

**PART 2A OF FORM ADV**  
**FIRM BROCHURE**



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**This brochure (the “Brochure”) provides information about the qualifications and business practices of Artorius Management, LLC (“Artorius”). If you have any questions about the contents of this Brochure, please contact Michael Sullivan at (212) 547-9510 or by email at [msullivan@artoriusfunds.com](mailto:msullivan@artoriusfunds.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**Following the effectiveness of its registration, Artorius may refer to itself as a registered investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

There have been no material changes to this Brochure since the prior Brochure dated March 20, 2015.

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## ITEM 4 – ADVISORY BUSINESS

Artorius Management, LLC, a Delaware limited liability company (“Artorius”), was formed in 2003. The firm is managed by Richard Furlaud, Jr. at its sole place of business, in New York City. Artorius employs a market neutral approach to investing based largely upon quantitative analytics. Artorius currently provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets through a “master-feeder” structure utilizing the following pooled-investment vehicles intended for institutional and other sophisticated investors:

- Artorius Partners II, LP, a Delaware limited partnership (the “Domestic Fund”);
- Artorius Offshore Investments, Ltd., a Cayman Islands exempted company (the “Offshore Fund”);
- Artorius Intermediate Master Fund, LP, a Delaware limited partnership (the “Intermediate Master Fund”); and
- Artorius Trading, a New York general partnership and wholly owned subsidiary of the Intermediate Master Fund (the “Trading Fund,” and together with the Intermediate Master Fund, the “Master Fund”).

The Domestic Fund is designed for U.S. investors, and the Offshore Fund is designed for non-U.S. and tax-exempt U.S. investors. To simplify the investment process, the Domestic Fund and the Offshore Fund invest substantially all of their assets through the Intermediate Master Fund which, in turn, conducts its trading activities through the Trading Fund. Each of the Domestic Fund, the Offshore Fund, and the Master Fund may be referred to individually in this Brochure as a “Fund” and together as the “Funds.” The terms for each Fund are disclosed in detail in the relevant Fund’s offering documents that are provided to prospective investors prior to investment. The Domestic Fund and the Offshore Fund are managed in accordance with the investment objectives, strategies and guidelines and the terms and conditions of investment, set out in their respective private placement memoranda, organizational, governing and other related documents (together, the “Governing Documents”). A prospective Fund Investor must consider whether a Fund is an appropriate investment, including with respect to such Fund Investor’s investment objectives and risk tolerance.

In managing the Funds, Artorius employs a market neutral approach to investing based largely upon quantitative analytics. Artorius will attempt to achieve returns for the Funds that are superior to those of the HFRI equity market neutral index, while maintaining volatility that is lower than that of the broad U.S. equity markets. Artorius believes that a flexible, research-based approach to strategy development, to the active monitoring of those strategies, and to dynamic capital allocation among strategies, will yield superior results. Artorius intends to devote a substantial part of its resources to research, development, and the testing of both initial and new strategies.

Artorius acts as the investment manager to the Funds. An affiliate of Artorius, Artorius Associates, LLC (the “General Partner”), a Delaware limited liability company, acts as the general partner of the Domestic Fund and the Intermediate Master Fund.

Mr. Furlaud is the principal owner of, and controls, both Artorius and the General Partner.

Artorius neither tailors its advisory services to the individual needs of investors in the Funds (each, a “Fund Investor”) nor accepts Fund Investor-imposed investment restrictions with respect to the Funds. Artorius may take into consideration the general characteristics of its target Fund Investors, but not necessarily the characteristics of any specific Fund Investor. An investment in a Fund does not, in and of itself, create a client-adviser relationship between any Fund Investor and Artorius.

Artorius does not participate in wrap fee programs.

As of December 31, 2015, Artorius managed \$134.2 million of Regulatory Assets Under Management (RAUM) on a discretionary basis. RAUM is defined as the sum of the value of all assets of the Master Fund, including cash and cash equivalents, investments in securities held long, amounts due from brokers, the value of derivative contracts assets, dividends and interest receivable and other assets. Artorius does not manage any assets on a non-discretionary basis.

## ITEM 5 – FEES AND COMPENSATION

### Management Fee

Pursuant to the Funds' Governing Documents, Artorius receives a management fee payable monthly in advance equal to 0.125% (1.5% per annum) of the net asset value of each Fund Investor's capital account or shares. The management fee will be pro-rated when Artorius provides services for less than a full month.

Artorius may, in its sole and absolute discretion, reduce or waive the management fee with respect to any Fund Investor, without notice to or the consent of any other Fund Investor. Artorius generally expects to waive the management fee for all employees of Artorius, their spouses and their children.

### Performance-based Allocation

Pursuant to the Funds' Governing Documents, the General Partner receives from the Intermediate Master Fund a performance-based allocation generally made at the end of the year equal to 20% of the excess of the net profits allocated to each Fund Investor over any net losses that have been allocated to the Fund Investor, including un-recouped net losses carried forward from prior periods.

The General Partner may, in its sole and absolute discretion, elect to reduce or waive the performance-based allocation with respect to any Fund Investor, without notice to or the consent of any other Fund Investor. The General Partner generally expects to waive the performance-based allocation for employees of Artorius, their spouses and their children.

See Item 6 for discussion of potential conflicts of interest associated with the performance-based compensation received by an affiliate of Artorius.

### Expenses

The Funds, and thus the Fund Investors indirectly, bear all expenses other than administrative and overhead expenses of Artorius. Fund expenses may include, without limitation, legal, accounting, tax, audit, consulting and other professional fees (including expenses associated with maintaining a Fund's financial books and records, calculating net asset values and preparing a Fund's financial statements, tax, government filings and other reports), (ii) fees of the administrator, (iii) withholding and other taxes and all registered agent, government filing, licensing and registration fees, (iv) bank fees, (v) litigation and extraordinary expenses, (vi) expenses relating to the offer and sale of the Fund interests (exclusive of selling commissions) and (vii) its pro-rata share of the Master Fund's expenses including each vehicle's own above described expenses, and trade clearing costs, brokerage commissions, ticket charges and other transaction costs, interest and commitment fees on debit balances or borrowings, borrow and dividend expenses on securities sold short, custody fees, proxy voting expenses and administration expenses. Each of the Domestic Fund and the Offshore Fund will pay its pro rata share of all losses and expenses arising from trading errors unless such errors are caused by the gross negligence of Artorius.

Refer to Item 12 – Brokerage Practices for further information regarding the Funds' investment and trading expenses.

**It is critical that Fund Investors refer to the relevant Fund's Governing Documents for a complete understanding of how Artorius is compensated for its advisory services. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant Fund's Governing Documents.**

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, the General Partner receives a performance-based allocation. It should be noted that the possibility that Artorius or its affiliates could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Artorius to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation.

The management fee and the performance-based allocation both depend on the value of the Funds' investments. Artorius and/or the General Partner may value investments of the Funds when Artorius determines that market prices or quotations do not fairly represent the value of particular investments or when investments are not publicly traded. As a result, Artorius and/or the General Partner may benefit by receiving a management fee or performance-based allocation that is increased by the impact, if any, of such valuation. Even where a security is accurately valued, the Fund may not ultimately realize the value upon which a performance-based allocation was charged upon its ultimate sale due to subsequent market movements. Absent bad faith or manifest error, Artorius' valuation determinations are conclusive and binding on all Fund Investors.

Additionally, where a Fund Investor purchases or withdraws or redeems interests or shares in a Fund at a net asset value that is impacted by a discrepancy in valuation, such Fund Investor may receive a greater or lesser interest in (or increased or decreased withdrawal or redemption proceeds from) such Fund than would have been the case absent the discrepancy. Similarly, existing and continuing Fund Investors may be subject to dilution or accretion. While the Funds do not generally seek to invest in private or illiquid securities, a portion of the assets in which the Funds invest may, at any time or from time to time, be illiquid, thinly traded or otherwise difficult to value. As a result, Artorius has established valuation policies and procedures to mitigate the conflicts and potential for material pricing discrepancies in respect of Fund assets and to assure that assets are valued in good faith. Under these procedures, assets held by or on behalf of a Fund are valued as described in the relevant Fund's Governing Documents or, in the absence of specific and stated valuation procedures, at fair or market value.

Artorius presently provides investment advisory services to the Funds via one master-feeder structure, in which the Trading Fund is the sole trading vehicle. As such, there is currently no potential conflict of interest related to managing accounts that provide Artorius with performance-based compensation alongside accounts that charge no or lower performance-based compensation.

Artorius may establish one or more separately managed accounts or funds in the future that employ a similar trading strategy and which may have different fees arrangements than those of the Funds. In such event, Artorius would adopt appropriate procedures for the allocation of trades to ensure that all accounts are treated on an equitable basis.

## ITEM 7 – TYPES OF CLIENTS

Artorius provides investment advisory services to the Funds, which are private investment funds. Each of the Domestic Fund and the Offshore Fund requires a minimum initial investment of \$250,000, subject to the sole and absolute discretion of the General Partner and the Board of Directors, respectively, to accept lesser amounts. In the Offshore Fund the minimum initial subscription must always be at least \$100,000, as required by the laws of the Cayman Islands.

In addition to the minimum subscription amount, Fund Investors must also meet a Fund's eligibility requirements which generally require a Fund Investor to qualify as an "accredited investor" as defined in Rule 501 under Regulation D under the Securities Act of 1933, as amended and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended. Fund Investors also need to meet additional requirements set forth in a Fund's Governing Documents, including the subscription agreement.

Artorius does not currently advise any separately managed accounts but may establish one or more separately managed accounts in the future.

This Brochure may be provided to current or prospective Fund Investors, together with the Fund's Governing Documents, prior to or in connection with such prospective Fund Investor's consideration or execution of an investment in a Fund, and may subsequently be provided periodically to a Fund Investor. Fund Investors and other recipients should be aware that while this Brochure may include information about the Funds, as necessary or appropriate, it should not be considered to represent a complete discussion of the features, risks or conflicts associated with any Fund. More complete information about the Funds is included in the Governing Documents, which may be provided to current and eligible prospective Fund Investors only by Artorius or another authorized party.

**In no event should this Brochure be considered to be an offer of interests or shares in a Fund or relied upon in determining whether to invest. It is also not an offer of, or agreement to provide, advisory services directly to any recipient.** Rather, this Brochure is designed solely to provide information about Artorius for the purpose of compliance with certain obligations under the Advisers Act and, as such, responds to relevant regulatory requirements under the Advisers Act, which may differ from the information provided in the Governing Documents. **To the extent that there is any conflict between discussions herein and similar or related discussions in any of the Governing Documents, the Governing Documents shall control.**



## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

Investing in securities involves the risk of loss that Fund Investors should be prepared to bear. Fund Investors could lose some or all of their investment.

### **Methods of Analysis**

Artorius employs a market neutral approach to investing based largely upon quantitative analytics.

Investments are primarily U.S. and non-U.S. exchange traded equities, U.S. Treasury securities, sovereign-debt securities, exchange-traded funds, equity index and U.S. Treasury futures, currency forward contracts and total return equity swaps, but the Funds have given Artorius wide discretion in choosing the types of securities to invest in subject to predefined risk parameters.

Artorius has a preference for strategies based on quantitative analysis whose results can be measured in a statistically significant way. Artorius makes extensive use of data and statistical analysis. Artorius uses a specialized database that it maintains to help it generate and test investment hypotheses. However, Artorius does not employ a “black box” approach to making investment decisions. The models and quantitative data serve as important tools in the investment decision making process, but are not a substitute for the judgment of Artorius.

### **Investment Strategies**

Artorius currently employs two broadly defined investment strategies, each of which includes a number of distinct sub-strategies.

**Event Supply/Demand Trading.** Certain events can create short-term market imbalances in supply or demand for specific securities that can lead to non-value related changes in the price of the securities. Artorius uses its extensive knowledge of markets based on 30+ years experience to identify these events and to develop trading strategies that exploit these changes in price. This strategy results in returns that are market-directional; to achieve returns that are uncorrelated with the market, the Manager utilizes a variety of hedging instruments (including ETFs, exchange traded futures, equity and Treasury and sovereign debt securities and possibly derivative contracts).

**Conventional Market Neutral.** Artorius deploys strategies that are based on purchase and sale signals derived from fundamental research purchased from independent companies. This strategy also leverages investment ideas of brokers or “salesmen” and employees, who are allocated a modest amount of capital to invest in their ideas. For these strategies, uncorrelated market neutral returns are sought using the same hedging techniques described above under “Event Supply/Demand Trading.”

“Event Supply/Demand Trading” and “Conventional Market Neutral” may involve the use of frequent trading resulting in increased brokerage and other transaction costs.

### **Risk of Loss**

**Risks of Multi-Strategy Approach.** Artorius believes that a multi-strategy approach is superior to a single strategy approach since returns are not subject solely to the vagaries of any particular strategy. However, since Artorius will be making allocation decisions that are inherently subjective, returns will be dependent on Artorius’ judgment and skill. Also, since Artorius will have the freedom to allocate capital to a single or limited number of strategies, the benefits of strategy diversification may not always be

obtained. On the other hand, investing capital in many strategies may result in reduced returns if several of them perform poorly. Each strategy contemplated by Artorius has its own characteristic risks.

**Event Supply/Demand.** The short term nature and often relatively large, positive returns of this strategy have persuaded Artorius that under some circumstances relatively large issuer concentration is justified. However, sudden issuer specific news such as earnings guidance, a regulatory investigation, or merger announcement can overwhelm expected imbalances and cause large price moves that from Artorius' point of view are in the wrong direction. Additionally, institutional holders (or short sellers) of the issuer can view the excess supply/demand event as a liquidity opportunity, absorb the excess supply or demand, and transform the probable profit into a loss.

**Use of Models.** Artorius may employ proprietary quantitative models or trading systems to recommend a mix of positions that reflect forward-looking estimates of return and risk. There can be no assurance that the models and trading systems are currently effective or, if currently effective, that they will remain effective during the existence of the Funds. Even if all of the assumptions underlying the trading systems and models were met exactly, the trading systems and models can only make a prediction, not afford certainty. Moreover, the effectiveness of such trading systems and models may diminish over time, including as a result of market changes and the changes in behavior of other market participants. There is no guarantee that such trading systems and models will continue to be effective in changing market conditions, and past performance is no indication of future performance or returns. Further, most statistical procedures cannot fully match the complexity of the financial markets and, as such, results of their application are uncertain.

Because the financial markets are constantly evolving, most trading systems and models eventually require replacement or enhancement. There is no guarantee that such replacement or enhancement will be implemented on a timely basis or that it will be successful. The use of a trading system or model that is not effective or not completely effective could, at any time, have a material adverse effect on the performance of the Funds.

Software development and implementation errors and other types of trading system or human errors are an inherent risk of employing complex quantitatively-based systems in investment processes. Systems may operate or be operated erroneously. Such errors may result in, among other things, the failure to properly gather and organize available data, and/or the failure to take certain hedging or risk reducing actions. These errors, including errors that appear in software codes from time to time, may be very hard to detect, may go undetected for long periods of time, or may never be detected. The degradation or impact caused by errors may be compounded over time. Such errors could, at any time, have a material adverse effect on the performance of the Funds.

**Technological Failures.** The successful deployment of Artorius' trading strategy, the implementation and operation of the trading strategy and any future trading strategy, and various other critical activities of Artorius could be severely compromised by unforeseeable software or hardware malfunction and other technological failures, power loss, software bugs and errors, malicious code such as "worms," viruses, or "system crashes," fire or water damage, or various other events or circumstances either within or beyond Artorius' control. Artorius will make efforts to protect against such events; however, there is no guarantee that such efforts will be successful in all instances. Software bugs and errors, in particular, and their ensuing risks are an inherent part of technology-based analytics, systems and models, and Artorius expects that it will not fix or prevent all bugs or errors. Any event that interrupts Artorius' computer and/or telecommunications operations could result in, among other things, the inability to establish, modify, liquidate, or monitor Artorius' investments and, for those and other reasons, could have a material adverse effect on the operating results, financial condition, activities and prospects of the Funds.

**Short Sales.** A short sale involves the sale of a security that is not owned in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To

make delivery to the buyer, one must borrow the security, and is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the short seller. When the Funds make a short sale in the United States, they must leave the proceeds thereof with the broker and it must also deposit with the broker an amount of cash or U.S. Government or other securities sufficient under current margin regulations to collateralize the obligation to replace the borrowed securities that have been sold. If short sales are effected on a foreign exchange, such transactions will be governed by local law. A short sale involves the risk of a theoretically unlimited increase in the market price of the security and the possibility of incurring a substantial loss in covering the short sale. In addition, short sellers are subject to the risk of a “short squeeze.” A short squeeze is a situation in which the short seller is prematurely forced out of a short position. The lender of a security used to cover a short generally has the right to demand the return of the stock that has been loaned at any time. In such event, the Funds would be required to replace the borrowed securities with a loan of securities from another lender. It is generally more difficult to find securities that can be borrowed in the case of small cap and mid-cap issuers. If the Funds were unable to replace the borrowed securities, they would be required to close out the short sale by buying the security in the market in order to make delivery. In such event, the Funds could incur a significant loss if the security sold short has increased in value. In addition, the Funds could also be forced to prematurely close out a short sale as a result of an increase in margin requirements, coupled with an inability to provide the required additional margin on short notice.

**Leverage.** The Funds may, in the discretion of Artorius, leverage their investment positions by borrowing funds from securities brokers-dealers, banks or others. Such leverage increases both the possibilities for profit and the risk of loss. Borrowings will typically be secured by the Funds’ securities and other assets. Under certain circumstances, a lender may demand an increase in the collateral that secures the Funds’ obligations, and if the Funds are unable to provide additional collateral, the lender could liquidate assets held in the account to satisfy the Funds’ obligations. Liquidation in that manner could have extremely adverse consequences. Additional collateral may be required as a result of a significant drop in the value of the Funds’ securities which secure the loan or as a result of a change in margin rules. With leverage, it is possible for the Funds to lose all, or in some cases, more than the amount of its capital. In addition, the amount of the Funds’ borrowings and the interest rates on those borrowings, which will fluctuate, may have an effect on the Funds’ profitability.

**U.S. Treasury Securities.** The Funds may invest in U.S. government securities, including bills, notes, bonds and other debt securities issued by the U.S. Treasury. Treasury instruments are direct obligations of the U.S. government and, as such, are backed by the “full faith and credit” of the United States government. They differ primarily in their interest rates, the lengths of their maturities and the dates of their issuance. The Funds may also invest in securities issued by agencies or instrumentalities of the U.S. government. These obligations, including those guaranteed by federal agencies or instrumentalities, may or may not be backed by the “full faith and credit” of the United States government. Securities issued or guaranteed by agencies or instrumentalities are supported by (i) the full faith and credit of the United States; (ii) the limited authority of the issuer to borrow from the U.S. Treasury; or (iii) the authority of the U.S. government to purchase certain obligations of the issuer. No assurance can be given that the U.S. government will provide financial support to its agencies and instrumentalities described in (ii) and (iii) above, other than as set forth, since it is not obligated to do so by law. In the case of securities not backed by the full faith and credit of the United States, the Funds must look principally to the agency issuing or guaranteeing the obligation for ultimate repayment and may not be able to assert a claim against the United States if the agency or instrumentality does not meet its commitments.

**Non-U.S. Investments.** The Funds trade in markets outside the United States, including emerging markets. Such trading involves special risks not usually associated with trading in the United States. The financial markets outside the United States are generally less regulated than those within the United States. Notwithstanding recent government interventions in the United States, some non-U.S. markets tend to be generally more prone to government intervention, price volatility and illiquidity than U.S. markets. In certain countries, there may be an increased risk of: expropriation or confiscatory taxation;

political, economic or social instability; changes in governmental administration or economic monetary policy; limitations on the removal of funds or other assets or the repatriation of taxes on interest, capital gain, or other income; import duties or other protectionist measures; credit controls; various laws enacted for the protection of creditors or others; possible difficulty in enforcing contractual obligations or taking judicial action; and greater risks of nationalization or diplomatic developments that could adversely affect the Funds' investments in such countries. In addition, the value of the Funds' non-U.S. investments may be affected by inflation, interest rates, taxation, commodity prices, political and economic developments, and other risk factors that diverge from the risk factors affecting the United States and its markets. While Artorius intends to manage the Funds in a manner that minimizes exposure to such non-U.S. risk factors, the Funds may still suffer losses attributable to them.

In addition, costs associated with transactions in non-U.S. markets (including brokerage, execution, clearing and custodial costs) may be substantially higher than costs associated with transactions in U.S. markets. Such non-U.S. transactions may also involve additional costs for the purchase or sale of currencies in which the Funds' investments are denominated in order to settle such transactions. Furthermore, clearing and registration procedures may be under-developed enhancing the risks of error, fraud, or default.

**Sovereign Debt.** Investment in sovereign debt of non-U.S. governments can involve a high degree of risk, including additional risks not present in debt obligations of the U.S. government. The issuer of the debt or the government authority that controls the repayment of sovereign debt may be unable or unwilling to repay the principal and/or interest when due in accordance with the terms of the debt, and the Funds may have limited recourse to compel payment in the event of a default. A sovereign debtor's or governmental entity's willingness or ability to repay principal and/or interest due in a timely manner may be affected by, among other factors, its cash flow situation, the extent of its foreign currency reserves, the availability of sufficient foreign exchange on the date a payment is due, the relative size of the debt service burden to the economy as a whole, the sovereign debtor's or governmental entity's policy toward international lenders, such as the International Monetary Fund, the political constraints to which a governmental entity may be subject, and changes in governments and political systems. At certain times, certain countries (particularly emerging market countries) have declared moratoria on the payment of principal and interest on external debt. Governmental entities may also depend on expected disbursements from non-U.S. governments, multilateral agencies and others to reduce principal and interest arrearages on their debt. The commitment on the part of these governments, agencies and others to make such disbursements may be conditioned on a governmental entity's implementation of economic reforms and/or economic performance and the timely service of such debtor's obligations. Failure to implement such reforms, achieve such levels of economic performance or repay principal or interest when due may result in the cancellation of such third parties' commitments to lend funds to the governmental entity, which may further impair such debtor's ability or willingness to service its debts in a timely manner. Consequently, governmental entities may default on their sovereign debt. Holders of sovereign debt may be requested to participate in the rescheduling of such debt and to extend further loans to governmental entities. There is no bankruptcy proceeding by which sovereign debt on which governmental entities have defaulted may be collected in whole or in part. Periods of economic uncertainty may result in the volatility of market prices of sovereign debt to a greater extent than the volatility inherent in debt obligations of other types of issues.

**Currency Risk.** The Funds may invest in securities denominated in non-U.S. currencies. Investing directly in non-U.S. currencies or securities that trade in, or receive revenues in, non-U.S. currencies will be subject to currency risk. Foreign currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by supply and demand in the foreign exchange markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors. Currency exchange rates also can be affected unpredictably by intervention (or the failure to intervene) by U.S. or non-U.S. governments or central banks, or by currency controls or political developments. Interventions are generally intended to manipulate exchange rates. Currencies

may also be affected by the imposition of exchange controls and other policies intended to affect relative exchange rates. Currencies other than the U.S. dollar in which the Funds' assets are denominated may be devalued against the U.S. dollar, resulting in a loss to the Funds.

**Counterparty Risk.** The Funds may effect transactions in the over-the-counter or inter-dealer markets. The Funds therefore will be exposed to the risk that a counterparty will not timely settle a transaction or otherwise perform its obligations in accordance with contractual terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem or insolvency, thus causing the Funds to suffer a loss. These risks may differ materially from those entailed in many exchange-traded transactions, which generally are backed by clearing organization guarantees, daily marking-to-market and settlement of positions, and segregation and minimum capital requirements applicable to intermediaries.

Recently, several prominent financial market participants (including counterparties to over-the-counter and inter-dealer transactions) have failed or nearly failed to perform their contractual obligations when due – heightening the uncertainty observed in financial markets and leading to unprecedented governmental and regulatory authority interventions, credit and liquidity contractions, early termination of transactions and financing arrangements, and suspended and failed payments and deliveries. Such turmoil has caused even solvent prime brokers and lenders to be unwilling or less willing to finance new investments or to offer financing on significantly less favorable terms than those that prevailed in the recent past.

In addition to such risks in the United States, the Funds may trade in non-U.S. investments and the Funds' assets may be held by non-U.S. brokers, entities, or counterparties. Certain non-U.S. jurisdictions may not have well-developed rules and regulations regarding the protection of client assets and, therefore, such assets may be reachable by the creditors of those non-U.S. brokers, entities and counterparties even if, in a similar trade occurring in the United States, applicable law would have preserved such assets for the benefit of investors and customers. The insolvency of a non-U.S. broker or other non-U.S. counterparty could result in a loss to the Funds, which loss could be material.

Although the Funds (i) intend to enter into transactions only with counterparties that Artorius believes to be creditworthy, (ii) will attempt to reduce its exposure by obtaining collateral in appropriate cases, and (iii) will pursue any available remedies under any of these contracts, there can be no assurance that a counterparty will not default and that the Funds will not sustain a loss on a transaction as a result. In addition, concentration of transactions with a limited number of brokers or counterparties could increase the potential for losses by the Funds.

**Insolvency Risk.** The Funds use the services of several brokers to clear and settle their exchange-traded futures, securities and option trades. Under certain circumstances, a broker may close out positions, purchase futures contracts or securities, or cancel orders for the Funds' account if it deems it to be necessary for its protection, generally without the consent of the Funds. While U.S. rules and regulations applicable to such brokers offer significant protections to the assets of their clients (including the Funds), it is possible that, if one of the Funds' brokers were to become insolvent, the assets of the Funds held at such broker could be at risk. For example, while brokers are required to segregate client assets from their proprietary assets and are required to hold specified amounts of capital in reserve, client assets are normally held in pooled client accounts for the benefit of all clients. Additionally, the broker may be able to transfer, trade, sell, pledge, rehypothecate, assign, invest, commingle, or otherwise dispose of or use such assets in the ordinary course of its business. The Funds could experience losses if the clients' claims exceed the amount of client assets such brokers actually held at the time of its insolvency. With respect to U.S. broker-dealers, in the event client claims are greater than client property, the clients' remaining claims may be satisfied, along with all general unsecured claims, from the broker's non-customer assets (including its regulatory capital). In addition, while the return of client property is designed to occur on an expedited basis (usually by transfer of the accounts to a solvent broker), the Funds may be unable to trade

the securities that were held by the insolvent broker during this transfer period or during a pending insolvency proceeding. The assets of the Funds also may be held by non-U.S. brokers. Although certain non-U.S. jurisdictions provide similar protections to client assets, other non-U.S. jurisdictions may not have well-developed rules and regulations or other similar protections for client assets. Such rules and regulations may be less comprehensive than those of the United States and the practical effect of these laws and their application to the Funds' assets are subject to substantial limitations and uncertainties. There can be no assurance that the Funds will not experience losses in an insolvency of such non-U.S. brokers and such losses could be material.

**Hedging Transactions.** The Funds may utilize a variety of financial instruments, such as options and futures (subject to applicable regulatory requirements) for risk management purposes. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in worse performance for the Funds than if they had not engaged in any such hedging transaction. Hedges can be more difficult to implement than many other types of transactions and the possibilities for errors may be greater than for other transactions. There is a risk that price movements on the instrument used to create the hedge may not correspond to price movements in the security against which the manager is using the instruments to hedge because of fundamental differences between the two instruments and the factors which affect price movements. Moreover, it should be noted that the portfolios will always be exposed to certain risks that cannot be hedged, or risks which are prohibitively expensive to hedge against.

**Investments in Derivative Instruments.** Investments may be made in derivative instruments, provided such investments are within the investment objectives and investment guidelines for the Funds. Derivatives may be purchased on established exchanges or through privately negotiated transactions referred to as over-the-counter ("OTC") derivatives. Exchange-traded derivatives generally are guaranteed by the clearing agency that is the issuer or counterparty to such derivatives. This guarantee usually is supported by a daily variation margin system operated by the clearing agency in order to reduce overall credit risk. As a result, unless the clearing agency defaults, there is relatively little counterparty credit risk associated with derivatives purchased on an exchange. In contrast, no clearing agency guarantees OTC derivatives. Therefore, each party to an OTC derivative bears the risk that the counterparty will default. Accordingly, Artorius will consider the creditworthiness of counterparties to OTC derivatives. OTC derivatives are less liquid than exchange-traded derivatives since the other party to the transaction may be the only investor with sufficient understanding of the derivative to be interested in bidding for it. Moreover, in the event of the insolvency of a counterparty, the Funds may be unable to recover the collateral provided to such counterparty to secure the Funds' obligations.

The Funds may purchase and sell ("write") options. The purchaser of a put or call option runs the risk of losing its entire investment in a relatively short period of time if the option expires unexercised. The writer of an uncovered call option is subject to a risk of loss should the price of the underlying security increase, and the writer of an uncovered put option is subject to a risk of loss should the price of the underlying security decrease.

If Artorius invests the Funds' assets in derivatives at inopportune times or judges market conditions incorrectly, such investments may lower the Funds' returns or result in a loss. The Funds also could experience losses if its derivatives were poorly correlated with their other investments, or if the Funds were unable to liquidate their position because of an illiquid secondary market. The market for many derivatives is, or suddenly can become, illiquid. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for derivatives.

**Liquidity Risk.** Some of the securities in which the Funds may invest may be thinly traded, potentially making it difficult for the Funds to dispose of a position at the time or price desired. Moreover, in periods of extreme market volatility, the bid/ask spreads for some securities (which are ordinarily liquid) may widen, making it difficult or undesirable to sell the security.

**Hidden Correlations.** Although Artorius will attempt to diversify the Funds' portfolio, under certain market conditions, strategies and securities may become more highly correlated with one another in ways that might not have been apparent or predictable.

**Market or Catastrophic Risk.** Sustained cyclical market declines and periods of unusual market volatility make it more difficult to produce positive trading results and there can be no assurance that the Funds' strategies will be successful in such markets. Moreover, war, political or economic crises, or other events may occur which can be highly disruptive to the markets, regardless of the strategies being employed.

**The Funds have broad and flexible investment authority.** Artorius may have other investment strategies or methods of analysis, or engage in other activities, than those described herein. The foregoing list of risk factors is not an exhaustive explanation of the risks involved in an investment a Fund. It is critical that investors refer to the relevant Fund's Governing Documents for a more complete understanding of that Fund's investment objectives and strategies. The information contained in this Item 8 is a summary only and is qualified in its entirety by the relevant Fund's Governing Documents.

An investment in the Funds may be deemed speculative and is not intended as a complete investment program. There can be no assurance that the investment objective of a Fund will be achieved. The Funds are designed only for experienced and sophisticated persons who are able to bear the risk of substantial impairment or total loss of their investment in the Funds.

## **ITEM 9 – DISCIPLINARY INFORMATION**

Artorius and its employees have not been involved in any disciplinary events that require disclosure in response to this Item 9.



## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As disclosed in Item 4, Artorius acts as the investment manager to the Funds. The General Partner, an affiliate of Artorius, acts as the general partner of the Domestic Fund, the Intermediate Master Fund and the Trading Fund. Because the General Partner and Artorius are affiliated, there is a disincentive for the General Partner to replace Artorius as investment manager to the Funds.

Artorius and its management persons have no other relationships or arrangements with any related persons that are material to Artorius' advisory business or the Funds.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Artorius' Code of Ethics (the "Code of Ethics") describes Artorius' high standard of business conduct and has been designed to comply with the requirements of Advisers Act Rule 204A-1. Among other things, the Code of Ethics (i) requires that all employees comply with federal securities laws, (ii) sets forth restrictions on the provision of gifts and other benefits, (iii) sets restrictions on employee use of personal e-mail and social media websites, (iv) requires that all employees report to Artorius their personal securities holdings and transactions in reportable securities, and that Artorius review such reports, (v) requires all employees to obtain pre-approval of all transactions in reportable securities; (vi) requires a 30 day holding period on all security transactions absent specific approval from the Chief Compliance Officer, and (vii) contains policies and procedures designed to prevent the misuse of material, non-public information. All personnel of Artorius are required to certify their compliance with the Code of Ethics. Personnel who fail to observe the Code of Ethics and related compliance policies risk serious sanctions, including dismissal and personal liability.

Under the Code of Ethics employees may buy, sell or otherwise invest in securities for their own accounts that they also recommend to the Funds (however, pursuant to the Code of Ethics, such reportable securities trades may not occur on the same day as the day the Fund trades such security). In order to manage this conflict of interest, the Code of Ethics requires that employees obtain prior written approval from the Managing Principal before engaging in reportable security transactions in their personal accounts and other accounts in which they exercise discretion. Such transactions will be reviewed in the best interests of the Funds and will be denied by the Managing Principal if there is risk of potential adverse consequences to the Funds. Such transactions may also include trading in securities in a manner that differs from or is inconsistent with advice given to the Funds. Transactions in certain securities, such as money market, open end mutual funds and certain exchange traded funds are exempt from the prior approval requirements.

The Code of Ethics requires pre-approval of certain political contributions to government officials. Political contributions to government officials by Artorius personnel above a de minimis threshold need to be reported to, and pre-approved by, the Chief Compliance Officer. This policy is designed to curtail the influence of "pay-to-play" based on political contributions to government officials who influence or control how government funds, such as state pension plans, invest. The Code of Ethics also requires notice and approval for gifts and entertainment that Artorius personnel receive from third-parties with which Artorius or the Funds conduct business. All gifts or entertainment above a de minimis amount must be reported to and approved by the Chief Compliance Officer.

Artorius serves as the investment manager to the Funds. Artorius, its employees, affiliates or their related persons may also invest directly in any one, some or all of the Funds. The fact that Artorius, its employees, affiliates or their related persons have a financial ownership interest in the Funds creates a potential conflict in that it could cause Artorius to make different investment decisions than if they did not have such a financial ownership interest. Further, Artorius or its affiliates charge the Funds fees based on a percentage of assets under management and receive allocations based on performance. The management fee is payable without regard to the overall success or income earned by the Funds and therefore may create an incentive on the part of Artorius to raise or otherwise increase assets under management to a higher level than would be the case if Artorius were receiving a lower or no management fee. The receipt of performance-based allocations by Artorius or its affiliates may create an incentive for Artorius to make investments for the Funds that are riskier or more speculative than it otherwise would.

Furthermore, Artorius and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the existing Funds and/or may involve substantial time and resources of Artorius. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Artorius and its affiliates are not devoted exclusively to the business of the existing advisory clients (i.e., the Funds), but are allocated between the business of the existing advisory clients and the management of the monies of future funds and accounts managed by Artorius. Artorius uses its best judgment to be fair and equitable to all advisory clients to minimize this conflict of interest.

Fund Investors or prospective Fund Investors may arrange a time to review Artorius' Code of Ethics by contacting the Chief Compliance Officer, Michael Sullivan, at (212) 547-9510.

## **ITEM 12 – BROKERAGE PRACTICES**

Artorius intends to use institutional brokers that provide competitive prices and access to relevant securities and derivative instruments. All brokerage commissions and related transaction costs are borne directly by the Master Fund and indirectly by the Domestic Fund and the Offshore Fund and by Fund Investors. Brokerage transactions for the Funds are executed by brokers and dealers generally selected by Artorius on the basis of best execution, which Artorius evaluates based on a variety of factors, including the ability to achieve prompt and reliable executions at favorable prices; the operational efficiency with which transactions are effected; the financial strength, integrity and stability of the broker; the quality, comprehensiveness and frequency of available research and related services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Artorius' other selection criteria. While Artorius generally will seek reasonably competitive commission rates, the Funds will not necessarily pay the lowest commission available.

Subject to seeking best execution, Artorius may also consider referrals of potential investors to the Funds as a factor in the selection of brokers. This creates a potential conflict of interest in that Artorius may have an incentive to select a broker based on its interest in receiving referrals of potential investors rather than on the investors' interest in receiving most favorable execution. The Funds may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction in recognition of the value of the brokerage, research and related services provided by the broker.

The selection of a broker-dealer and trading venue for a particular trade is generally based on the type of security, size of position, market liquidity and need for anonymity. For example, for a small position in a large-cap company, trades will generally be routed to an ECN at the lowest commission. Trades involving larger blocks in small-cap companies require a more skillful and experienced broker-dealer and it is appropriate to pay a higher commission.

Artorius does not permit Fund Investors to direct brokerage.

Artorius may enter into arrangements with broker-dealers in which certain research products and services may be purchased by the broker-dealer for the benefit of Artorius through credits ("soft dollar credits") generated by the Funds' trading activities.

Artorius will generally only use soft dollar credits to the extent consistent with Section 28(e) of the Securities Exchange Act of 1934 (the "Safe Harbor"). Research products and services provided to Artorius may include news and quotation services, research reports on particular industries and companies, economic surveys and analyses, advice from legal, strategic, financial and industry consultants and advisors, recommendations as to specific securities, price ticks from the NYSE, software programs used in development and testing of trading strategies, buy sell signals and other services providing lawful and appropriate assistance to Artorius in the performance of its investment decision-making responsibilities.

Because Artorius utilizes the Master Fund as its sole trading account, Artorius does not aggregate the purchase or sale of securities for multiple accounts.

## **ITEM 13 – REVIEW OF ACCOUNTS**

Richard Furlaud and Matthew Harad, Artorius' Portfolio Managers, generally review the Master Fund's trading accounts on an ongoing basis, typically daily. The Portfolio Managers may consider information from a variety of sources, including quantitative analysis, economic developments, current events and other research, in making determinations about the Funds' investments.

Further, Artorius has in place written policies and procedures reasonably designed to detect and prevent violations of the securities laws, rules, and regulations and to ensure compliance with stated investment guidelines and objectives. Michael Sullivan, in his capacity as the Chief Compliance Officer, is responsible for administering the compliance program.

Artorius furnishes to the Fund Investors as soon as practicable, and in any case within 120 days, after the end of each fiscal year an annual report containing audited financial statements examined by the Funds' independent auditor. Fund Investors also receive after the end of each quarter a report indicating the performance of the relevant Fund for that quarter. All such reports are written. In addition to the foregoing, certain Fund Investors may, from time to time, negotiate the right to receive more frequent or detailed reports than other Fund Investors.

Artorius also supplies Schedules K-1s and other applicable tax information to Fund Investors.

Representatives of Artorius may be made available for discussions with Fund Investors on a periodic or agreed upon basis.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Artorius has entered into a written arrangement with a third-party broker-dealer, Capital Growth Securities, LLC (“CGS”), to act as solicitor or placement agent for Artorius’ investment advisory business, including the sale of Fund interests or shares. Compensation for CGS is payable out of the fees and allocations payable or made to Artorius and its affiliates, and do not increase the fees and allocations paid by Fund Investors. All such compensation is fully disclosed to each affected Fund Investor consistent with applicable law. Artorius does not transact any purchases or sales of securities with CGS.

Artorius may terminate its relationship with CGS or appoint different or additional solicitors or placement agents in the future.

Solicitors and placement agents that solicit Fund Investors on behalf of the Funds may be entitled to receive placement fees in respect of interests or shares sold by it equal to a percentage of the management fees received by Artorius and the performance-based allocation received by the General Partner. As a result, solicitors and placement agents have a substantial financial interest in selling interests and shares in the Funds to its clients and others. Such placement fees may vary depending on the arrangements between the Fund and the solicitor or placement agent.

Artorius may also receive Fund Investor referrals from the Funds’ introducing or prime brokers. See Item 12 for the potential conflicts of interest such referrals may create.

## **ITEM 15 – CUSTODY**

Artorius or its affiliates are deemed to have “custody” of the Funds’ assets within the meaning of Rule 206(4)-2 under the Advisers Act because the General Partner serves as general partner. All Master Fund assets are generally held in an account at a qualified custodian.

The qualified custodians presently utilized by Artorius for its Funds are as follows:

Wells Fargo Securities LLC

Goldman Sachs Execution and Clearing, L.P.

Barclays Capital Inc.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, all Fund Investors in the Funds will be provided with audited financial statements, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days, of the end of the Funds’ fiscal years. Fund Investors should carefully review the audited financial statements of the Funds upon receipt. If a Fund Investor has invested in a Fund and has not received such financial statements in a timely manner, such Fund Investor should contact Artorius immediately. Artorius may use additional or different qualified custodians in the future.

## **ITEM 16 – INVESTMENT DISCRETION**

Artorius has full discretionary authority to manage the investments of the Funds in accordance with each Fund's Governing Documents. The authority to make all investment decisions, including the selection of securities and execution, is entrusted to the complete discretion of Artorius. Accordingly, no prospective Fund Investor should invest in a Fund unless such Fund Investor is willing to entrust all aspects of the management of the Fund's investments to Artorius.

As explained in Item 4 above and pursuant to the Governing Documents, the Fund Investors generally do not have the ability to impose limitations on Artorius' discretionary authority.

Prospective Fund Investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant Governing Documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective Fund Investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the Fund Investor, enforceable in accordance with its terms, and, in the case of the Domestic Fund only, a limited partnership agreement.



## **ITEM 17 – VOTING CLIENT SECURITIES**

Artorius has a fiduciary obligation to the Funds to vote proxies with respect to securities held in those Funds' accounts in the Funds' best interests. Artorius has therefore adopted and implemented policies and procedures that are reasonably designed to (i) ensure that Artorius votes proxies in the best interests of the Funds, (ii) disclose to Fund Investors information about these policies and procedures, and (iii) disclose to Fund Investors how they may obtain information on how Artorius has voted the Funds' proxies. These policies and procedures also contain record-keeping requirements in regard to proxy voting as required by law.

Artorius understands and appreciates the importance of proxy voting and ensuring that its proxy voting procedures are clearly described to Fund Investors. To the extent that Artorius has discretion to vote the proxies of the Funds it manages, Artorius will ensure that any such proxies are voted in the best interests of the Funds. To that end, Artorius has retained an independent third party to vote all proxies the Funds receive on the Funds' behalf. Broadridge, an industry leader in voting and tabulation of proxy votes, will identify all Fund securities that have proxy voting rights and Glass Lewis, a leading independent governance analysis and proxy voting firm, will vote those rights in accordance with the Funds' best interests.

By utilizing independent third-party service providers, Artorius will not be subject to conflicts of interest in connection with voting proxies.

Fund Investors are not permitted to direct how proxies will be voted in a particular solicitation.

Please let us know if you have any questions about, or would like to be provided with a copy of, our proxy voting procedures. Also, please let us know if you would like detailed information about how any proxies were actually voted by calling the Chief Compliance Officer, Michael Sullivan, at (212) 547-9510.

## **ITEM 18 – FINANCIAL INFORMATION**

Artorius does not require or solicit prepayment of more than \$1,200 in fees per Fund or Fund Investor, six months or more in advance.

Artorius has never been the subject of a bankruptcy petition and is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Funds.