for such aggregated order, price, commission and other expenses shall be averaged on a per transaction basis.

Item 13 – Review of Accounts

A. Account Reviews

The portfolio managers for each client are primarily responsible for ensuring that the securities or other financial instruments held by a client are consistent with, as pertinent, the disclosures set forth in the relevant offering documents and/or the client's investment advisory agreement. In addition, the portfolio managers for each client along with the Adviser's Chief Investment Officer review the client's portfolio holdings to determine that the securities and other financial instruments held by each client remain consistent with the pertinent private placement memorandum and/or investment advisory agreement and will generally review each client's performance on an ongoing basis.

B. Account Reports

Investors in the Gladius Volatility Opportunities Funds will receive audited annual financial statements and necessary U.S. federal tax information. Gladius Volatility Opportunities Fund investors will also receive periodic unaudited performance information on a monthly basis. Monthly reports will include details of the increase or decrease in the net asset value of the investor's capital account during the preceding month as well as such other information as the Adviser may deem appropriate. The Adviser uses commercially reasonable efforts to send to each Fund investor weekly estimates of the Fund's overall performance.

Investors in other private investment vehicles managed by Gladius will receive reports as agreed upon in the pertinent investment advisory agreement. Such



clients may receive greater transparency, including but not limited to information regarding transaction activity and position level detail.

Item 14 – Client Referrals and Other Compensation

Not Applicable. Adviser is not provided by any person who is not a client with any economic benefit for providing investment advice or other advisory services to clients. Neither the Adviser nor any of its related persons directly or indirectly compensates any person who is not a supervised person of the Adviser for client referrals.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains client's investment assets. Gladius urges clients to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 – Investment Discretion

The Adviser generally has discretionary authority to determine, without obtaining specific client consent, securities to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used and the commission rates to be paid. Any limitations on authority are set forth in the client's investment advisory agreement.

All investment and trading decisions on behalf of the Master Fund (and, if pertinent in the future, directly on behalf of a Feeder Fund), including the selection of broker-dealers and the determination of commission rates, will be made by Gladius.

Item 17 – Voting Client Securities

Rule 206(4)-6

Rule 206(4)-6 under the Investment Advisers Act of 1940 (the “Advisers Act”) requires every investment adviser to adopt and implement written policies and procedures reasonably designed to ensure that the adviser votes proxies in the best interests of its clients. The rule further requires the adviser to provide a concise summary of the adviser’s proxy voting process and offer to provide copies of the complete proxy voting policy and procedures to clients upon request. Lastly, the rule requires that the adviser disclose to clients how they may obtain information on how the adviser voted their proxies.

Policy Statement and Voting of Proxies

The Adviser’s proxy voting policies and procedures apply to the Adviser and all funds and other client accounts for which the Adviser is responsible for voting proxies. To the extent that the Adviser receives such proxies, the Adviser is guided by general fiduciary principles. Adviser’s goal is to act prudently, solely in the best interest of the beneficial owners of the accounts it manages. Adviser attempts to consider all aspects of its vote that could affect the value of the investment; and where Adviser votes proxies, it will do so in the manner that it believes will be consistent with efforts to maximize the value of clients’ portfolios. Adviser, on occasion, may determine to abstain from voting a proxy or a specific proxy item when it concludes that the potential benefit of voting is outweighed by the cost or when it is not in the client’s best interest to vote. When a client has authorized Adviser to vote proxies on its behalf, Adviser will generally not accept instructions from the client regarding how to vote proxies.

Conflicts of Interest

In furtherance of Adviser’s goal to vote proxies in the best interests of clients, Adviser follows procedures designed to identify and address material conflicts that



may arise between Adviser's interests and those of its clients before voting proxies on behalf of such clients. If it is determined that any such conflict or potential conflict is not material, the Adviser may vote proxies notwithstanding the conflict or potential conflict. If, however, it is determined that a conflict or potential conflict is material, the Chief Compliance Officer will work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict. The Adviser will maintain a written record of the method used to resolve a material conflict of interest.

Additional Information

Copies of the Adviser's complete proxy voting policy and procedures are available upon request. Clients may also obtain information about how the Adviser voted their securities by contacting the Adviser's Executive Counsel and Chief Compliance Officer, Jennifer Hoffman, at 312-348-5900.

Item 18 – Financial Information

Registered investment advisers are required by this Item to provide certain financial information and disclosures pertaining to the adviser's financial condition. Gladius Capital Management LP 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.

Privacy Policy

Gladius Capital Management LP (the "Adviser"), the private investment funds that the Adviser advises (the "Funds") and the general partners and/or managers of the Funds (the "General Partners") consider privacy to be fundamental to investor relationships and adhere to the policies and practices described below to protect current and former investors' nonpublic personal information.



The Adviser, the Funds and the General Partners do not disclose nonpublic personal information about investors in the Funds or former investors in the Funds (together, “Investors”) to third parties other than as described herein. The Adviser, the Funds and the General Partners never sell Investor lists or individual Investor information. Internal policies are in place to protect confidentiality, while allowing Investor needs to be served. Only individuals who need to do so in carrying out their job responsibilities may access Investor information. The Adviser, the Funds and the General Partners maintain physical, electronic and procedural safeguards that comply with federal standards to protect confidentiality. These safeguards extend to all forms of interaction (including via the internet) with the Adviser, the Funds and the General Partners.

In the normal course of business, Investors give the Adviser, the Funds and/or the General Partners nonpublic personal information on subscription documents and other forms, on websites and/or through transactions with other affiliates of the Adviser. The Adviser, the Funds and/or the General Partners collect information about Investors (such as name, address, birth date, social security number, educational and professional background, assets and income) and the Investors’ transactions with the Adviser, the Funds, the General Partners and/or other affiliates of the Adviser (such as investments, performances and account balances). To enable the Adviser, the Funds and the General Partners to serve Investors, information may be shared with affiliates and third parties that perform various services for the Adviser, the Funds and/or the General Partners, such as transfer agents, lawyers, custodians, administrators and broker-dealers. This shared information includes identification information (*e.g.*, name and address), transaction and experience information (*e.g.*, account balance) and other information necessary to accomplish transactions. This information may be shared with affiliates, with companies with which the Adviser, the Funds and/or the General Partners have marketing agreements or with other parties only as



permissible by law. Any organization receiving Investor information may only use it for the purpose designated by the Adviser, the General Partners or their affiliates.

Pursuant to SEC Regulation S-P, the Adviser shall disclose the policies described herein in the Adviser's Privacy Notice, to be delivered to each Investor that is a natural person at the time such Investor makes his or her first investment in a Fund and on an annual basis thereafter.



Exhibit A – Material Changes

Since the last annual update dated March 30, 2012, this brochure has been updated to reflect the fact that all of the Adviser's clients are private pooled investment vehicles.