

**Item 1 – Cover Page**

Ortelius Capital Partners, LLC

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March 7, 2016

This Brochure provides information about the qualifications and business practices of Ortelius Capital Partners, LLC (“Ortelius”). If you have any questions about the contents of this Brochure, please contact us at (917) 595-5010. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Ortelius is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Ortelius is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Ortelius is 138284.

## Item 2 – Material Changes

This Item of the Brochure will discuss only specific material changes that are made to the Brochure and provide clients with a summary of such changes. The last update of our brochure was our annual amendments filing on March 30, 2015, and an other-than-annual amendment filed on July 9, 2015. This annual amendment reflects the following material changes:

- Reference to one new private fund (Temnein Ventures II, L.P.) and Ortelius' practices under Items 4, 5, 12 & 13.
- Reference to new affiliates under Item 10 (the investment manager and general partner of the new private fund).

Currently, our Brochure may be requested by contacting Peter DeSorcy, one of Ortelius' Managing Members, at (917) 595-5010. Additional information about Ortelius is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## Item 3 – Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 – Table of Contents.....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	3
Item 7 – Types of Clients.....	4
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	4
Item 9 – Disciplinary Information .....	9
Item 10 – Other Financial Industry Activities and Affiliations .....	9
Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading .....	10
Item 12 – Brokerage Practices .....	10
Item 13 – Review of Accounts.....	14
Item 14 – Client Referrals and Other Compensation.....	14
Item 15 – Custody .....	14
Item 16 – Investment Discretion .....	15
Item 17 – Voting Client Securities.....	15
Item 18 – Financial Information.....	15

## Item 4 – Advisory Business

Ortelius Capital Partners, LLC, an alternative asset management group specializing in hedge funds, is majority-owned by H.R.H. Prince Pavlos of Greece, Managing Member, and Peter DeSorcy, Managing Member/Chief Compliance Officer, and has been providing advisory services since 2002. As of December 31, 2015, Ortelius managed approximately \$283,769,969MM on a discretionary basis. Ortelius Capital Partners, LLC is also affiliated through ownership and control with Ortelius Ventures, LLC, a firm specializing in private equity asset management and Ortelius Advisors, L.P., a firm specializing in activist investing. These firms operate under the same compliance policies/procedures and Code of Ethics, and will be referred to throughout this disclosure document as “Ortelius”.

Ortelius provides investment supervisory services to multiple private pooled investment vehicles (“Private Funds”):

1. Hudson Investors, Ltd., which is incorporated under the laws of the British Virgin Islands, and is managed as a hedge fund of funds, meaning that the pooled investment vehicle invests primarily in other pooled investment vehicles. Ortelius may also invest directly, both long and short, in a wide range of securities and financial instruments (a “direct investment”) when Ortelius believes that the net exposure of the underlying funds either under- or over-exposes the Private Fund to the overall financial markets. These transactions may include, without limitation, equity or debt investments, options, swaps, forwards, futures, credit derivatives, exchange-traded funds or other equity or credit derivative instruments.
2. Hermes Ventures, L.P. (a Master Private Fund) and Hermes Ventures (Cayman), L.P. (a Feeder Fund) – a private equity fund structure that follows an opportunistic private equity strategy.
3. Pangaea Ventures, L.P. (a Master Private Fund) and Pangaea Ventures (Cayman), L.P. (a Feeder Fund) – funds that aim to provide investors with attractive risk-adjusted returns by directly or indirectly investing in companies whose security price can be improved through corporate or strategic action.
4. Temnein Ventures I, L.P. (a Master Private Fund) and Temnein Ventures I (Cayman), L.P. (a Feeder Fund) – funds that aim to provide investors with attractive risk-adjusted returns by directly or indirectly investing in a single company whose security price can be improved through corporate or strategic action.

5. Temnein Ventures II, L.P. (a Master Private Fund) and Temnein Ventures II (Cayman), L.P. (a Feeder Fund) – funds that aim to provide investors with attractive risk-adjusted returns by directly or indirectly investing in a single company whose security price can be improved through corporate or strategic action.

The Private Funds are not required to register as investment companies under the Investment Company Act of 1940 in reliance upon an exemption available to pooled investment vehicles whose securities are not publicly offered. Ortelius manages the Private Funds on a discretionary basis in accordance with the terms and conditions of each Private Fund's offering and organizational documents.

## **Item 5 – Fees and Compensation**

Ortelius charges a management fee, typically collected quarterly in advance, to Private Fund investors, with differing management fees depending on the Share Class, in the case of Hudson Investors, Ltd. Ortelius may also receive a performance fee as detailed in Item 6. Ortelius also has the discretion to negotiate a different fee, or waive all or part of the management fee and/or performance fee for any shareholder.

With respect to Hudson Investors, Ltd., the Investment Management Agreement may be terminated by either the Private Fund or Ortelius without payment of any penalty on at least three months advance written notice, provided that termination by the Private Fund requires the approval of shareholders holding a majority in interest of the Shares of the Private Fund.

Ortelius does not typically invest Private Fund assets in mutual funds; however it may utilize mutual funds as a result of “cash sweeps” in any of the Private Funds. All fees paid to Ortelius for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees may include management fees, fund expenses, or distribution fees. Similarly, all fees paid to Ortelius for investment advisory services are separate and distinct from the fees and expenses charged by each of the money managers of the Investment Vehicles to which Ortelius allocates assets on behalf of Hudson Investors, Ltd. Each of these money managers charges management and/or performance-based fees, which are disclosed in the applicable Fund documents for such Vehicles.

Each Private Fund will reimburse Ortelius for certain out-of-pocket expenses incurred by Ortelius in connection with the performance of its obligations under the respective Investment Management Agreement.

In the sole discretion of Ortelius, Ortelius reserves the right to enter into side letter arrangements with certain investors providing modifications to the fee structures, liquidity provisions, lock-up periods and other terms and conditions of the Private Funds.

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

For Hudson Investors, Ltd. and Pangaea Ventures, L.P., Ortelius may also receive a performance fee (the “Performance Fee”) based on a percentage of the increase, if any, in the Net Asset Value of each Share Class, but only to the extent that such profits exceed a cumulative “high-water mark” (i.e., the previous highest Net Asset Value) calculated separately in the case of Hudson Investors, Ltd. for each series class of Shares. Certain Hudson Investors, Ltd. Share Classes do not pay a performance based fee. With respect to Hermes Ventures, L.P., Temnein Ventures I, L.P. and Temnein Ventures II, L.P., Ortelius will receive performance compensation which is payable after the end of the Private Fund’s investment period.

In measuring an investor's net profits for the calculation of Performance Fee for Hudson Investors, Ltd. and Pangaea Ventures, L.P., Ortelius will include both realized and unrealized gains and losses during the relevant period. With respect to Hermes Ventures, L.P., Temnein Ventures I, L.P. and Temnein Ventures II, L.P., the Performance Fee is calculated based only on realized gains, and also subject to a preferred return in the case of Hermes Ventures, L.P. The calculation and payment of the Performance Fees applicable to a particular interest in a Private Fund is described in detail in the applicable offering documents for such interest.

The Performance Fee may create a theoretical incentive for Ortelius to cause the Private Funds to make investments which may be riskier or more speculative than those which might be made under a different fee arrangement. The Investment Advisers Act of 1940 and certain state laws restrict the payment of performance-based fees, such as the Performance Fees, to investment advisers registered under such act.

However, SEC Rule 205-3 permits the payment of performance-based compensation to investment advisers provided that the clients (including investors in investment vehicles such as the Private Funds) meet certain financial qualifications.

The offering of interests in the Private Funds are structured to comply with this rule and accordingly the Private Funds will only accept subscriptions from investors who meet the qualifications set forth in Rule 205-3. Investors in the Private Funds are requested to refer

to the applicable Fund Private Placement Memorandum for complete information on the services offered, and corresponding fees charged, by Ortelius.

## **Item 7 – Types of Clients**

As indicated in Item 4, Ortelius provides investment advice to one hedge fund of funds, Hudson Investors, Ltd, three activist hedge funds (Pangaea Ventures, L.P., Temnein Ventures I, L.P. and Temnein Ventures II, L.P., (hereinafter referred to as the “activist Private Funds”) and a private equity master fund, Hermes Ventures, L.P. Prospective investors should refer to the offering documents of the respective Private Fund for information on minimum investment requirements. Typically Ortelius requires a minimum investment of either \$1,000,000 or \$5,000,000 (depending on the Private Fund), although this is negotiable at Ortelius' discretion.

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

With respect to its management of Hudson Investors, Ltd., Ortelius seeks investments primarily with underlying hedge funds (“Investment Vehicles” as defined below) which employ a research-intensive, fundamental-based investment philosophy in a variety of investment strategies including, but not limited to, long/short equity, distressed, capital structure arbitrage, special situations, and merger arbitrage. As part of its due diligence efforts, Ortelius applies qualitative and quantitative analyses to the business, strategy, and securities risks inherent with each Investment Vehicle.

While identifying Investment Vehicles with in-depth knowledge of their underlying investments, Ortelius further identifies Investment Vehicles which typically implement proactive and encompassing risk management processes seeking to mitigate macro-exogenous risk factors including, but not limited to, market, interest rate, credit, liquidity and spread risk. Ortelius allocates to approximately thirteen Investment Vehicles (however, Ortelius may allocate to more or less, based solely on the discretion of Ortelius) with exposures across a broad spectrum of styles and market capitalizations, including small-cap, mid-cap, large-cap, growth and value.

Ortelius utilizes a number of different strategies in its management of the Private Fund through investments in a variety of Investment Vehicles and direct investments, including:

- Capital Structure Arbitrage
- Convertible and Warrant Arbitrage

- Distressed
- Fixed-Income Arbitrage
- Long/Short Equities
- Merger Arbitrage
- Relative Value
- Special Situations
- Statistical Arbitrage

Strategies which may be pursued by Ortelius through its investments are described above, but these examples are not intended to be exhaustive and other strategies may also be employed by Ortelius and the Investment Vehicles in which the Private Fund is invested. Certain of the Investment Vehicles in which Ortelius invests the Private Fund may be affiliated with each other by virtue of having the same or an affiliated investment adviser.

With respect to its approach to investment management of the activist Private Funds, Ortelius will employ a research-intensive, fundamental-based investment approach and seek to pressure one (in the case of Temnein Ventures I, L.P. and Temnein Ventures II, L.P.) or multiple (in the case of Pangaea Ventures, L.P.) target companies to implement corporate and/or capital structure changes. Generally, the activist Private Funds will target holding companies or conglomerates with disparate business segments, whose “sum-of-the-parts” appears to Ortelius to be worth significantly more than the current market price.

In conjunction with precipitating catalysts which jettison financial inefficiencies, the activist Private Funds intend to make sizable investments in one or more businesses whose asset values and free cash flows are materially underappreciated in the marketplace.

The event-driven strategy of Ortelius will typically result in the activist Private Funds’ investment in one or more companies that are undergoing significant corporate events, including spin-offs, split-offs, asset sales, divestitures, bankruptcies, liquidations, acquisitions, changes in corporate and capital structures, share repurchases, recapitalizations, re-financings, capital expenditures cycles, cost reductions, new products, unit sales growth, a favorable pricing environment, and positive developments in profitability. Ortelius will generally look for the existence of one or more elements to act as a catalyst for initiating or reinforcing the revaluation of securities across the capital structure of a target company. When evaluating a specific company as a potential target, Ortelius may consider many factors, including the likelihood of realizing identified catalysts, the estimated security prices under positive and adverse outcomes, and the expected time horizon of any investment.

With respect to private equity investments on behalf of Hermes Ventures, L.P., Ortelius’ objective is to achieve capital appreciation through an investment (either directly or



indirectly through a special purpose subsidiary) in the equity securities of publicly-traded companies. Investors should refer to the offering documents of Hermes Ventures, L.P. for complete information on the investment strategy and associated risks of the Private Fund.

### **Risks Associated with Investment in the Private Funds**

**Investing in securities involves risk of loss that clients should be prepared to bear.**

Investment in the Private Funds involves risk factors and is suitable only for persons who can afford fluctuations in the value of their capital, who have limited need for liquidity in their investment and who meet certain conditions, as outlined in the Private Fund documents.

Our strategies are available only to qualified investors who have reviewed detailed information concerning investment terms and risks. These risks may include, but not be limited to, the following: Performance can be volatile, and an investor could lose a substantial amount of his or her investment. The strategy may use leverage. The investor does not retain any trading authority over assets placed with us. Our strategies are not intended to provide an investor with an investment program that is diversified or otherwise tailored to suit any investor's overall investment needs. An investor's account may not be liquid or transferable. Fees and expenses may offset trading profits.

### **Specific Investment-Related Risks:**

Diversification: Although Ortelius seeks to obtain diversification within Hudson Investors Ltd. by investing with a number of different Investment Vehicles with diverse strategies, it is possible that more than one Investment Vehicle may take positions in the same security or group of securities at the same time. Hermes Ventures, L.P., as a private equity fund, may be invested in only one private equity opportunity, creating diversification risk. Temnein Ventures I, L.P. and Temnein Ventures II, L.P. may be invested in only one opportunity, creating diversification risk.

Risks of Investment Strategies: The success of Hudson Investors, Ltd.'s investment activities, as a fund of funds, will primarily depend on Ortelius' ability to identify Investment Vehicles that successfully exploit discrepancies in the capital markets. No assurance can be given that either Ortelius or an Investment Vehicle will be able to locate investment opportunities or to correctly exploit discrepancies in the capital markets. Depending upon the investment strategies employed and market conditions, an Investment Vehicle may be adversely affected by unforeseen events involving such matters as political crises, changes in currency exchange rates or interest rates, forced

redemptions of securities or acquisition proposals. Because many Investment Vehicles' investments are actively managed, purchases and sales of investments may be frequent and may result in higher transaction costs. Certain of the investment strategies employed by Investment Vehicles are based on historical relationships between prices. There can be no assurance that such historical relationships will continue and no representation is made by Ortelius as to what results the Investment Vehicle will or is likely to achieve based on such trends and relationships.

Independence of Investment Vehicles: It is likely that Hudson Investors, Ltd. will not control any of the Investment Vehicles, their choice of investments and other investment decisions, all of which are totally within the control of such Investment Vehicles and their principals or advisers.

Activist Investing. The activist Private Funds' investment strategy involves certain shareholder activism that would attempt to influence certain actions of target companies. However, there exists the risk that the intended strategy for a particular company will be unsuccessful or that the activist Private Funds do not have sufficient resources, ownership, or legal rights to take certain desired actions. When securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the activist Private Funds purchase of the securities and the anticipated results. If the anticipated results do not in fact occur, the activist Private Funds may be required to sell its investment at a significant loss. Moreover, there may be instances where the activist Private Funds would be restricted in transacting in or redeeming a particular investment as a result of its activist investment strategy.

Control Positions. The activist Private Funds may assume control positions in portfolio companies. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of governmental regulations, and other types of liability in which the limited liability generally characteristic of business operations may be ignored.

Illiquidity of Operating Private Fund Shares: There can be no assurance that a secondary market for Shares in the Private Funds will develop or that, if a secondary market develops, it will continue or provide a shareholder of Shares with liquidity.

Leverage: The use of leverage has attendant risks and can substantially increase the adverse impact to which investment portfolio may be subject. In addition, the use of leverage will be subject to the risk that changes in the general level of interest rates may adversely affect expenses and operating results.

In general, the anticipated use of short-term margin borrowings results in certain additional risks. For example, should securities pledged to brokers to secure a Private Fund's margin accounts decline in value, the Private Fund could be subject to a "margin call," pursuant to which that Private Fund must either deposit additional funds or securities with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Private Fund's assets, the Private Fund might not be able to liquidate assets quickly enough to satisfy its margin debt.

Direct Investments: As discussed above Ortelius, as investment adviser to Hudson Investors, Ltd., may invest directly both long and short in a wide range of securities and financial instruments when Ortelius believes that the net exposure of the underlying funds either under- or over-exposes a Private Fund to the overall financial markets. These transactions may include, without limitation, equity or debt investments, options, swaps, forwards, futures, credit derivatives, exchange-traded funds or other equity or credit derivative instruments.

Short Sales: To make delivery to the buyer, the Investment Vehicle must borrow the security, and the Investment Vehicle is obligated to return the security to the lender, which is accomplished by a later purchase of the security by the Investment Vehicle. When the Investment Vehicle makes a short sale, it may be obligated to leave the proceeds thereof with the broker and also deposit with the broker an amount of cash or other securities (subject to requirements of applicable law) that is sufficient under any applicable margin or similar regulations to collateralize its obligation to replace the borrowed securities that have been sold.

If the price of the security sold short increases between the time of the short sale and the time the Investment Vehicle replaces the borrowed security, the Investment Vehicle will incur a loss; conversely, if the price declines, the Investment Vehicle will realize a short-term capital gain. Any gain will be decreased, and any loss will be increased, by the transaction costs described above. Although the Investment Vehicle's gain is limited to the price at which it sold the security short, its potential loss is theoretically unlimited because there is no limit on how much the price of a security may appreciate before the short position is closed out. In addition, the supply of securities which can be borrowed fluctuates from time to time. The Investment Vehicle may be subject to losses if a security

lender demands return of the lent security and an alternative lending source cannot be found or if the Investment Vehicle is otherwise unable to borrow securities which are necessary to hedge its positions. In addition, purchasing securities to close out a short position can itself cause the price of the securities to rise further, thereby exacerbating the loss. The extent to which the Investment Vehicle engages in short sales depends upon its investment strategy.

Investors in the Private Funds are requested to refer to the applicable Private Placement Memorandum for complete information on the strategies utilized by Ortelius, and the risks associated with each.

## **Item 9 – Disciplinary Information**

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

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

Peter DeSorcy and H.R.H. Prince Pavlos of Greece both sit on the Board of Directors of Hudson Investors, Ltd. These individuals are also:

- Majority owners, through Ortelius Capital Partners, LLC, of Ortelius Ventures, LLC, investment manager of Hermes Ventures, L.P., and Ortelius Ventures GP, LLC, the General Partner of Hermes Ventures, L.P.
- Majority owners of Ortelius Advisors, L.P., investment manager of the activist Private Funds, Ortelius Advisors GP I, LLC, the General Partner of Pangaea Ventures, L.P., Temnein Advisors GP I, LLC and Temnein Advisors GP II, LLC, the General Partners of Temnein Ventures I, L.P. and Temnein Ventures II, L.P., respectively.

Boston Ventures IV-A SPHI Investment Corporation owns 20% of Ortelius Capital Partners, LLC.

Neither Peter DeSorcy nor H.R.H. Prince Pavlos of Greece maintain any other substantive outside activities.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

Employees of Ortelius may potentially own the same securities as those held by the money managers to whom Ortelius allocates fund of fund assets, or direct investments made by Ortelius on behalf of the Private Funds. However, Ortelius and its Managing Members are never in the position of having prior knowledge of the specific investment decisions made by the money managers to which it allocates Fund assets, and as such cannot benefit from any investment decisions made by Ortelius.

Ortelius has adopted a Code of Ethics that sets forth high ethical standards of business conduct that Ortelius requires of its employees, including compliance with applicable federal securities laws. Ortelius' Code of Ethics also includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by Ortelius' covered persons.

Among other things, Ortelius' Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Ortelius' code also includes oversight, enforcement and recordkeeping provisions. A copy of Ortelius' Code of Ethics is available to Ortelius' advisory clients upon request to the Chief Compliance Officer at Ortelius' principal office address.

## **Item 12 – Brokerage Practices**

With respect to Hudson Investors, Ltd., Ortelius is provided with written authority to determine which Investment Vehicles to whom the fund's assets are to be allocated, and the amounts of such allocations. As the fund's assets are predominantly allocated to Investment Vehicles, Ortelius does not have the ability to determine which securities and the amounts of securities that are bought or sold by the money managers of such Vehicles, nor will Ortelius be able to determine the broker-dealer to be used and the commission rates to be paid. However, in those situations where Ortelius decides to utilize a Hedge Overlay or makes a direct investment as discussed above, Ortelius will take discretion to determine the broker-dealer to be used and the commission rates to be paid. Ortelius will endeavor to select those brokers which will provide the best execution at competitive rates. In placing Hedge Overlay or direct investments for the fund, Ortelius typically considers a number of factors in selecting appropriate brokers, including, among others: the overall costs of a trade (i.e., net price paid or received) including commissions, mark-ups, mark-downs or spreads in the context of Ortelius' knowledge of negotiated

commission rates currently available and other current transaction costs; quality and consistency of market access and of execution including accurate and timely execution, clearance and error/dispute resolution. Ortelius does not place transactions on a soft dollar basis.

With respect to the activist Private Funds, Ortelius is granted the discretionary authority to select broker-dealers and the commission rates to be paid for transactions. Transactions normally will be effected through brokers on securities exchanges or directly with the issuer, or through an underwriter, or market maker or other dealer for the investments. Transactions through brokers involve a commission to the broker. Transactions with dealers typically are priced to include a spread between the bid and the asked price to compensate the dealer.

The primary selection criterion employed by Ortelius in connection with selecting brokers for activist Private Fund transactions is the brokers' ability to provide best execution. In assessing best execution, and its overall broker relationships, Ortelius considers a variety of factors including a totality of circumstances, including the broker-dealer's research capabilities and the success of prior research recommendations (including private equity financings), ability to efficiently execute difficult trades (such as those in illiquid markets or trades of substantial size), the broker's risk in positioning a block of securities, commitment of capital, access to new issues, nature and frequency of sales coverage, depth of services provided, including economic or political coverage, arbitrage and option operations, back office and processing capabilities, financial strength, stability and responsibility, efficiency, reputation, access to markets, confidentiality, commission rate, responsiveness to the Investment Manager and the value of research and brokerage and research products and services provided by such brokers.

Ortelius may also execute trades with brokers and dealers with whom the Funds or Ortelius have other business relationships, including prime brokerage, credit relationships, and capital introduction or investments by affiliates of the broker-dealers in the Funds or other entities managed by Ortelius. However, Ortelius does not believe that these other relationships will influence the choice of brokers and dealers who execute trades for the Fund.

Broker-dealers may provide research that may include written or oral proprietary research. Broker-dealers may also provide research products that include software and related support services for use in research and trading, quotation boards, computer databases and quotation equipment, in each case to access research or which provide research directly. Research services may include, among other things, research

concerning market, economic and financial data, statistical information, data on pricing and availability of securities, financial publications, attendance at conferences and meetings, electronic market quotations, performance measurement services, analyses or due diligence concerning specific securities, companies or sectors, including due diligence on specific aspects of a company's operations or finances, analyses on issues raised in proxy statements and market, economic and financial studies and forecasts. Research services may be in written or oral form or on-line and may be produced by broker-dealers or third parties such as attorneys, accountants, or consultants. Brokerage products and services may include certain order management system components and order routing.

The receipt of brokerage and research products from broker-dealers through client commission payments is commonly referred to as "soft dollars." Broker-dealers may provide products and services paid for through soft dollars either directly or through credits deposited into an account that may be used for research developed by the broker-dealer, third-party research, and brokerage services. Section 28(e) of the Exchange Act provides a safe harbor from liability for breach of fiduciary duties relating to the purchase of limited research or brokerage services using soft dollars so long as the products and services received constitute lawful and appropriate assistance and the amount indirectly paid for those products or services is reasonable. If Ortelius uses research or brokerage products or services, it intends to limit research and brokerage to those services included in the safe harbor under Section 28(e) of the Exchange Act.

Research and brokerage products and services may be used by Ortelius in servicing some or all of Ortelius' clients. In addition, some research and brokerage may not be used by Ortelius in servicing the clients whose commission dollars provided for the research or brokerage. Clients may not, in any particular instance, be the direct or indirect beneficiaries of the research or brokerage provided. Certain clients, who are the beneficiaries of research or brokerage, may have an investment style which results in the generation of a small amount of brokerage commissions due to a lack of active trading for their accounts. As a result, clients who generate sizeable commissions subsidize research or brokerage provided to clients whose accounts generate minimal brokerage commissions since the commission dollars generated by transactions for such clients are not sufficient to pay for research or brokerage that may be received by such clients from other brokers.

In selecting broker-dealers on the basis of the foregoing factors, Ortelius may pay a brokerage commission in excess of that which another broker might have charged for effecting the same transaction. In connection therewith, Ortelius will make a good faith determination that the amount of commission is reasonable in relation to the value of the

research or brokerage services received, viewed in terms of either the specific transaction or Ortelius' overall responsibility to its clients. Ortelius will regularly evaluate the placement of brokerage services and the reasonableness of commissions paid. Research received from brokers will be supplemental to Ortelius' own research efforts. While the receipt of research will not reduce Ortelius' normal research activities, Ortelius' expenses could increase materially if it attempted to generate such additional research or brokerage services through its own staff, and the activist Funds' management fee will not be reduced as a consequence of the receipt of such research or brokerage services or products. As such, Ortelius' arrangements for the receipt of research and brokerage services from brokers may create a conflict of interest, in that Ortelius may have an incentive to choose a broker-dealer that provides research and brokerage services, instead of one that does not but charges a lower commission rate. In some instances, Ortelius receives products and services that may be used for both research and non-research purposes. In such instances, Ortelius will make a good faith effort to determine the relative proportion of the products and services used to assist Ortelius in carrying out its investment decision-making responsibilities or order execution, including research and brokerage, and the relative proportion used for administrative or other non-research purposes. The proportionate amount of the research attributable to assisting Ortelius in carrying out its investment decision-making responsibilities or order execution will be paid through brokerage commissions generated by the activist Funds and other client transactions; the proportionate amount attributable to administrative or other non-research purposes will be paid for by Ortelius from its own resources. The receipt of "mixed-use" research and the determination of the appropriate allocation may result in a potential conflict of interest between the Investment Manager and its clients, including the Fund.

With respect to private equity transactions for Hermes Ventures, L.P., to the extent applicable, Ortelius selects broker-dealers through which to effect transactions on the basis of best execution. Best execution in this context does not necessarily mean effecting transactions at the lowest possible commission rate, transaction costs and price, but includes a number of factors mentioned herein. Ortelius seeks to effect transactions at a price, commission and transaction cost (e.g., mark-up or mark-down in the case of fixed income) that provides the most favorable total cost or proceeds reasonably attainable under the circumstances. Ortelius may consider various factors when selecting broker-dealers including, but not limited to, the experience of the broker-dealer in liquidating distributions from private equity funds, the nature of the portfolio transaction, the size of the transaction, broker's trading expertise, reliability, responsiveness, reputation, execution, clearance, settlement and error correction capabilities, willingness to commit capital, access to a particular trading market, and security conditions (e.g., liquidity, volatility).



## **Item 13 – Review of Accounts**

### Reviews:

All Private Fund assets are periodically monitored and reviewed by Ortelius' investment team. The investment team reviews each Private Fund in the context of its stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the market, political or economic environment.

### Reports:

Investors in the Private Funds (with the exception of Hermes Ventures, L.P.) are provided monthly unaudited return estimates. Return estimates are prepared internally. The Private Fund Administrator provides monthly unaudited NAV statements to investors in those Private Funds.

Investors in Hermes Ventures, L.P. will receive quarterly unaudited return estimates.

Investors in all Private Funds are also provided annual audited financial information. Ortelius may also prepare and deliver to such investors additional information Ortelius deems pertinent.

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

Ortelius may from time to time engage placement agents, solicitation agents or finders for the interests of the Private Funds ("Solicitation Agents"). Ortelius may pay Solicitation Agents a portion of the fees paid to Ortelius or other compensation.

Such compensation is paid in a manner intended to comply with SEC Rule 206(4)-3, which regulates the payment of solicitation fees by registered investment advisers, as well as applicable regulations under the Securities Act of 1934.

## **Item 15 – Custody**

Ortelius maintains compliance with Rule 206(4)-2 of the Investment Advisers Act of 1940 by ensuring that:

- The Private Funds are audited on an annual basis by an independent accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board in accordance with its rules.

It distributes audited financial statements prepared in accordance with generally accepted accounting principles to all members (or other beneficial owners) of the Private Funds within 120 (or 180 days for Hudson Investors, Ltd. as a fund of funds) of the end of its fiscal year.

## **Item 16 – Investment Discretion**

Ortelius manages the Private Funds on a discretionary basis in accordance with the terms and conditions of each Private Fund's offering and organizational documents.

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

Ortelius has implemented policies and procedures regarding the voting of proxies as required under Rule 206(4)-6 of the Investment Advisers Act.

This Rule generally requires Ortelius to (i) adopt policies and procedures reasonably designed to ensure that proxies with respect to securities in Private Fund accounts, where we exercise voting discretion, are voted in the best interest of the Private Funds and its investors; (ii) to disclose how information may be obtained on how we vote proxies; and (iii) to maintain records relating to our proxy voting.

Ortelius will provide, at no cost, a copy of its proxy voting policies and will provide investors in the Private Funds with information regarding how proxies were voted by contacting Consideration is given to both the short- and long-term implications of the proposal to be voted on when considering the optimal vote. Our complete proxy voting policy and procedures are available for investors to review upon written request to Ortelius' Chief Compliance Officer.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Ortelius' financial condition. Ortelius 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.