



**Item 1 – Cover Page**

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

**March 28, 2023**

This Brochure provides information about the qualifications and business practices of GLADIUS CAPITAL MANAGEMENT LP (“Gladius” or “Adviser”). If you have any questions about the contents of this Brochure, please contact us at 312-348-5900 or [info@gladiusgroup.com](mailto:info@gladiusgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Gladius is registered as an investment adviser with the SEC. Registration with the SEC or notice filing with any state securities authority does not imply a certain level of skill or training.

Additional information about Gladius also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number and SEC number for Gladius are 152023 and 801-70841, respectively.

This Brochure is neither an offer to sell nor a solicitation of an offer to buy shares or interests in any of the privately offered investment funds managed by Gladius. An offer of interests in such funds or clients can be made only through the offering documents of the relevant fund and only in jurisdictions where such offer is lawful.



## **Item 2 – Material Changes**

Since our last annual update filed on March 24, 2022, Gladius appointed Denise Skweres as the new Chief Compliance Officer, replacing Eric Magac effective April 1, 2022. Eric Magac remains at Gladius as Chief Operating Officer.

Please note that the above summary addresses material changes since the last annual update, and therefore, does not reflect all the changes that have been made to this firm Brochure since the last annual update. As such, and with all firm documents, we recommend reading this firm Brochure in its entirety.

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## **Item 4 – Advisory Business**

### **A. The Advisory Firm and its Owners**

Gladius Capital Management LP (“Gladius”, “Adviser”, “we” or “us”) is a Delaware limited partnership with its principal place of business in Chicago, IL. Adviser’s founder and principal owner is Pavandeep (“Pav”) Sethi, Chief Executive Officer and Chief Investment Officer. Adviser has been registered with the SEC as an investment adviser under the Investment Advisers Act of 1940, as amended (the “Advisers Act”) since December 2009 and commenced operations that same year.

Adviser has its principal office located in Chicago, Illinois and has branch offices located in Park City, Utah and Stamford, Connecticut. Gladius has a sub-advisory agreement with Gladius Investment Group Asia Limited (“GIG Asia”), which maintains an office in Hong Kong.

### **B. Advisory Services**

Gladius provides discretionary investment management services to private collective investment vehicles exempt from registration as investment companies under Section 3(c)(7) of the Investment Company Act of 1940, as amended (each a “Fund”, and collectively the “Funds”). Gladius’ provision of these services to a Fund can be in a sub-advisory capacity. Gladius also provides discretionary investment management services to separately managed accounts (each, a “Managed Account” and collectively the “Managed Accounts”). The Funds and Managed Accounts shall be referred to herein as “Clients” or, individually as a “Client”. Persons and entities that invest in the Funds or own a Managed Account, are referred to herein as “investors”.

### **C. Investment Guidelines**

Gladius provides advisory services to its Clients, and similarly structured vehicles, based on specific mandates, guidelines or restrictions set forth in the relevant operating agreement, private placement memorandum, investment management



agreement and/or other governing document (collectively the “Offering Documents”), as applicable.

D. Wrap Fee Programs

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

E. Assets Under Management

Gladius manages approximately USD 2,768,433,774 of regulatory assets under management on a discretionary basis calculated as of December 31, 2022. We do not currently manage any client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

A. Advisory Services and Fees

Adviser does not have a standard fee schedule. Adviser generally receives compensation from its Clients based on a percentage of the value of the net assets managed for such Client or a fixed fee (“Management Fee”), and/or on the profits achieved for the account of investors therein, such as performance fees, carried interest or other incentive allocations (“Performance-based Fee”). Adviser charges one of, or a combination of, the above-mentioned fees and information concerning such compensation and fees is set forth in the Offering Documents of each Client. In addition to the above, other fee arrangements may be negotiated.

B. Payment of Fees

Adviser’s Clients pay Management Fees as described in such Clients’ Offering Documents. Management Fees may be paid quarterly or monthly in advance or in arrears. Adviser generally deducts Management Fees from Clients’ assets quarterly or monthly, as applicable per the Clients’ Offering Documents; however, there are cases where Adviser bills a Client separately. In the event of a withdrawal,

distribution, transfer or termination during a monthly or quarterly period, the Management Fee would be refunded or adjusted on a prorated basis, as appropriate. Performance-based Fees payable to Adviser may be subject to a high water mark, hurdle rate or other benchmark or combination thereof as more fully described in such Client's Offering Documents. Performance-based Fees are determined as of a specified period, such as December 31st of each year, and/or upon withdrawals, transfers and distributions (with respect to the amounts withdrawn, transferred or distributed, as applicable) as more fully set forth in such Client's Offering Documents. Performance-based Fees may in some circumstances be calculated on the basis of unrealized gains and losses but under other circumstances be calculated on realized gains and losses.

Adviser may, in its sole discretion, reduce or waive entirely its Management Fee and/or any Performance-based Fee due with respect to any or all investors including, but not limited to, certain investors that are members, partners, affiliates or employees of Gladius, including members of the immediate families of such persons and trusts or other entities for their benefit. As a sub-adviser to Gladius, GIG Asia does not receive any compensation directly from the Client for any investment services it provides to such Client, instead, Gladius compensates GIG Asia for the advice rendered.

#### C. Additional Costs and Expenses

Client costs and expenses are the responsibility of, and may be paid directly by, the applicable Client. Such expenses may include, without limitation, the following: legal and compliance fees and expenses; audit and accounting fees (including but not limited to accounting services and an accounting system); insurance costs and expenses; administrative, custodial and transaction fees; costs and commissions paid to custodians, broker-dealers and other third parties, market data and investment and research related expenses. However, where Gladius has the ability to do so in respect of its Clients, Gladius may pay Client costs and expenses directly out of its own



account for and on behalf of its Clients, and in those cases, Gladius is entitled to reimbursement from such Clients. Certain costs and expenses are incurred for the benefit of, or shared by, multiple Clients. Such expenses may include, without limitation, insurance, accounting (including but not limited to accounting services and an accounting system), transaction fees and market data. Such shared expenses generally will be allocated across the applicable Clients on a pro rata basis based on the net asset value of the Client accounts or in such other manner as Adviser deems reasonable. Adviser may directly bear the responsibility for the portion of such shared costs and expenses otherwise allocable to Clients which benefit from, but which are not directly responsible for, such shared costs and expenses. Please refer to Item 12 – Brokerage Practices for additional information regarding the brokerage and transaction costs Clients will incur.

Adviser is generally liable for, and shall pay, its normal operating overhead, including all salaries, benefits, bonuses and other compensation and expenses associated with all of Adviser's employees and all office rent and overhead expenses related to the maintenance and operation of Adviser's offices.

#### D. Fees in Advance

As stated above, Management Fees may be paid quarterly or monthly in advance or in arrears. Adviser generally deducts Management Fees from Clients' assets quarterly or monthly, as applicable per the Clients' Offering Documents; however, there are cases where Adviser bills a Client separately. In the event of a withdrawal, distribution, transfer or termination during a monthly or quarterly period, the Management Fee would be refunded or adjusted on a prorated basis, as appropriate.

#### E. Additional Compensation and Conflicts of Interest

Neither Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

As discussed in more detail above in Item 5, Adviser receives Management Fees and/or Performance-based Fees from qualified Clients. However, not all of Adviser's Clients are subject to a Performance-based Fee.

The fact that Adviser is eligible to receive Performance-based Fees from a Client creates an incentive for Adviser to make investments on behalf of such Client that are riskier or more speculative than would be the case in the absence of such an arrangement. Performance-based Fee arrangements also create an incentive to favor higher fee paying Clients over others in the allocation of investment opportunities. Gladius seeks to resolve these potential conflicts of interest by adopting and implementing appropriate policies and procedures it believes are reasonably designed to help mitigate such conflicts.

Gladius may, in the future, manage and advise additional Clients. There is no limit on the number of Clients that may be managed or advised by Gladius.

## **Item 7 – Types of Clients**

### **A. The Firm's Clients**

As described in Item 4.B. above, Gladius provides investment advice to Funds, and to Managed Accounts (as previously noted, collectively referred to in this brochure as "Clients") in accordance with such Client's Offering Documents. Currently, Funds managed by Gladius are privately offered and exempt from registration under the Investment Company Act of 1940, as amended.

### **B. Minimum Initial Investment**

The minimum initial investment for an investor generally will be determined by Gladius, the general partner or managing member, as applicable, of the Client and will generally be set out in the Client's Offering Documents. Any minimum investment



amounts may be waived by Gladius, the general partner or managing member, as applicable, in its discretion.

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

### **A. Methods of Analysis and Investment Strategies**

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

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

### **B. Investment Strategy Risks**

Interest in a Fund or Managed Account advised by Gladius may be a speculative and illiquid investment. Investors must be prepared to lose all or substantially all of their investment in a Fund or Managed Account managed or advised by Gladius. An investment in a Fund or Managed Account involves a high degree of risk and is suitable only for a limited portion of the risk segment of an investor's portfolio. Given the typical duration of a Fund or Managed Account and investors' potential limited ability to withdraw capital from it, no prospective investor should have any need for the capital committed to a Fund or Managed Account for the foreseeable future. The following considerations, which do not purport to be a complete indication of all risks involved in the strategies of Adviser, should be carefully evaluated before deciding whether to invest.

### Risk of Loss

An investment in a Fund or Managed Account involves a high degree of risk, including the risk that the entire amount invested may be lost. There is no assurance that a Client's investment objectives will be attained, that the value of the investments will not decline, or that there will be any return of capital.

### Changing Market Conditions

Certain changes in general market conditions (e.g., a material change to the regulatory framework restricting investment behavior in the financial markets) could materially reduce a Client's profit potential or result in losses.

### Risk of Litigation

A Client may be subject to litigation from time to time, and a Client could be named as a defendant in a lawsuit or regulatory action. The outcome of such proceedings, which may materially adversely affect the value of such Client, may be impossible to anticipate, and such proceedings may continue without resolution for long periods of time. Any litigation may consume substantial amounts of Gladius' time and resources, and such time and the devotion of such resources to litigation may be disproportionate to the amounts at stake in the litigation.

Certain trading strategies, once widespread and accepted, may from time to time become subject to regulatory and self-regulatory scrutiny and litigation due to legal and/or political factors. There can be no assurance that certain strategies implemented for a Client, which are currently thoroughly consistent with market practice and applicable regulations, may not become subject to comparable scrutiny and liability exposure.

### Reliance on the Integrity of Financial and Economic Reporting

In certain circumstances, the investments made on behalf of a Client rely on the financial, economic and economic policy data made available by companies,

governmental agencies, rating agencies, exchanges, professional services firms and central banks. Data on specific companies and projects, unemployment rates, consumer confidence measures, the determination of base interest rates, debt issuance calendars and numerous other factors can have a material effect on the investment positions which Adviser will take on behalf of a Client. However, Adviser generally has no ability independently to verify such financial, economic and/or economic policy data. Adviser will be dependent upon the integrity of both the individuals and the processes by which such data is generated. A Client could incur material losses as a result of the misconduct or incompetence of such individuals and/or a failure of or substantial inaccuracy in the generation of such information.

#### Blind Pool Risk; Unspecified Use of Proceeds

The proceeds of any interests in a Fund or a Managed Account will be invested, over time, in a number of investments, which at the time of account opening, may not have been identified by Gladius. Investors will have no opportunity to pre-evaluate for themselves the relevant economic, financial or other information regarding the investments which a Client will take.

#### Concentration Risk; Limited Diversification

A Client's investments may be concentrated with little diversification. Attractive investment opportunities may be infrequent, and the increases and decreases in the value of these investments tend generally to correlate during certain market conditions. While investments held by a Client may, in fact, be materially different from each other due to idiosyncratic factors, there may be periods where the investments collectively experience highly correlated losses due to systematic risk factors.

#### Illiquidity Risk

Some investments made on behalf of a Client by Adviser may be or may become illiquid. Illiquid investments are subject to all the risks inherent to markets without

sufficient liquidity to orderly monetize investments potentially leading to substantial losses and/or holding periods substantially longer than anticipated at the outset of such investment.

Investment Structuring Risk: Outright and Relative Value Exposure

In sourcing, underwriting, structuring, managing and monetizing investments, Adviser will often express an outright or relative value view as to the future level of certain market prices or variables (the “Future Price”).

Outright, or directional, investing is subject to all the risks inherent in incorrectly predicting Future Price movements. Often these price movements will be determined by unanticipated factors, and even if the determining factors are correctly identified, Adviser’s analysis of those factors may prove inaccurate, in each case, potentially leading to substantial losses.

Predicting outright Future Prices is inherently uncertain and the losses incurred, if the market moves against an investment, will often not be hedged. There will in many cases be a relative value, or non-directional, component involved in constructing a Client’s investment as Adviser will attempt to reduce risk by taking partially offsetting positions which should, when combined, profit from the directional changes Adviser believes will occur while limiting a Client’s losses in the event of unexpected Future Price movements. Although relative value investments are generally considered to have a lower risk profile than outright investments as the former attempt to exploit price differentials not overall price movements, relative value investments are by no means without risk.

Relative value, or non-directional, investing is subject to all the risks inherent to incorrectly predicting Future Price movements. Relative mispricings, even if correctly identified, may not converge within the time frame within which a Client is able to maintain its positions. Even pure “risk-less” arbitrage – which is rare – can result in

significant losses if the arbitrage cannot be sustained (due, for example, to margin calls) until expiration. To the extent that a Client will employ non-directional investments, these investments will be subject to the risks of disruptions in historical price relationships and the obsolescence or inaccuracy of Adviser's or third-party valuation models. Market disruptions may also force a Client to close out one or more investments, potentially leading to substantial losses.

Adviser may also combine elements of directional and non-directional exposures, or a completely different exposure type or profile, while structuring an investment. The resultant exposure will be subject to all the risks inherent in incorrectly predicting Future Price movements, potentially leading to substantial losses.

#### Investment Structuring Risk; Possible Ineffectiveness of Risk Reduction Techniques

Adviser may employ various risk reduction strategies, techniques or approaches designed to minimize the investment risk of a Client. A substantial risk remains, nonetheless, that such strategies, techniques or approaches will not always be possible to implement, and when possible will not always be effective in limiting losses. If Adviser analyzes an investment and/or market conditions incorrectly, or employs a risk reduction strategy that does not correlate well with a Client's investment, such risk reduction techniques could increase rather than mitigate losses. These risk reduction strategies, techniques or approaches may also increase the volatility of a Client and/or result in a loss if the counterparty to the transaction does not perform as promised.

#### Market Risk; Hedging

Adviser will not, in general, attempt to hedge all market or other risks inherent in a Client's investment, and will hedge certain risks only partially, if at all. Specifically, Adviser may choose not to hedge certain risks or determine that hedging is economically unattractive — either in respect of particular positions or in respect of a Client's overall portfolio.

Adviser will enter into hedging transactions with the intention of reducing or controlling risk. Even if Adviser is successful in doing so, the hedging will reduce a Client's returns. Furthermore, it is possible that hedging strategies will not be effective in controlling risk, due to unexpected non-correlation (or even positive correlation) between the hedging instrument and the position being hedged, increasing rather than reducing both risk and losses.

To the extent that Adviser hedges, its hedges will not be static but rather will need to be continually adjusted based on Adviser's assessment of market conditions, as well as the expected degree of non-correlation between the hedges and the portfolio being hedged. The success of Adviser's hedging strategies will depend on Adviser's ability to implement such strategies efficiently and cost-effectively, as well as on the accuracy of Adviser's ongoing judgments concerning the hedging positions to be acquired by a Client.

#### Market Risk; Inflation

Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economics and securities markets of numerous economies. There can be no assurance that inflation will not become a serious problem in the future and have an adverse impact on a Client's returns. Market volatility may be materially affected by changing inflation rates.

#### Market Risks; Market Volatility

The value of some investments held by a Client can be expected to be subject to periods of excessive volatility, as demonstrated by past market conditions. Certain investment values are influenced by many unpredictable factors, such as market sentiment, inflation rates, changes in supply and demand, interest-rate movements and general economic and political conditions.

### Market Risks; Possible Positive Correlation with Stocks and Bonds

One of the goals of incorporating a non-traditional investment into a portfolio is to provide a potentially valuable element of diversification. However, there can be no assurance, particularly during periods of market disruption and stress when the risk control benefits of diversification may be most important, that a Client will, in fact, experience a low level of correlation with a traditional portfolio of stocks and bonds. On the contrary, different market scenarios, such as market disruptions, from time to time can result in sudden and dramatic declines in the value of a Client's investments.

### Market Risk; Short Sales

A Client may sell investment assets "short." A short sale of a security is subject to materially greater restrictions than, for example, short sales of commodities or currencies. A short sale of a security is effected by selling a security that a Client does not own, or selling a security which a Client owns but that it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, a Client must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to re-deliver such asset to the lender. A Client must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must, unless a Client then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash or marketable securities with the lender. Short-selling is subject to a theoretically unlimited risk of loss because there is no limit on how much the price of a security may appreciate before the short position is closed out. There can be no assurance that the securities necessary to cover the short position will be available for purchase by a Client. In addition, purchasing securities to close out the short position can itself cause the price of the relevant securities to rise further, thereby increasing any loss incurred by a Client. Furthermore, a Client may be forced to close out a short position prematurely if a counterparty from which

a Client borrowed securities demands their return, resulting in a loss on what might otherwise have been a profitable position.

#### Market Risks; Stagnant Markets

Certain investment opportunities rely upon supply and demand dislocations across particular markets to contribute to mispricings which a Client will rely upon for its profitability. Periods of trendless, stagnant, inactive markets and/or deflation may not only depress the value of a Client's open investments but may also reduce the availability of other attractive investment opportunities going forward thereby potentially diminishing prospects for profitability materially.

#### Monetization Risk; Uncertain Exit Strategy

The uncertainty of the performance of certain investments in the near to mid-term must be combined with the difficulty of a Client exiting such positions should Adviser determine that it is necessary or advisable to do so in order to limit losses. Because of the illiquidity of some markets, Adviser cannot predict in advance how, or in which period of time, Adviser will liquidate any such investments.

#### Sourcing Risk; Competition

Markets in which a Client invests may require an unusual level of financial expertise and sophistication in order to invest successfully, resulting in what Adviser believes to be a high-barrier to entry. On the other hand, such investments can generate superior risk-adjusted returns if sourced, underwritten, structured and monetized successfully. Consequently, a Client is likely to be competing with a number of sophisticated market participants, such as major hedge funds, investment banks and large pension plans, with personnel and resources far beyond those available to Adviser.



#### Sourcing Risk; Investment Hypothesis

Adviser is continually researching, developing, modeling and refining, within the limits of a Client's mandate, new investment hypotheses and improved techniques of sourcing, underwriting, structuring, managing and monetizing investments. Any new investment hypotheses and techniques adopted by Adviser may not be successful, potentially leading to substantial losses, and it will not be possible for investors to assess the possible effects of Adviser implementing such deemed improvements. Adviser's historical investment performance is not necessarily representative of the performance of such new techniques.

#### Sourcing Risk; Translating Investment Hypothesis' into Investments

Having reached a conclusion regarding certain market hypotheses, Adviser is then faced with identifying an efficient means of acquiring market exposure so as to profit from this conclusion. Not only can it be difficult to find a workable medium through which to express a conclusion, but also factors extraneous to that conclusion may influence the financial outcome. Adviser may correctly identify an opportunity, but not capitalize on the opportunity and, in fact, incur material losses due to the investment assets chosen in an attempt to exploit such opportunity.

#### Trade Error Risk

Adviser may, from time to time, make trade errors. Trade errors are not errors in judgment, strategy, market analysis, economic outlook, etc., but rather errors in implementing specific trades which Adviser has determined (rightly or wrongly) to make (i.e., buying \$10 million of GM stock rather than the \$1 million that was intended). Trade errors can result from clerical mistakes, miscommunications between Adviser's personnel or other reasons. Importantly, however, trade errors are not the function of poor strategies, valuation models, economic expectations, undue speculation, unauthorized trades or the like, but rather of the physical implementation of specific trades on which Adviser has decided.



Trade error costs can be significant including market losses resulting from the position incorrectly acquired as well as the additional brokerage costs of closing out or reversing the error. Any gains recognized on trade errors will be for the benefit of the Client(s) in which such trade is allocated; none will be retained by Adviser.

Gladius personnel may have a conflict of interest in determining whether a trading error has occurred, and in determining how to deal with such trading error. However, Gladius has implemented trade error policies and procedures reasonably designed to mitigate this conflict.

#### Trade Execution Risk

Although Adviser generally does not expect that a Client will trade in high volume, when Adviser is constructing the different components of an investment, the quality of trade executions can materially affect the long-term profit potential of such investments.

#### Underwriting Risk; Fundamental Analysis

Adviser, when underwriting prospective investments, will collect and analyze a substantial amount of fundamental and underlying economic data specifically, and generally, affecting the current and future markets in question. Fundamental analysis is subject to the risk of inaccurate or incomplete data, as well as the difficulty of predicting future prices based on such information. Furthermore, even if Adviser is able to successfully identify mispricings on the basis of fundamental factors, there is the additional uncertainty of predicting the duration of such mispricings and, accordingly, when or whether it will be profitable to invest so as to profit from them. Fundamental analysis is subject to significant losses when market sentiment leads to investment assets' market prices being materially discounted from the level indicated by fundamental analysis or other factors dominate the market.

#### Underwriting Risk; Market Participants' Differential Access to Information

Adviser will execute transactions on behalf of a Client with other market participants who may have market information or intelligence superior to that available to Adviser. From time to time, a Client may incur substantial losses caused by an information disadvantage.

Superior data and analytic resources potentially available to Adviser's competitors is likely to be a factor in a Client's performance. Major financial institutions are likely to have significantly more detailed information regarding capital flow, economic data and region-specific events than Adviser, and consequently will be at a significant competitive advantage to a Client with respect to certain investments.

#### Underwriting Risk; Proprietary, and Other, Modeling

The analysis of certain prospective Client investments may require the use of proprietary quantitative valuation models, as well as valuation models developed by third parties and made available to Gladius. As market dynamics shift over time (for example, due to changed market conditions and participants), a previously successful model often becomes outdated or inaccurate, perhaps without Adviser recognizing that fact before substantial losses are incurred. There can be no assurance that Adviser will be successful in developing and maintaining effective quantitative models, and the necessity of continuously updating these models demonstrates that a Client's past results is not necessarily representative of a Client's future performance.

#### Underwriting Risk; Quantitative Analysis

When underwriting certain prospective investment opportunities Adviser may quantitatively analyze a number of different market parameters specifically, and generally, affecting (or reflecting) the current and future market segment in question. Quantitative analysis is subject to the risk that unexpected quantitative or other factors may dominate the market during certain periods. Furthermore, a frequent

premise of quantitative analysis is that past market conditions are indicative of future market prices. The influx of different market participants, structural changes in the markets, material regulatory changes, the introduction of new financial products and other developments could materially adversely affect the profitability of investments based wholly, or in part, on quantitative analysis. Quantitative analysis is subject to significant losses when market sentiment leads to investment assets' market prices being materially discounted from the level indicated by quantitative analysis or other factors dominate the market.

#### Underwriting Risk; Scenario Analysis

Adviser may model the performance of certain prospective investments across different prospective outcomes that are believed by Adviser to represent the potential returns across a number of different scenarios, including a downside case, base case and upside case. Scenario analysis is subject to the risk that unexpected fundamental, quantitative, statistical or other factors may dominate the market during certain periods thereby potentially leading to losses exceeding those modeled. There can be no assurance that Adviser, when modeling the scenario analysis, will successfully identify the correct assumptions and assumption values, as a result, potentially underestimating the risk which can contribute to significant losses in excess of those modeled.

#### Underwriting Risk; Selection Criteria

There can be no assurance as to what criteria (fundamental, statistical or quantitative) or combination of criteria will be considered by Adviser in underwriting any of the investments made on behalf of a Client. Poor underwriting criteria selection could materially reduce a Client's profit potential and may result in a Client not achieving its investment objective.

#### Underwriting Risk; Statistical Analysis

When underwriting certain prospective investment opportunities, Adviser may statistically analyze a number of different market parameters specifically, and generally, affecting (or reflecting) the current and future market segment in question. Statistical analysis is subject to the risk that unexpected statistical or other factors may dominate the market during certain periods. Furthermore, a frequent premise of statistical analysis is that past market conditions are indicative of future market prices, which is not always the case. The influx of different market participants, structural changes in the markets, material regulatory changes, the introduction of new financial products and other developments could materially adversely affect the profitability of investments based wholly, or in part, on statistical analysis. Statistical analysis is subject to significant losses when market sentiment leads to investment assets' market prices being materially discounted from the level indicated by statistical analysis or other factors dominate the market.

#### Underwriting Risk; Subjective Evaluation

Although Adviser uses fundamental, statistical and quantitative models in evaluating certain aspects of some investments, Adviser's investment approach is predominately not systematic; the market judgment and discretion of Gladius' personnel are fundamental to the underwriting of certain investments. Generally, the greater the importance of subjective factors, the more unpredictable an investment approach can become.

This summary of material risks does not purport to be complete. Please refer to the confidential Offering Documents of a particular Client for a more detailed explanation of the material risks of the investment strategies and methods of analysis which are or may be used by Adviser in managing the assets of such Client.

### C. Security Risks of Certain Instruments Traded

The following is a brief summary of the risks associated with certain instruments the Adviser may trade in on behalf of its Clients and does not purport to be a complete enumeration or explanation of the risks involved in an investment in any Client. Prospective investors should read the confidential Offering Documents applicable to a particular Client for a more detailed explanation of the material risks of the instruments which are or may be used by the Adviser in managing the assets of such Client.

#### Derivatives and “Implied Volatility”

The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the theoretical and realizable value of a derivative (i.e., due to nonconformance to anticipated or historical correlation patterns). These anticipated risks (and other risks that may not be anticipated) may make it difficult as well as costly to close out positions in order either to realize gains or to limit losses.

Derivatives traded bi-laterally or as OTC contracts are entered into privately, rather than on an exchange. As a result, parties are not be afforded the regulatory and financial protections of an exchange or its clearinghouse (or of the government regulator that oversees such exchange and clearinghouse). In privately-negotiated transactions, the risk of the negotiated price deviating materially from fair value is substantial, particularly when there is no active market available from which to derive benchmark prices.

OTC Derivatives are valued on the basis of dealers’ pricing of these instruments. However, the price at which dealers value a particular derivative and the price which the same dealers would be willing to pay for such derivative may be materially different. Misvaluation of derivative instruments may not directly affect investors as

they will generally participate in a Client based on realized proceeds rather than mark-to-market value. However, such differences may materially adversely affect a Client in situations in which the Client is required to sell derivative instruments. A Client's use of derivatives and other techniques (such as short sales) for hedging purposes involves certain additional risks, including: (i) imperfect correlation between movements in the asset on which the derivative is based and movements in the asset being hedged; and (ii) possible impediments to effective portfolio management or the ability to meet short-term obligations.

### Options

Options pricing directly reflects market volatility. Depending on the strategy, the Adviser will buy or sell (write) both call options and put options on behalf of the Client on either a covered or an uncovered basis. If the Adviser were to incorrectly forecast near-term market volatility, the Client would likely incur substantial losses on its options investments. The seller of an uncovered call option bears the risk of an increase in the market price of the underlying security above the exercise price, which risk is theoretically unlimited.

### Futures

Depending on the strategy, the Adviser will trade futures on behalf of the Client for directional or hedging purposes. Market volatility is not a component of futures pricing, although market movements, of course, determine the profitability or losses on open futures positions. Futures are often inherently highly leveraged (often with margin deposits as low as 2% to 15% of contract value) and can become illiquid due to exchange-imposed price fluctuation limits.

### Equity Securities

Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and other factors,

influence the cost of equities; there can be no assurance that the Adviser will be able to predict future price levels correctly.

### Debt Securities

Debt securities may be subject to price volatility due to various factors including, but not limited to, changes in interest rates, market perception of the creditworthiness of the issuer and general market liquidity. High investment grade debt securities, Low investment grade or non-investment grade debt securities, when compared to High investment grade debt securities, are typically subject to greater market fluctuations and risks of loss of income and principal than lower yielding, investment grade securities and are often influenced by many of the same unpredictable factors which affect equity prices. In addition to the sensitivity of debt securities to overall interest-rate movements, debt securities involve a fundamental credit risk based on the issuer's ability to make principal and interest payments on the debt it issues. Investments in debt securities may experience substantial losses due to adverse changes in interest rates and the market's perception of issuers' creditworthiness.

### Repurchase Agreements and Reverse Repurchase Agreements

Depending on the strategy, a Client may enter into repurchase and reverse repurchase agreements. A repurchase agreement involves the sale of an investment by the Client and its agreement to repurchase the investment at a specified time and price. If the party agreeing to repurchase should default, as a result of bankruptcy or otherwise, the Client may seek to sell the investment which it holds, which action could involve costs or delays in addition to a loss on the investment if their value should fall below their repurchase price. If the seller becomes insolvent and subject to liquidation or reorganization under applicable bankruptcy or other laws, the Client's ability to dispose of the underlying investment may be restricted. Similarly, entering into reverse repurchase agreements involves certain risks. Reverse repurchase agreements involve the purchase by a Client of an investment from a bank or broker-dealer that agrees to repurchase the investment at the Client's cost plus



interest within a specified time. Under a reverse repurchase agreement, the Client continues to receive any principal and interest payments on the underlying investment during the term of the agreement.

### Credit Default Swaps

Credit default swaps have an embedded option component. The typical credit default swap contract requires the seller to pay to the buyer, in the event that a particular reference entity experiences specified credit events, the difference between the notional amount of the contract and the value of a portfolio of securities issued by the reference entity that the buyer delivers to the seller. In return, the buyer agrees to make periodic payments equal to a fixed percentage of the notional amount of the contract.

A buyer of credit default swaps, is subject to certain risks in addition to those described under “— Derivatives and Implied Volatility,” above. In circumstances in which the Client does not own the debt securities that are deliverable under a credit default swap, the Client will be exposed to the risk that deliverable securities will not be available in the market, or will be available only at unfavorable prices, as would be the case in a so-called “short squeeze.” In certain instances of issuer defaults or restructurings (for those credit default swaps for which restructuring is specified as a credit event), it has been unclear under the standard industry documentation for credit default swaps whether or not a “credit event” triggering the seller’s payment obligation had occurred. The creation of the ISDA Credit Derivatives Determination Committee (the “Determination Committee”) is intended to reduce this uncertainty and create uniformity across the market, although it is possible that the Determination Committee will not be able to reach a resolution or do so on a timely basis. In either of these cases, the Client would not be able to realize the full value of the credit default swap upon a default by the reference entity.

As a seller of credit default swaps, the Client will incur leveraged exposure to the credit of the reference entity and will be subject to many of the same risks the Client would incur if it were holding debt securities issued by the reference entity. However, the Client will not have any legal recourse against the reference entity and will not benefit from any collateral securing the reference entity's debt obligations. In addition, the credit default swap buyer will have broad discretion to select which of the reference entity's debt obligations to deliver to the Client following a credit event and will likely choose the obligations with the lowest market value in order to maximize the payment obligations of the Client.

In addition, credit default swaps generally trade on the basis of theoretical pricing and valuation models, which may not accurately value such swap positions when established or when subsequently traded or unwound under actual market conditions.

#### Structured Investment Products

Depending on the strategy, the Client may issue, acquire or otherwise participate in a variety of different structured investment products; for example, total return swaps, participating notes and options. The option component of structured investment products creates a means for the Adviser to implement its volatility trading on behalf of the Client. In addition, structured investment products often have a comparatively long duration. These structured products involve not only the risks of the underlying "reference asset," but also the risks (including acceleration of the financing embedded in the structure and/or restrictions imposed on the management and nature of the permissible reference assets) and costs of creating the structured products. Structured investment products are subject to prepayment, credit, liquidity, market, structural, legal and interest (among other) risks. The performance of a structured investment product is affected by a variety of factors, including the level and timing of the payments and recoveries on the underlying assets and the adequacy of the related collateral.

## **Item 9 – Disciplinary Information**

Since its inception, there have been no legal or disciplinary events (criminal, civil or regulatory) involving Gladius or any of its management persons that are material to Gladius' advisory business.

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

### **A. Financial Industry Registrations**

Adviser is registered with the U. S. Commodity Futures Trading Commission ("CFTC") under the Commodity Exchange Act of 1936, as amended ("Commodity Exchange Act"), as a commodity pool operator ("CPO") and is a member of the National Futures Association ("NFA").

### **B. Other Activities**

From time to time, Adviser, as pertinent, permits certain Fund investors (including, but not limited to, Adviser and its affiliates and their employees and their families) to acquire interests in the managed Funds on different economic terms than other investors, provided that doing so does not have a material adverse effect on such other investors.

### **C. Other Affiliations**

GIG Asia was established in Hong Kong in February 2015 and licensed by the Securities and Futures Commission ("SFC") in September 2015. GIG Asia is a subsidiary of, and provides sub-advisory services to, Gladius. As a sub-adviser to Gladius, GIG Asia does not receive any compensation directly from the Funds or any Managed Accounts for the investment services it provides. Rather, Gladius compensates GIG Asia for the advice rendered.



Gladius Holdings LLC was formed as a limited liability company in Delaware in June 2009 and serves as general partner to one or more Gladius Funds.

Gladius Capital GP LLC (F.K.A. Gladius All Weather Convexity GP LLC) was formed as a limited liability company in Delaware in August 2020 and serves as general partner to one or more Gladius Funds.

**D. Other Investment Advisers**

The Adviser does not recommend or select other investment advisers for its Clients nor does it have any business relationship with other advisers that might create a material conflict of interest.

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

**A. Adviser’s Code of Ethics**

Adviser has adopted a Code of Ethics which sets forth the standards of ethical and business conduct expected of Adviser’s personnel and addresses conflicts that may arise from personal trading by Adviser’s personnel. Adviser’s Code of Ethics, among other things, requires compliance with the federal securities laws, reflects Adviser’s fiduciary responsibilities and those of its advisory personnel, prohibits certain personal securities transactions, requires Adviser’s personnel to periodically report their personal securities holdings and to pre-clear certain securities transactions and addresses prevention of the misuse of material nonpublic information. Further, Adviser believes its Code of Ethics is reasonably designed to mitigate the potential conflict of interest that may exist between Adviser Personnel (as defined below) and any financial industry relationships established and maintained as a result of their tenure in the industry.

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

#### B. Personal Securities Transaction Policy

Personnel of Adviser and its affiliates (“Adviser Personnel”) are permitted to buy and sell securities for their own accounts subject to Adviser’s Personal Securities Transaction Policy. Adviser has established internal policies and procedures reasonably designed to ensure that the personal trading of Adviser Personnel in no way disadvantages Client accounts and that Adviser Personnel in no respect misappropriate any benefit properly belonging to any Client. To mitigate the possible risk of front running or insider trading, Adviser Personnel are required to receive approval from Adviser’s Chief Compliance Officer, or his or her designee, prior to transacting in certain securities. Further, Adviser Personnel are prohibited from engaging in frequent or short-term (i.e., 30 days) personal trading in certain securities. Adviser’s Personal Securities Transaction Policy is contained in Adviser’s Code of Ethics and is available to any client or prospective client upon request.

### **Item 12 – Brokerage Practices**

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

In selecting broker-dealers to effect portfolio transactions with or for its Clients, Adviser will use reasonable efforts to obtain best price and execution and will take into account such relevant factors as (i) price quotes, including the applicable spread or commission, (ii) the broker-dealer’s expertise in the specific securities or sectors in which Adviser seeks to trade, (iii) the extent to which the broker-dealer makes a market in the securities involved or has access to such markets, (iv) availability of accurate information regarding the market for the security and (v) the broker-dealer’s promptness of execution, among others. Adviser periodically monitors and evaluates both the quality and cost of the securities transactions that Adviser executes for Clients.



Further, Adviser does not consider, in selecting or recommending broker-dealers, whether it or a related person receives referrals from a broker-dealer or third-party and, as a matter of policy, does not currently permit Clients to direct brokerage.

#### B. Soft Dollars

Currently, Adviser has not entered into any formal soft dollar agreement or understanding with any brokers or others. However, Adviser uses full-service broker-dealers and may on occasion receive and use research provided by these full-service broker-dealers.

As a matter of policy, Adviser will enter into soft dollar arrangements only for products, services and transactions that fall within the Section 28(e) safe harbor provided for in the Securities Exchange Act of 1934. Adviser will not obligate itself to generate a certain minimum level of commission revenue for a broker-dealer in return for any soft dollar services provided. Using Client transactions to obtain research and other benefits creates incentives that may result in conflicts of interest between Adviser and its Clients. The availability of these benefits may influence Adviser to select one broker rather than another to perform services for its Clients, based on Adviser's interest in receiving the products and services instead of on Clients' interest in receiving the best execution prices. Obtaining these benefits may cause Clients to pay higher fees than those charged by other broker-dealers. Adviser has adopted policies and procedures to reflect its obligation to seek best execution for Client transactions.

#### C. Aggregation and Allocation

Adviser is permitted to aggregate orders sent to the market for more than one Client. In facilitation of best execution for its Clients, Adviser may aggregate orders when it believes it is in the best interest of its Clients to do so. Allocations of securities will be made first by determining the Client(s) for which a particular security is appropriate. If the security is appropriate for more than one Client, generally, an allocation

between or among such Clients will be made *pro rata* based on the net asset value of each Client, giving appropriate consideration to the current capital exposure (as well as leverage) to the applicable strategy(ies) utilized by such participating Clients.

In certain cases, Adviser may determine that *pro rata* allocation of securities is not appropriate. Adviser, in these circumstances, will make the allocation based on other factors that Adviser deems reasonable, which may include, but is not necessarily limited to tax, regulatory and portfolio concentration considerations as well as the investment horizons of each participating Client. Adviser may have an incentive to cause investments to be made, managed or realized to advance the interests of a particular Client. As a fiduciary, Adviser has implemented policies and procedures it believes are reasonably designed to result in fair trade allocation among its Clients over time.

## **Item 13 – Review of Accounts**

### **A. Account Reviews**

Adviser's portfolio managers for each Client are primarily responsible for ensuring that the securities or other financial instruments held by such Client are consistent with, as pertinent, the disclosures set forth in the relevant Offering Documents. In addition, Adviser's portfolio managers for each Client along with Adviser's Chief Investment Officer periodically review the Client's portfolio holdings to ensure that the securities and other financial instruments held by each Client remain consistent with the relevant Offering Documents and will generally review each Client's performance on an ongoing basis. Such reviews are conducted no less than annually and may be triggered by any unusual activity or special circumstances, as the case may be.

#### B. Account Reports

As soon as reasonably practicable after the end of a Fund's fiscal year, and in no event not more than 120 days after the end of such fiscal year, the Fund delivers or causes to be delivered to each investor who was an investor in such Fund at any time during such fiscal year a written report containing audited financial statements of the Fund for such fiscal year. Where applicable, with respect to U.S. domiciled Funds and Managed Accounts managed or advised by Gladius, each investor will receive tax information regarding such Fund or Managed Account that is necessary for the completion of such investor's U.S. tax returns. Adviser also may, in its discretion, furnish investors in the Funds and Managed Accounts that it manages with periodic written unaudited performance reports such as on a monthly basis or such as weekly estimates of the Fund's or Managed Account's overall performance.

In addition, certain investors may request supplemental information and reports. Other investors may not receive some or all of the items provided in response to such requests and, as a result, such requesting investors may receive greater transparency, including but not limited to information regarding transaction activity and position level detail.

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

Adviser engages third-party service providers for Client referrals. Acquired interests in a Fund or Managed Account pursuant to a third-party service provider introduction should not be viewed as disinterested. To the extent that such third-party service provider is compensated by Gladius, such relationship will be disclosed as appropriate to the relevant investors. Adviser is not provided with any economic benefit from non-Clients for providing investment advice or other advisory services to Clients.



### **Item 15 – Custody**

Rule 206(4)-2 promulgated under the Advisers Act (the “Custody Rule”) (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities in which any client has any beneficial interest. An investment adviser is deemed to have custody or possession of client funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them.

Although Adviser is deemed, under applicable rules, to have custody of the funds and securities of certain Funds, Adviser is exempt from many of the provisions of the Custody Rule because Adviser undertakes to deliver to investors, within 120 days after the end of the fiscal year of such Fund, financial statements that are (i) prepared in accordance with U.S. GAAP; and (ii) audited by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board. Adviser urges Fund investors to carefully review such statements and compare such official custodial records to the account statements provided by Adviser. Adviser’s statements may vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

### **Item 16 – Investment Discretion**

Gladius manages its Funds and Managed Accounts on a discretionary basis and generally has authority to determine, without obtaining specific investor consent, investments to be bought or sold, the amount of securities to be bought or sold, the broker-dealer to be used and the commission rates to be paid. Any limitations on authority are set forth in the Client’s relevant Offering Document, as applicable.

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

### **A. Policy Statement and Voting of Proxies**

Adviser's proxy voting policies and procedures apply to Adviser and all Funds and other Client accounts for which Adviser is responsible for voting proxies. In circumstances when the Adviser believes that voting a proxy would be to the Funds or Clients overall benefit, the Adviser will vote a proxy. However, due to the nature of the investment strategy employed by the Adviser, there may be instances where it determines that the benefit which would accrue to a Fund or Client from proxy voting is outweighed by the costs associated with voting proxies. In these instances, the Adviser may determine to abstain from voting proxies in a Fund or Client account as it is seen as being in their best interests. To the extent that Adviser receives such proxies and determines to vote, the Adviser is guided by general fiduciary principles. Adviser will vote proxies in the manner that it believes is consistent with efforts to achieve a Client's stated investment objectives, including maximizing the value of the Client's portfolio. When a Client has authorized Adviser to vote proxies on its behalf, Adviser will generally not accept instructions from the Client regarding how to vote proxies.

### **B. Conflicts of Interest**

In furtherance of Adviser's goal to vote proxies in the best interests of Clients, Adviser has created procedures it believes are reasonably designed to identify and address material conflicts that may arise between Adviser's interests and those of its Clients before voting proxies on behalf of such Clients. If it is determined that any such conflict or potential conflict is not material, Adviser may vote proxies notwithstanding the conflict or potential conflict. If, however, it is determined that a conflict or potential conflict is material, Adviser's procedures require the Chief Compliance Officer to work with appropriate personnel to agree upon a method to resolve such conflict before voting proxies affected by the conflict. Adviser's



procedures require it to maintain a written record of the method used to resolve a material conflict of interest.

C. Additional Information

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

**Item 18 – Financial Information**

Gladius does not require or solicit pre-payment of fees six months or more in advance, has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its Clients and has never been the subject of a bankruptcy proceeding.