

**Item 1: Cover Page**

**ERGOTELES LLC**

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**This brochure (the “Brochure”) provides information about the qualifications and business practices of Ergoteles LLC (“Ergoteles,” “we,” “us” or “our”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“CCO”), Mark Mancini at [compliance@ergotelescapital.com](mailto:compliance@ergotelescapital.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about Ergoteles can be found on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Ergoteles’ registration as an investment adviser does not imply that Ergoteles or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.**

**Item 2: Material Changes**

There are no material changes to report to this Brochure since our most recent filing made in February 2013.

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#### **Item 4: Advisory Business**

Ergoteles is a Delaware limited liability company that was founded in 2012. The managing members of Ergoteles are Michael Bos, Mark Mancini and Amit Manwani.

Ergoteles currently provides discretionary investment advice to a private investment fund (the “**Fund**”) through a managed account arrangement. Such arrangement is governed by an investment management agreement with a subsidiary of the Fund (the “**Management Agreement**”). The Fund is currently Ergoteles’ only client, but Ergoteles may advise other clients in the future.

The Management Agreement sets forth certain guidelines or restrictions related to our investment activities, which may be modified from time-to-time in consultation with the Fund’s general partner (the “General Partner”). The General Partner may, in certain situations, impose restrictions on our ability to invest in certain securities or types of securities.

We have limited trading authority with respect to the Fund. In this regard, we: (i) do not have custody of the Fund’s assets, (ii) cannot determine the final value of the Fund’s positions, (iii) cannot move the Fund’s cash or securities, and (iv) cannot enter into any other agreements on behalf of the Fund. The General Partner provides risk management services to the Fund, manages the Fund’s leverage, and provides certain administrative services to the Fund.

As of December 31, 2013, we managed approximately US\$937 million in regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

#### **Item 5: Fees and Compensation**

Our management fee is negotiated annually and is based on an operating expense budget agreed to between us and the General Partner. The negotiated management fee is periodically paid by the Fund in advance. Once paid, the negotiated management fee is non-refundable.

We may also be entitled to receive performance-based compensation from the Fund based on our net trading profits at the end of each fiscal year. The Fund’s administrator is responsible for calculating, and the General Partner approves payment of, such performance-based compensation.

We may incur brokerage and transaction-related expenses on the Fund’s behalf (see Item 12). All other expenses to be borne by the Fund are set forth in the Fund’s offering documents and have been determined by the General Partner.

We may also allocate a portion of the Fund’s capital to exchange-traded funds or other similar vehicles. In addition to the fees and expenses discussed above, the Fund will indirectly incur similar fees and expenses if we invest its assets in such funds or vehicles, as such funds and vehicles in turn pay similar fees and expenses to their investment managers and other service providers.

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

The receipt of performance-based compensation may incentivize Ergoteles to make investments on behalf of the Fund that are riskier or more speculative than it would make if it did not receive performance-based compensation. Because the General Partner provides risk management services to the Fund, we believe that this conflict is mitigated.

Furthermore, since net trading profits (the basis for our performance-based compensation), include unrealized appreciation we may receive greater performance-based compensation than would be the case if net trading profits was based only on realized gains.

We currently have one client and therefore do not have any conflicts related to side-by-side management of accounts with differing performance fee arrangements.

Since Ergoteles does not have authority to determine the final value of the Fund's positions, several conflicts associated with valuation are mitigated.

## **Item 7: Types of Clients**

As discussed in Item 4, we provide investment management services to the Fund through a managed account arrangement. The Fund's minimum initial investment has been determined by the General Partner and is set forth in the Fund's offering documents.

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

Ergoteles uses primarily systematic and quantitative methods in managing the Fund. Ergoteles attempts to select generally diversified, risk-managed portfolios, which will outperform the risk-free rate. However, at any given moment, non-diversified positions may have a material effect on the portfolio risk, diversified positions may be correlated, some of the positions may not be computer driven, and the Fund may have exposure to market or other risk factors.

Ergoteles makes investments on behalf of the Fund, primarily in global equity and equity derivative (*e.g.*, futures, options, swaps) securities. From time to time, we may hold non-equity securities (*e.g.*, foreign exchange, preferred stock and bonds) for hedging or investment purposes. As part of our investment strategies, we engage in frequent transactions. Frequent transactions result in a higher level of commissions and transaction costs than a strategy that uses less frequent transactions.

Ergoteles attempts to develop models that are superior to its competition with the goal of generating superior-to-market returns. There is a risk that these models may fail to perform as expected.

The methods used by Ergoteles may include statistical forecast generation, trend following, mean reversion, fundamental based analysis, relative value or arbitrage oriented methods, as well as other methods.

We may modify our strategy in the future, in consultation with the General Partner or for new clients.

## Risk of Loss

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends and other distributions) and the loss of future earnings. Although we seek to manage risk, we can provide no guarantee that our efforts will be successful. Set forth below is a non-exhaustive list of certain material risks associated with our investment strategy.

Past performance is not necessarily indicative of future results.

Strategies utilizing models apply recurring processes in the selection and execution of transactions. For this reason, as well as others, model-driven trading in general may fare poorly under unusual market conditions. Based on our judgment, we may attempt to adjust or override our models to account for unusual market conditions, however, our attempts to adjust or override models may not be effective.

Many factors affect the value of our investments for the Fund. The following does not purport to be a complete explanation of all of the risks involved in Ergoteles' investment strategies.

*Correlation Risk / Liquidity Events.* Ergoteles' strategies may be, or may become correlated with quantitative strategies being executed by other investment managers. There is a risk that if such other quantitative strategies were to de-leverage and reduce positions, the Fund may realize or suffer mark-to-market losses.

*Illiquidity.* Ergoteles may take large positions that may be difficult to divest. There is a risk that Ergoteles may have to liquidate a large portion of the portfolio it manages, but the illiquid positions may be too large to divest of quickly, especially under adverse market conditions, which could result in significant losses to the Fund.

*Short Selling.* Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Fund. A short sale of a security involves the risk of unlimited loss from an unlimited increase in the market price of the security which could result in an inability to cover the short position. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase. The holder of a short position may be forced to buy-in and purchase the underlying security. Forced buy-ins may occur without notice and during unfavorable market conditions during which the buy-in price is higher than the fair market value of the security at the time of buy-in.

*Leverage.* The General Partner controls the amount of direct leverage that may be employed on the Fund's behalf and, in its discretion, may reduce or eliminate the use of such leverage. Accordingly, we do not have the authority to use direct leverage for the Fund without the approval of the General Partner. Nonetheless, certain of our investments may expose the Fund to embedded leverage.

Leverage magnifies risk. Fluctuations in the market value of financial instruments are magnified by the use of leverage. While the use of leverage may increase profits, it also generally would increase the adverse impact of a decline in portfolios. In addition to the magnification of losses from the use of leverage, there is a risk that growing losses in a leveraged portfolio would cause Ergoteles to reduce certain positions or even liquidate large positions, which could result in significant realized losses, especially under adverse market conditions.

*Futures and Options.* Trading in futures and options involves significant risks including price volatility and illiquidity and is a highly leveraged activity which may cause the Fund to incur large gains or losses over a short period of time. For example, the seller of an uncovered call option assumes the risk of an unlimited increase in the market price of the underlying investment above the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price and may lose many times its initial investment. The buyer of an option assumes the risk of losing its entire investment.

*Use of Derivatives.* Ergoteles may make extensive use of derivatives, both for hedging and as an investment on behalf of the Fund. Trading in derivatives involves specialized and substantial risks that may exceed those involved in securities trading and may cause the Fund to incur large gains or losses over a short period of time. In some derivative dealings, the Fund may enter into agreements with counterparties that permit termination by the counterparty of the derivatives transactions covered by the agreement upon the occurrence of certain events. Some of these events are based on unfavorable business circumstances of the Fund such as losses or withdrawals of capital which can increase the losses to the Fund.

*Foreign Investments.* Ergoteles' strategy may include investing in all types of foreign securities and instruments, including, without limitation, instruments denominated in foreign currencies, dollar denominated instruments based on foreign instruments, instruments traded outside of the United States, foreign currencies, and foreign currency futures, forwards, and options. These investments involve certain risks not typically associated with investing in U.S. securities or property. These risks include, but are not limited to, unfavorable currency exchange rate developments, transaction costs significantly greater than for similar domestic investments, nationalization, title or settlement problems, devaluation, war, restrictions on repatriation of investment income and capital, imposition of exchange control regulation, United States and confiscatory foreign taxation, and economic or political instability. In addition, certain foreign companies may not be subject to accounting and financial reporting standards comparable to those of U.S. companies, and for certain foreign companies there may be less publicly available information than for comparable U.S. companies.

*Exchange Rate Fluctuations; Currency Considerations.* Ergoteles may invest on behalf of the Fund in securities and other instruments denominated in various currencies and in other financial instruments, the price of which is determined with reference to such currencies. To the extent unhedged, the value of positions in these investments will fluctuate with the exchange rates of the currencies in which the investments are denominated or to which they are referenced, as well as the price changes of the investments in the various local markets and currencies. In such cases, an increase in the value of one of these currencies compared to the other currencies in which the Fund makes investments will reduce the effect of any increases and magnify the effect of any decreases in the prices of the investments by the Fund in their local markets and may result in a loss the Fund. Furthermore, the Fund may incur costs in connection with conversions between various currencies.

*Operational Risk.* Ergoteles' ability to evaluate, execute, and manage trading strategies depends on a variety of systems and processes, including, by way of example only, computer systems, data connections, brokerage relations, and settlement processes, each of which may suffer disruption.

Although Ergoteles believes the foregoing are the most significant risks associated with its investment strategies and the complexity of models makes it more likely that there are risks Ergoteles is unaware

of than would be the case for a simpler strategy.

#### **Item 9: Disciplinary Information**

There have been no legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

#### **Item 10: Other Financial Industry Activities and Affiliations**

None.

#### **Item 11: Code of Ethics, Participation and Employee Investment Policy**

*Code of Ethics and Employee Investment Policy:* Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, we have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which employees of Ergoteles or related persons (such as members of their immediate household) have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of our clients first;
- Employees must at all times comply with all applicable federal securities laws; and
- Employees should not take inappropriate advantage of their position at Ergoteles.

All employees are subject to our Code of Ethics and are required to certify their adherence to the Code of Ethics and Employee Investment Policy. Ergoteles' employees are not permitted to maintain personal brokerage accounts for the purpose of trading equity securities, futures, or commodities. In addition, employees are restricted from certain personal securities transactions, including securities on Ergoteles' or the Fund's "restricted list" and transactions involving securities that are held by the Fund. In addition, employees may not acquire securities for their own account in an initial public offering.

Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

Ergoteles' Code of Ethics and Employee Investment Policy are available to clients upon request.

#### **Item 12: Brokerage Practices**

*Selection of Counterparties:* The General Partner provides us with a list of approved counterparties from which we select counterparties to execute transactions for the Fund. To the extent that we wish to use a counterparty for the Fund that is not included on such list, such counterparty must be reviewed and approved by the General Partner.

*Best Execution:* In placing portfolio transactions for the Fund, we seek to obtain "best execution" for the Fund, meaning that we generally seek execution of securities transactions in such a manner that the Fund's total costs or proceeds are most favorable under the circumstances. Accordingly, in seeking best execution, we take into consideration the price of a security offered by the broker-dealer, as well as the



broker-dealer's full range and quality of services including, among other things, its facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

On a continual basis, our employees who regularly interact with brokers evaluate the execution performance of the broker-dealers we use to execute the Fund's transactions. These employees also review commissions paid to brokers, soft dollar arrangements (if any) and conflicts of interest.

*Principal Trading:* We do not engage in any principal transactions.

*Soft Dollars:* Soft dollar arrangements generally arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. Soft dollar arrangements may pose a conflict of interest for Ergoteles in that such arrangements allow Ergoteles to pay with Fund brokerage commissions expenses that would otherwise be borne by Ergoteles. In the event that Ergoteles uses Fund brokerage commissions (or markups or markdowns) to obtain research or other products or services, Ergoteles could receive a benefit because it would not have to produce or pay for the research, products or services.

As of the date of this brochure, Ergoteles has not entered into any formal soft dollar arrangements. However, Ergoteles enters into securities transactions on behalf of the Fund with broker-dealers that provide, as part of their bundled services, Ergoteles with access to research and research-related services. Ergoteles may have an incentive to select a broker based on Ergoteles' interest in receiving the research or other products or services offered by such broker, rather than on the Fund's interest in receiving most favorable execution.

During our last fiscal year, we acquired with client brokerage commission (or markups or markdowns): research reports or other information about particular companies or industries, economic surveys and analyses; recommendations as to specific securities, financial publications, portfolio evaluation services; financial database software and services, computerized news, pricing and order-entry services; and other products and services that enhanced our investment decision-making.

*Brokerage for Client Referrals:* In selecting or recommending broker-dealers, we do not consider whether we receive investor referrals from a broker-dealer or third party.

*Aggregation of Orders and Allocation Policy:* Currently, the Fund is our only client. To the extent that we manage additional clients in the future, we will follow documented procedures for allocating investment opportunities and aggregating orders.

### **Item 13: Review of Accounts**

Our managing members review our positions in the Fund on a continual basis to assure conformity with our investment objectives and guidelines.

We engage in active management for our positions in the Fund and, accordingly, review our transactions, positions and cash balances on a daily basis.

The General Partner has full Fund transparency, including with respect to our trading activity. It reviews

our trading activity on a regular basis and discusses such activity with us as needed. As such, we do not provide regular reports to the Fund.

**Item 14: Client Referrals**

We do not currently utilize any third party marketers or solicitors.

**Item 15: Custody**

We do not have custody over the Fund's assets.

**Item 16: Investment Discretion**

We generally have discretionary authority to determine the securities to be bought or sold for a portion of the Fund. The Management Agreement sets forth certain guidelines or restrictions related to our investment activities, which may be modified from time-to-time in consultation with the General Partner. In addition, the General Partner may, in certain situations, impose restrictions on our ability to invest in certain securities or types of securities.

**Item 17: Voting Client Securities**

As a general practice, we do not intend to vote proxies but will make such decision on a case-by-case basis. Prior to voting a proxy, we will make a determination, in our opinion, as to what vote if any, is in the best interest of the Fund. We maintain a written record of each proxy vote on each occasion a proxy is voted.

Upon request from a client via phone or telephone, we will provide such client with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast on behalf of that client.

**Item 18: Financial Information**

Ergoteles 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.