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Asclepius Investment Strategies, LLC

Form ADV Part 2A - Disclosure Brochure
November 6, 2017

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This brochure provides information about the qualifications and business practices of Asclepius Investment Strategies, LLC. If you have any questions about the contents of this brochure, please contact Michael J. Levas, our Chief Compliance Officer, at (212) 634-6440. 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.

You can find more information about us at the SEC’s website www.adviserinfo.sec.gov.



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2. – Material Changes

This is an amendment to the brochure dated June 1, 2017. Item 19 regarding requirements for state-registered advisers has been added to this brochure, as we are registering with state authorities.

In the future, this Item will be used to provide clients with a summary of new and/or updated information. Clients will receive a summary of any material changes to this brochure within 120 days of the close of our fiscal year. Furthermore, we will provide clients with other interim disclosures about material changes as necessary.



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4. – Advisory Business

The Company

Asclepius Investment Strategies, LLC (“we,” “us” or “Asclepius”) is an investment adviser currently registered with the SEC.¹ Asclepius is in the process of transitioning registration to the State of New York.

Asclepius was founded in May of 2016 by its principal member, Michael J. Levas, who owns 100% of Asclepius’s interests. We are headquartered in New York, New York.

Advisory Services

Our Services

Asclepius provides investment advisory services to private investment funds (each a “Fund, collectively the “Funds”) that invest substantially all assets through a master-feed fund structure in certain master funds (a “Master Fund”) and to special purpose ventures. We may, at our discretion, also provide services to separately-managed accounts (“SMAs”) for high net worth individuals. We provide investment advice with a focus on the life sciences sectors. For more details on our investment strategy and methods of analysis, please see Item 8 below.

Investment Restrictions

Our advice is tailored to meet the needs of the Funds. Asclepius does not generally tailor its advisory services based on its analysis of the individual needs of such investors.

Assets Under Management

As of November 3, 2017, we have \$1.5 million of assets under management. Client assets managed by us are managed on a discretionary basis.

5. – Fees and Compensation

Amount of Our Fees

Our annual standard management fee for the Funds is 2.0% of the assets managed. Notwithstanding the foregoing, an underlying investor in a Fund may elect to forego the ability to withdraw capital contributions for a period of 36 months (“3 Year Lock-Up”) or 60 months (“5 Year Lock-Up”). In that case, the underlying investor will be entitled to a reduction in management fee. An investor who elects a 3 Year Lock-Up will be subject to a 1.75% annual

¹ Registration as an investment adviser does not imply a certain level of skill or training.



management fee. An investor who elects a 5 year Lock-Up will be subject to a 1.50% annual management fee. In addition, underlying investors may be subject to redemption charges. A withdrawal prior to the expiration of one calendar year with respect to a capital contribution will be deemed an “Early Withdrawal;” such Early Withdrawal is subject to a redemption charge of 3% of the withdrawn amount payable to the Fund, subject to waiver in the sole and absolute discretion of the General Partner of the Fund.

Other underlying investors may pay more or less than others depending on certain factors, including the type and size of the account and the total amount of assets managed for a group of related investors.

Asclepius’s affiliate, Asclepius Investment Partners, LLC (“Asclepius Investment Partners”) is the General Partner of the Funds and the Master Fund. For these services, Asclepius Investment Partners receives performance-based allocations (the “Performance Allocation”) of up to 20% of a Fund’s limited partner’s pro rata share of the increase in net worth, if any, at the close of each fiscal year in arrears.

Prospective investors are requested to refer to the Funds’ offering documents for a complete understanding of the fees payable to Asclepius and its affiliates. The information contained herein is only a summary and is qualified in its entirety by the relevant Fund’s offering documents. Asclepius and its affiliates receive performance-based fees in conformity with Rule 205-3 of the Investment Advisers Act of 1940, as amended.

Our standard management fee for special purpose ventures is 1.5%, payable on a quarterly basis, based upon the amount of each underlying investor’s capital commitment. That fee will be payable quarterly in advance and calculated as of the first day of each quarter. Fees for SMAs will be individually-negotiated and disclosed in full

Payment of Our Fees

Our management fee is deducted from the Funds’ accounts at the end of each calendar month. Our management fee is calculated and accrued monthly and payable monthly in arrears, equal to approximately 2% annually of the aggregate net asset value of the respective fund. The fee will be pro-rated for amounts invested or withdrawn during any calendar month.

Our advisory agreements with the Funds may be terminated on 30 days written notice by us or the Fund’s respective General Partner. If the agreement with us terminates during the middle of a month, we will refund a pro rata portion of the fee paid for that month, based on the number of days between the end of the 30-day notice period and the end of the month.



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Other Fees

Fees in addition to our fees will be incurred by the Funds, and indirectly borne by investors. For example, the Funds will incur costs related to an annual audit and fees payable to a custodian that holds client assets. These fees and expenses are not shared with us. We evaluate the relative annual costs of other service providers as a part of our investment decision making process. Investors should review the fees charged by these other service providers and our fees to fully understand the total amount of fees paid and to evaluate the advisory services we provide.

The Fund may also incur transaction costs, as discussed below in Item 12.

Compensation from Sales of Securities

We do not accept compensation for the sale of securities or other investment products.

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

Asclepius manages funds that may pay a performance-based fee. While Asclepius does not receive any performance-based fees from the Funds, as disclosed above in Item 5, Asclepius Investment Partners, as General Partner of the Funds, receives a Performance Allocation. The principal of Asclepius Investment Partners is our principal member, Mr. Michael J. Levas.

Performance-based compensation arrangements may create an incentive for Asclepius and/or its affiliates to make investments that are riskier or more speculative in nature than we might otherwise make. We mitigate these potential conflicts through our Code of Ethics and policies and procedures.

7. – Types of Clients

Types of Clients

We generally provide asset management services and advice to private investment funds, including the Funds. From time to time, we may provide similar services for SMAs of high net worth individuals and special purpose vehicles.

Minimum Account Size

We generally impose on Fund investors a minimum USD \$250,000 capital commitment. We reserve the right to waive minimum account size requirements at our discretion.



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

Investment Strategies and Methods of Analysis

Unless the context otherwise requires, references throughout Item 8 this brochure to the investment objectives and strategy of “the Fund” shall mean the investment objectives and strategy of the Funds and the Master Fund given that each respective Fund will invest all of its assets in the Master Fund by subscribing for shares therein.

We principally invest in securities and life sciences companies and ventures. The “life sciences sector” may include, but is not limited to, companies in the following industry groups: health care; pharmaceuticals; agriculture; personal care; biosciences and biotechnology. Generally speaking, the “life sciences” relate to maintaining or improving quality of life. So, for example, companies with a “life science orientation” include companies engaged in research, development, production, or distribution of products or services related to health and personal care, medicine, or pharmaceuticals. Security selection is based on a multi-disciplined approach, including but not limited to fundamental bottom up, top down macro, technical analysis and quantitative techniques all within a proprietary system. Our objective is to use an opportunistic strategy in order to obtain capital appreciation in all types of market conditions and to provide superior risk adjusted returns.

We invest in a broad range of securities in global markets. We will engage in dynamic strategy allocation. Some of the key strategies that will be employed include equity long / short, relative value credit / income, short term trading, momentum investing as well as relative value & foreign currency (fx) trading. At any given time, the Fund may hold long and short positions in equity, currency, and credit markets- option hedged strategies, as well as event driven, opportunistic, macro and/or relative value arbitrage may also be employed on occasion.

The Fund also engages in active hedging to enhance returns, manage risk and lower volatility. Some hedging techniques employed may include short selling, pairs trading or option writing. All security positions are in deep and liquid markets (small cap, illiquid, non-exchange traded securities or opaque structured assets intended as private equity or venture capital investments could be held within the strategy).

In implementing our investment program, we may engage in a variety of investment strategies, including, but not limited to, merger arbitrage, relative value arbitrage, convertible arbitrage, credit investing, equities investing, event driven investing and special situations investing. We may utilize fundamental top-down and/or bottom-up analysis with quantitative and qualitative considerations. In general, we consider increasing earnings momentum, relative price strength, market share and other factors. Our investment style can be characterized as aggressive.



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Use of Leverage

The Fund may employ leverage in its securities purchases up to the maximum extent permitted by applicable law. Leverage increases both the opportunity for capital appreciation and the potential risk of loss on any securities position so leveraged. In addition, increases in interest rates may adversely affect earnings.

Furthermore, in the event of a decline in the value of the leveraged securities or a change in the percentage of the value of securities for which a margin loan may be made, the Fund may be forced to sell securities at a substantial loss in order to generate cash to reduce the margin loan. In addition, the level of interest rates generally, and the rates at which the Fund can borrow in particular, will be an expense of the Fund and will therefore affect the operating results of the Fund. Particularly, if the Fund does not earn a return on the investments purchased with borrowed funds greater than the fees and expenses relating to such borrowed funds, the use of leverage will decrease the Fund's returns.

The amount of borrowings which the Fund may have outstanding at any time may be large in relation to its capital.

Holding Period and Turnover

The Fund's investment positions are generally expected to be held for a short term, although the Fund may hold positions in select issues for longer periods. As a result, the Fund expects to engage in a substantial number of portfolio transactions. Therefore, the Fund's portfolio turnover rate, and hence its brokerage commission expenses and other transactional costs, may be substantial, given the nature and frequency of its trading activity. In addition, the Fund's investment program may lead to the generation of short-term, as compared to long-term, capital gains.

Cash and Cash Equivalents

The Fund reserves the right to maintain a significant portion of its assets in cash or cash equivalents, particularly when we believe the Fund should follow a temporary defensive posture or when we determine that opportunities for investing are unattractive. The Fund will maintain less than full market exposure from time to time, and at times may be substantially underinvested or completely un-invested in equities or fixed income securities.



Other Features of the Fund's Investment Strategy

Other Investments

Asclepius may also invest some of the Fund's assets in short- or long-term US government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable the Fund to make investments quickly and to serve as collateral with respect to certain of its investments. If we believe that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or we determine that opportunities for investing are unattractive, then a greater percentage of Fund assets may be invested in such obligations. Asclepius may also invest in indexes, ETFs or closed-end funds for domestic or international securities to provide reduced long or short market exposure and/or overall risk. The Fund may also engage in securities lending activities. From time to time, in our sole discretion, cash balances in the Fund's brokerage account may be placed in a money market fund.

Although the strategy and asset allocation utilized by the Fund are primarily centered on the strategies mentioned above, Asclepius intends to follow a flexible approach in order to place the Fund in the best position to capitalize on opportunities in the financial markets. Accordingly, we may employ other strategies and may take advantage of opportunities in diverse asset classes.

Risks Associated with Our Methods of Analysis and Investment Strategy

All investments in securities include a risk of lost principal (invested amount) and any profits that have not been realized. Underlying investors should be prepared to bear that risk. In addition, as recent global and domestic economic events have shown, the performance of any investment is not guaranteed.

Our advisory agreement states that we are not liable for any loss, claim, damage, expense or liability resulting from any action taken or omitted to be taken in connection with our investment advisory services.

Nevertheless, nothing in our advisory agreement constitutes a waiver of any legal right under applicable federal or state securities laws or any other law whose applicability may not be waived through contract. If there is a discrepancy between the information in this brochure and a client's agreement with us, the agreement will control.

Risks associated with our methods of analysis and our investment strategy include the following:



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- *Concentration of Investments.* The Fund's assets may be invested in a single company, security, country, industry or sector. The Fund is not subject to any formal policies regarding diversification and may sometimes concentrate its portfolio holdings in industries, geographic regions or companies which, in light of investment considerations, market risks and other factors, we believe will provide the best opportunity for attractive risk-adjusted returns in the value of the Fund's assets. The concentration of the Fund's portfolio in a small number of issuers or in any one industry would subject the Fund to a greater degree of risk with respect to the failure of one or a few issuers or with respect to economic downturns in relation to such industry.
 - *Hedging Transactions.* The Fund may utilize financial instruments such as forward contracts, options and interest rate swaps, caps and floors to seek to hedge against fluctuations in the relative values of its portfolio positions as a result of changes in currency exchange rates, certain changes in the equity markets and changes in interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the Fund to hedge against a fluctuation at a price sufficient to protect the Fund's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly options on highly volatile securities may be more expensive than options on other securities and of limited utility in hedging against fluctuations in those securities.

We are not obligated to establish hedges for portfolio positions and may not do so. To the extent that hedging transactions are effected, their success is dependent on our ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof.

- *Long-Term Investments.* The return of capital and the realization of gains, if any, will occur only upon the partial or complete disposition of an investment. It is expected that an investment will not generally be sold until a number of years after it is made. Prior to such time, there will generally be no current return on the investment.
- *Competition.* The varied strategies and techniques to be engaged are extremely competitive and each involves a degree of risk. The Fund will compete with firms,

including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

- *Market Volatility.* The profitability of the Fund substantially depends upon Asclepius correctly assessing the future price movements of Life Sciences ventures. We cannot guarantee that we will be successful in accurately predicting price and trends.
- *Accuracy of Public Information.* We select investments for the Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to us by the issuers or through sources other than the issuers. Although we evaluate all such information and data and ordinarily seeks independent corroboration when we consider it is appropriate and reasonably available, we are not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available.
- *Life Sciences Risk.* The Fund focuses its investments in “life sciences” related industry groups. Investment in the life sciences space entails risks which are unique to this industry. These include long lead times for regulatory approvals, market acceptance for new products and procedures and an extremely competitive industry environment. Because of this, companies in its portfolio may share common characteristics and react similarly to market developments. For example, many companies with a life science orientation are highly regulated and may be dependent upon certain types of technology. Changes in government funding or subsidies, new or anticipated legislative changes, or technological advances could affect the value of such companies and, therefore, the Fund’s net asset value. As a result, the Fund may be subject to greater risks and its net asset value may fluctuate more than a fund that does not concentrate its investments. To the extent that the Fund invests in life sciences companies in the biotechnology sector, the Fund may be exposed to additional risks because these companies invest heavily in research and development, which may not necessarily lead to commercially successful products. In addition, biotechnology companies can be more volatile because they are subject to competitive pressures and are heavily dependent on patents on intellectual property rights.
- *Non-U.S. Securities; Non-U.S. Currencies.* The Fund may invest a portion of its assets in securities of foreign issuers. The Fund has no restrictions on the amount of its assets that may be invested in foreign securities and may purchase securities of issuers in any country, developed or undeveloped. In addition, in order to hedge foreign currency exchange rate risks which may arise from the purchase of such securities or other reasons



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incidental to the Fund's business, the Fund may invest in foreign currencies and foreign currency-related products. These types of investments entail risks in addition to those involved in investments in securities of domestic issuers. Investing in foreign securities may represent a greater degree of risk than investing in domestic securities due to exchange rate fluctuations, possible exchange controls, less publicly-available information, different accounting and auditing standards, more volatile markets, less securities regulation, less favorable tax provisions (including possible withholding taxes), political and social upheaval, war or expropriation. Foreign securities also may be less liquid and more volatile than U.S. securities and may involve higher transaction and custodial costs. In addition, hedging foreign currency exchange rate risk entails additional risk since there may be an imperfect correlation between the Fund's portfolio holdings of securities denominated in a particular currency and the Fund's portfolio holdings and currencies of foreign currency-related products purchased by the Fund to hedge any exchange rate risk. Such imperfect correlation may prevent the Fund from achieving the intended hedge or expose the Fund to additional risk of foreign exchange rate loss.

- *Investments in Undervalued Securities.* The Fund may invest in undervalued securities and companies. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Fund's investments may not adequately compensate for the business and financial risks assumed. The Fund may make certain speculative investments in securities that the we believe to be undervalued; however, there are no assurances that and companies the securities purchased will in fact be undervalued. In addition, the Fund may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Fund's funds would be committed to the securities purchased, thus possibly preventing the Fund from investing in other opportunities.
- *Loans of Portfolio Securities.* The Fund may from time to time lend securities from its portfolio to brokers, dealers and financial institutions and receive collateral in the form of cash or securities in an amount equal to at least one hundred percent (100%) of the current market value of the loaned securities, including any accrued interest and/or dividend receivable. The Fund will retain all rights of beneficial ownership as to the loaned portfolio securities, including voting rights and rights to interest or other



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distributions, and will have the right to regain record ownership of loaned securities to exercise such beneficial rights. Such loans will be terminable at any time. The Fund may pay finders', administrative and custodial fees to persons unaffiliated with the Fund in connection with the arranging of such loans.

- *Short Sales.* We intend to sell securities short from time to time on behalf of the Fund. Short selling involves the sale of a security and companies that the Fund does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the Fund must borrow securities from a third party lender. The Fund subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The Fund must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the Fund a fee for the use of the Fund's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The Fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found.

- *Risk Arbitrage Transactions.* We may engage in risk arbitrage transactions where the Fund will purchase or sell short securities at prices below or above the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities in a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase price may be substantially in excess of the market price of the securities prior to the announcement of the merger, exchange offer, tender offer or other similar transaction. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by the Fund may decline sharply and result in losses to the Fund if such securities sold, transferred or exchanged for securities or cash, the value of which is less than the purchase price. Alternatively, we may sell a security short or enter into an option strategy in anticipation of the security's price not exceeding



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a specific value or remaining within a certain value range. If the proposed merger, exchange offer, tender offer or other similar transaction were to occur at a price in excess of that anticipated at the time of such trade, the Fund may incur a loss on such short sale or option strategy. In certain transactions, the Fund may not be “hedged” against market fluctuations. This can result in losses, even if the proposed transaction is consummated. In addition, a security to be issued in a merger or exchange offer may be sold short in the expectation that the short position will be covered by delivery of such security when issued. If the merger or exchange offer is not consummated, the Fund may be forced to cover its short position at a higher price than its short sale price, resulting in a loss.

- *Options and Other Derivative Instruments.* The Fund may write options on some of the securities held by the Fund in an attempt to supplement income derived from corporate dividends. Further, the Fund may invest in derivative instruments. The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The value of options and swap agreements also depend upon the price of the securities or currencies underlying them. The Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than options on other securities.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option held by the Fund were permitted to expire without being sold or exercised, the Fund would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the Fund at a



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higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by the Fund at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the Fund of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

- *Interest Rate Risk.* Changes in interest rates can have a variety of effects on the businesses of banks, thrifts and other financial institutions in which the Fund invests. A financial institution’s net interest income, which is the difference between interest income received on its interest-earning assets, including loans and investment securities, and the interest expense incurred in connection with such institution’s interest-bearing liabilities, including deposits, can be significantly affected by changes in market interest rates. For most banking institutions, net interest income is the largest component of net income.
- *Call Option Risk.* Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the Fund is exposed to reinvestment rate risk -- the



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Fund will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

- *Maturity Risk.* In certain situations, the Fund may purchase a bond of a given maturity as an alternative to another bond of a different maturity. Ordinarily, under these circumstances, the Fund will make an adjustment to account for the interest rate risk differential in the two bonds. This adjustment, however, makes an assumption about how the interest rates at different maturities will move. To the extent that the yield movements deviate from this assumption, there is a yield-curve or maturity risk. Another situation where yield-curve risk should be considered is in the analysis of bond swap transactions where the potential incremental returns are dependent entirely on the parallel shift assumption for the yield curve.
- *Inflation Risk.* Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the Fund holds a five-year bond in which it can realize a coupon rate of five percent (5%), but the rate of inflation is six percent (6%), then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the Fund is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.
- *Risk of Default or Bankruptcy of Third Parties.* The Fund may engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, the Fund could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the Fund does business or to which securities have been entrusted for custodial purposes.
- *Availability of Leverage Capital.* The magnitude of returns are somewhat dependent on the strategic use of leverage capital. The availability of leverage capital cannot be assured.
- *Illiquid Securities.* A significant portion of the Fund's assets may from time to time be invested in securities and other financial instruments or obligations for which no market



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exists and/or which are restricted as to their transferability under federal or state securities laws. Because of the absence of any trading market for these investments, the Fund may take longer to liquidate these positions than would be the case for publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the Fund. Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

9. – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of us or the integrity of our management.

In 2009, the State of Florida's Office of Financial Regulation pursued an enforcement action against Mr. Levas and Olympian Capital Management, LLC, an entity that was wholly-owned by Mr. Levas. Without admitting guilt, Mr. Levas consented to the order detailing violations and issues related to compliance, recordkeeping and timely reporting of financial documents. He paid fines and penalties of \$5,000. In addition, the order required that clients be reimbursed for \$776 in overcharges. Neither the final order nor the stipulation and consent agreement contained any allegations or findings of fraud, dishonesty or theft.

Other than the foregoing administrative proceeding, we have no legal or disciplinary events to disclose.

10. – Other Financial Industry Activities and Affiliations

We are obligated to disclose if we, any of our employees and independent contractors, or any of our affiliates are involved in other financial industry activities, such as those of a broker-dealer, commodity pool operator or a futures commission merchant. We are also obligated to disclose if we receive compensation from other advisers for recommending or selecting those advisers.

Mr. Levas provides capital markets consulting and expert witness services as part of Olympian Capital Markets LLC. We do not have any other financial industry activities or affiliations to report. In addition, we do not receive compensation from other advisers for recommending or selecting them.



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

Code of Ethics

We expect our supervised persons to always act in the best interest of our clients, and to place the interests of our clients ahead of their own. We have adopted a Code of Ethics (the “Code”) that sets forth the standard of business conduct expected from each member of our team.

The Code restricts trading in any security for which we believe we may be privy to material non-public information. It also restricts personal trading activities to prevent any conflict of interest between personal trading and client trading. The Code limits gifts and entertainment, whether received or given, to avoid conflicts of interests. The Code causes all outside business activities of our team members to be disclosed so that potential conflicts can be detected and addressed. Finally, it limits the political contributions of our managers and employees to prevent any potential conflicts in that area as well. All our managers and employees must accept in writing the terms of the Code upon employment, annually, and as amended.

We will provide a copy of the Code to any client or prospective client upon request by contacting the firm’s Chief Compliance Officer at the telephone number or the address specified on the cover page of this brochure.

Participation or Interest in Client Transactions and Personal Trading

We and/or our supervised persons may, from time to time, (i) buy or sell the same securities or related securities (for example, warrants, options or futures) that we buy or sell for our clients, (ii) buy or sell securities for our own accounts at the same time that we buy or sell the same securities for client accounts, or (iii) include buy or sell orders in an aggregated transaction along with client buy or sell orders. This may give rise to conflicts of interest, in which case we will strive to comply with the Code.

12. – Brokerage Practices

From time to time, we may engage in certain securities trading activity in addition to the direct investment in Life Sciences companies. Our discretion generally includes the selection of the investment, the amount to be purchased or sold, the financial intermediary to be used, and the transaction expense, if any, to be paid.

We will use traditional broker-dealers to complete securities transactions for the Funds. In placing portfolio transactions, we will seek to obtain the best execution for the Funds, taking into account the following factors: (i) the ability to effect prompt and reliable executions at



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favorable prices (including the applicable dealer spread or commission, if any); (ii) the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; (iii) the financial strength, integrity and stability of the broker; (iv) the firm's risk in positioning a block of securities; (v) the quality, comprehensiveness and frequency of available research services considered to be of value; and (vi) the competitiveness of commission rates in comparison with other brokers satisfying the our other selection criteria.

We do not consider, in selecting broker-dealers, whether we or an affiliate receives client referrals from a broker or third party. However, we do receive research or other products or services in connection with executing client transactions (often called "soft dollar" benefits).

No Directed Brokerage. We do not permit clients to direct us to effect securities transactions in client accounts through a specific bank or other financial intermediary.

Trade Aggregation and Allocation

We may aggregate purchase and sale orders of securities held by the Fund with similar orders being made simultaneously for other accounts or entities if, in our reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Fund based on an evaluation that the Fund will be benefitted by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions or a combination of these and other factors. In many instances, the purchase or sale of securities for the Fund will be effected simultaneously with the purchase or sale of like securities for other accounts or entities. Such transactions may be made at slightly different prices, due to the volume of securities purchased or sold. In such event, the average price of all securities purchased or sold in such transactions may be determined, in our reasonable judgment, and the Fund may be charged or credited, as the case may be, with the average transaction price.

Trade Errors

When a trade error occurs, the applicable Fund will retain any net gains resulting from the error correction. We will not compensate the Fund for any loss resulting from the error correction.



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13. – Review of Accounts

Account Reviews

We will attempt to review client accounts at least quarterly. Certain circumstances, such as a major shift in portfolio allocation or a significant market event, may trigger an ad hoc review of account holdings promptly even if the account is not due for its regular monthly review. The reviews help to ensure that each account maintains proper asset allocation, tracks performance against market benchmark markets and reviews progress towards investment goals and objectives.

Written Reports

Underlying investors in the Fund are generally provided with unaudited monthly statements from the third-party Fund administrator. In addition, fiscal year-end financial statements are audited by an independent public accounting firm and are made available to each investor within 120 days from the end of the Fund's fiscal year.

14. – Client Referrals and Other Compensation

No Compensation for Client Referrals

We do not currently compensate any person for client referrals. We are obligated to disclose any such arrangements.

Other Compensation

Other than the compensation described in Item 5, we do not receive any compensation from anyone other than our clients.

15. – Custody

We do not provide custodial services to our clients. Client assets must be held by a bank, registered broker-dealer or other "qualified custodian."



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16. – Investment Discretion

Our agreements with clients provide us with discretionary authority to manage securities accounts on behalf of clients. Such agreements give us the full discretionary power to select financial intermediaries, purchase, sell and exchange securities and other instruments, and reinvest all proceeds. However, we observe investment limitations and restrictions that are provided to us in writing, provided that we determine in our sole discretion that such limitations and restrictions are consistent with the strategy we are using for a particular account.

We do not advise or act on a client's behalf in legal proceedings involving companies whose securities are held in an account, including, but not limited to, the filing of class action settlement claim forms.

17. – Voting Client Securities

Asclepius votes proxies on behalf of the Funds and the Master Fund. Underlying investors of the Funds may not direct our vote on specific matters. We will determine how to vote proxies based on our reasonable judgment that the vote will produce favorable results for the Funds and the Master Fund. Proxy votes generally will be cast in favor of proposals that maintain or strength the shared interests of the Fund, increase value, maintain or increase a Fund's rights. Proxy votes generally will be cast against proposals having the opposite effect. We will always consider both sides of a proxy issue.

If we have a material conflict of interest in voting a particular action, we will generally notify you of the conflict. We will then have you vote the proxy or retain an independent third party to do so.

You may obtain (a) a copy of our complete proxy voting policies and procedures and (b) information on how proxies for your shares were voted. To do so, please contact us at the phone number or address on the front of this brochure.

18. – Financial Information

We must disclose any financial condition that could impair our ability to meet our contractual obligations to clients. We must also disclose if we have been the subject of any bankruptcy proceeding within the last 10 years.

We have no such financial condition to disclose at this time, and we have never been the subject of any bankruptcy proceeding.



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19. – Requirements for State-Registered Advisers

Our principal executive officer is Michael J. Levas. More information about Mr. Levas can be found in Form ADV Part 2B, our brochure supplement.

For further information involving firm principal executive and management personnel, their business activities as well as material conflicts of interest, please refer to areas previously disclosed above in Items 6 and 9 through 11.

As stated above in Item 10 of this brochure, neither the firm nor any member of its management has a material relationship with the issuer of any security.