

## Item 1: Cover Page

ERGOTELES LLC

Form ADV Part 2A: Firm Brochure

150 East 52nd Street,

26th Floor

New York, NY 10022

646-701-0015

March 2023

This brochure (the “Brochure”) provides information about the qualifications and business practices of Ergoteles LLC (“Ergoteles,” “we,” “us,” “our,” “Adviser,” or “the Firm”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“CCO”), Melinda Scott at [compliance@ergotelescapital.com](mailto:compliance@ergotelescapital.com).

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

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

## **Item 2: Material Changes**

The last annual amendment of the Brochure for Ergoteles LLC was made in March 2022. Since March 2022, there have been no material changes.

### Item 3: Table of Contents

#### Contents

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

## **Item 4: Advisory Business**

Ergoteles (the “Investment Manager”) is a Delaware limited liability company that was founded in June 2012. The managing members of Ergoteles are Michael Bos, Mark Mancini and Amit Manwani (the “Principals”).

Ergoteles currently is an adviser to Ergoteles Master Fund Ltd (the “Master Fund”), which is a master feeder structure comprised of Ergoteles International Ltd and Ergoteles Partners LP (collectively the “Funds”), and the Funds are together referred to in this brochure as the “Clients.” Conflicts of interest may arise from the fact that The Investment Adviser, the General Partner and their affiliates may in the future provide investment management services to clients other than the Master Fund, including investment funds, managed accounts, proprietary accounts and other investment vehicles (collectively, “Other Accounts” and, together with the Funds, the “Accounts” and each, an “Account”).

Ergoteles provides discretionary investment advice to its Clients through relevant Fund Offering Memorandum, Articles of Association and Investment Advisory Agreements. All assets will be managed on a discretionary basis. The Adviser takes discretion through a limited power of attorney in order to place trades for clients. All investment advisory activities of Ergoteles are subject to the Investment Advisers Act of 1940 (the “Advisers Act”).

The relevant Private Placement Offering Memorandum or Investment Advisory Agreement sets forth certain guidelines or restrictions related to our investment activities, which may be modified from time-to-time. Certain Clients may, in certain situations, impose restrictions in their account regarding certain securities or types of securities.

As of December 31, 2022, we managed approximately US \$4.6 billion in regulatory assets under management on a discretionary basis. We do not manage any assets on a non-discretionary basis.

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

Ergoteles is generally compensated with a management fee paid from the Ergoteles Master Fund. Management fees are billed pursuant to the relevant Fund Offering Memorandum, Limited Partnership Agreement, Articles of Association or any relevant side letter agreement. Each Client has the ability to negotiate fees.

The Fund will calculate and pay the management fee in advance but will amortize the management fee monthly over the fiscal quarter for which such management fee is paid. The portion of the management fee applicable to a capital account will be charged to its corresponding Master Fund Shares.

The Investment Adviser has engaged a fund administrator, SS&C Technologies Holdings, (“SS&C”) to assist with calculating and verifying the compensation.

The Investment Adviser may incur brokerage and transaction-related expenses on the Client's behalf (see Item 12). Expected expenses are detailed in the relevant Fund Offering Memorandum, Limited Partnership Agreement, or Articles of Association.

Any additional fees are stated in the relevant Fund Offering Memorandum, Limited Partnership Agreement, Articles of Association or any relevant side letter agreement

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

The Investment Adviser does not receive a performance based fee from the Clients. A related entity with the same beneficial owners, Ergoteles Partners GP LLC, which is the General Partner to the Funds receives a performance based incentive allocation.

The receipt of performance-based compensation may incentivize the Investment Adviser to make investments on behalf of the Client that are riskier or more speculative than it would make if it did not receive performance-based compensation. The Investment Adviser believes it has sufficient policies and procedures to address any potential conflicts.

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

Ergoteles provides investment advisory services to pooled investment vehicles. The limited partners and shareholders of such pooled investment vehicles may include individuals, private funds, non-profits, pension plans, sovereign wealth funds and others.

Ergoteles provides investment management and supervisory services to Clients that are qualified purchasers as defined under Section 2(a)(51) of the Investment Company Act of 1940, as amended. Account minimums and the terms of investment are listed in the relevant Fund Offering Memorandum, Limited Partnership Agreement or Articles of Association.

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

Ergoteles currently advises the Clients mentioned above through a master-feeder fund structure. The principal investment objective of the Funds, through their investment in the Master Fund, is to provide high-quality returns by trading balanced portfolios in the equity and adjoining futures markets through a research-intensive, data-driven, quantitative and systematic trading and investment program. The Master Fund's strategies are mostly systematic (i.e., repeating the same steps and avoiding improvisation), but they are not strictly "black box" strategies (i.e., automated and computer-driven with the details hidden from view).

The Master Fund uses a long/short strategy that is market neutral and invests primarily in equities (including, exchange-traded funds, exchange-traded notes and publicly listed closed-end funds), swaps and futures. From time to time, the Master Fund may hold equity options, warrants, preferred stocks, foreign exchange or bonds for hedging or investment purposes. The Master Fund may also invest in cash, cash equivalents and U.S. Treasuries, as well as other Securities (as defined in the Securities Act of 1933 and Securities Exchange Act of 1934) and financial instruments.

In order to obtain optimal risk-reward characteristics, the Master Fund will invest globally across many sectors, industries and markets. Clients and prospective clients may request a copy of the relevant Private Placement Memorandum, Articles of Association or Limited Partnership Agreement for more details.

The Adviser may introduce new or bespoke strategies.

### **Risk of Loss**

No guarantee or representation is made that the Master Fund's investment program, including the Master Fund's investment objective, diversification strategies or risk-monitoring goals, will be successful. Investment results may vary substantially over time.

No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past investment results of the Adviser, (or investments otherwise made by the investment professionals of the Adviser) are not necessarily indicative of their future performance.

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

Set forth below is a non-exhaustive list of certain material risks associated with our investment strategy. Please see the relevant Private Placement Memorandum, Articles of Association or Limited Partnership Agreement for more details.

### **Long/Short**

The success of the Master Fund's long/short investment strategy depends upon the Adviser's ability to identify and purchase Securities that are undervalued and identify and sell short Securities that are overvalued. The identification of investment opportunities in the implementation of the Master Fund's long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Master Fund's positions were to fail to converge toward, or were to diverge further from values expected by the Adviser, the Master Fund may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Master Fund to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Adviser's long/short strategies may become outdated and inaccurate as market conditions change.

## **Short Selling**

The success of the Master Fund's short selling investment strategy depends upon the Adviser's ability to identify and sell short Securities that are overvalued. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying Security could theoretically increase without limit, thus increasing the cost to the Master Fund of buying those Securities to cover the short position. There can be no assurance that the Master Fund will be able to maintain the ability to borrow Securities sold short. In such cases, the Master Fund can be "bought in" (i.e., forced to repurchase Securities in the open market to return to the lender). There also can be no assurance that the Securities necessary to cover a short position will be available for purchase at or near prices quoted in the market. Purchasing Securities to close out a short position can itself cause the price of the Securities to rise further, thereby exacerbating the loss. Short strategies can also be implemented synthetically through various instruments and be used with respect to indices or in the OTC market and with respect to futures and other instruments. In some cases of synthetic short sales, there is no floating supply of an underlying instrument with which to cover or close out a short position and the Master Fund may be entirely dependent on the willingness of OTC market makers to quote prices at which the synthetic short position may be unwound. There can be no assurance that such market makers will be willing to make such quotes. Short strategies can also be implemented on a leveraged basis. Lastly, even though the Master Fund secures a "good borrow" of the Security sold short at the time of execution, the lending institution may recall the lent Security at any time, thereby forcing the Master Fund to purchase the Security at the then-prevailing market price, which may be higher than the price at which such Security was originally sold short by the Master Fund.

## **Long-Term Strategies**

The success of the Master Fund's long-term investment strategy depends upon the Adviser's ability to identify and purchase Securities that are undervalued and hold such investments so as to maximize value on a long-term basis. In pursuing any long-term strategy, the Master Fund may forego value in the short-term or temporary investments in order to be able to avail the Master Fund of additional and/or longer-term opportunities in the future. Consequently, the Master Fund may not capture maximum available value in the short term, which may be disadvantageous, for example, for Limited Partners who withdraw all or a portion of their Capital Accounts before such long-term value may be realized by the Master Fund.

## **Short-Term Market Considerations**

The Adviser's trading decisions may be made on the basis of short-term market considerations, and the portfolio turnover rate could result in significant trading-related expenses.

## **Global Considerations**

The Adviser continuously monitors for the potential political risk related to political changes or instability in relevant countries in which it is invested. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policymakers or military control.

Events relating to the armed conflict involving Russia and Ukraine and the global economic sanctions that have resulted may adversely impact global economic and market activity, and contribute to significant volatility in financial markets. The impact of the conflict continues to evolve, and the ultimate economic fallout and the long-term impact on global economies, markets, industries, and individual companies, are not known. The Investment Adviser is monitoring developments relating to the conflict, however, the extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted.

The Investment Adviser also monitors risks related to Executive Order 13959 of November 12, 2020: Addressing the Threat from Securities Investments that Finance Communist Chinese Military Companies (“E.O. 13959”) and the related sanctions list.

## **Leverage and Borrowing**

### **Leverage for Investment Purposes**

The use of leverage will allow the Master Fund to make additional investments, thereby increasing its exposure to assets, such that its total assets may be greater than its capital. However, leverage will also magnify the volatility of changes in the value of the Master Fund’s portfolio. The effect of the use of leverage by the Master Fund in a market that moves adversely to its investments could result in substantial losses to the Master Fund, which would be greater than if the Master Fund were not leveraged.

### **Borrowing for Cash Management Purposes**

The Master Fund has the authority to borrow for cash management purposes, such as to satisfy withdrawal requests. The rates at and terms on which the Master Fund can borrow will affect the operating results of the Master Fund.

### **Collateral**

The instruments and borrowings utilized by the Master Fund to leverage investments may be collateralized by all or a portion of the Master Fund’s portfolio. Accordingly, the Master Fund may pledge its Securities in order to borrow or otherwise obtain leverage for investment or other purposes. Should the Securities pledged to brokers to secure the Master Fund’s margin accounts decline in value, the Master Fund could be subject to a “margin call”, pursuant to which the Master Fund must either deposit additional funds or Securities with the broker or suffer mandatory liquidation of the pledged Securities to compensate for the decline in value. The banks and dealers that provide financing to the Master Fund can apply essentially discretionary margin, “haircut”, financing and collateral valuation policies. Changes by counterparties in any of the foregoing may result in large margin calls, loss of financing and forced liquidations of positions at disadvantageous prices. Lenders that provide other types of asset-based or secured financing to the Master Fund may have similar rights. There can be no assurance that the Master Fund will be able to secure or maintain adequate financing.

### **Diversification and Concentration**



The Adviser may select investments that are concentrated in a limited number or types of Securities. In addition, the Master Fund's portfolio may become significantly concentrated in Securities related to a single or a limited number of issuers, industries, sectors, strategies, countries or geographic regions. This limited diversification may result in the concentration of risk, which, in turn, could expose the Master Fund to losses disproportionate to market movements in general if there are disproportionately greater adverse price movements in such Securities.

### **Hedging Transactions**

The Master Fund may utilize Securities for risk management purposes in order to: (i) protect against possible changes in the market value of the Master Fund's investment portfolio resulting from fluctuations in the markets and changes in interest rates; (ii) protect the Master Fund's unrealized gains in the value of its investment portfolio; (iii) facilitate the sale of any Securities; (iv) enhance or preserve returns, spreads or gains on any Security in the Master Fund's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate, credit or currency exchange rate on any of the Master Fund's Securities; (vii) protect against any increase in the price of any Securities the Master Fund anticipates purchasing at a later date; or (viii) act for any other reason that the Adviser deems appropriate. The Master Fund will not be required to hedge any particular risk in connection with a particular transaction or its portfolio generally. The Adviser may be unable to anticipate the occurrence of a particular risk and, therefore, may be unable to attempt to hedge against it. While the Master Fund may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Master Fund than if it had not engaged in any such hedging transaction. Moreover, the portfolio will always be exposed to certain risks that cannot be hedged.

### **DISCLAIMER**

The information included in this Item 8 does not include every potential risk associated with our investment strategies. Investing in securities involves risk of loss, possibly a total loss of invested capital, that clients should be prepared to bear. Additional information may be found in the relevant Fund documents. There is no guarantee that the Client's investment program, including, without limitation, its investment objectives, strategies, or risk monitoring goals will be successful. Investment results may vary substantially over time. The Client's investments are speculative and involve a high degree of risk. There may be risks which cannot be monitored or controlled, and risks that may be greater than forecasted, especially in unusual market conditions. Ergoteles cannot guarantee that any assumptions relied on herein will be true for all future events or that all assumptions have been considered or stated.

## **Item 9: Disciplinary Information**

The Adviser has not been involved in any criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which the Adviser or a management person:

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any felony; (b) a misdemeanor that involved investments or an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;
2. is the named subject of a pending criminal proceeding that involves an investment-related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;
3. was found to have been involved in a violation of an investment-related statute or regulation; or
4. was the subject of any order, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a management person from engaging in any investment-related activity, or from violating any investment-related statute, rule, or order.

The Adviser is involved in employment litigation with a former employee.

The Adviser has not been involved in any administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which the Adviser or a management person:

1. was found to have caused an investment-related business to lose its authorization to do business; or
2. was found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority
  - (a) denying, suspending, or revoking the authorization of your firm or a management person to act in an investment-related business;
  - (b) barring or suspending your firm's or a management person's association with an investment-related business;
  - (c) otherwise significantly limiting your firm's or a management person's investment-related activities; or
  - (d) imposing a civil money penalty of more than \$2,500 on your firm or a management person.

The Adviser did receive an examination request from the SEC which was closed without any deficiencies noted.

The Adviser has not been involved with a self-regulatory organization (SRO) proceeding in which the Adviser or a management person:

1. was found to have caused an investment-related business to lose its authorization to do business; or
2. was found to have been involved in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members, or was expelled from membership; (ii) otherwise significantly limited from investment-related activities; or (iii) fined more than \$2,500.

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

Neither the Investment Adviser nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

The Investment Adviser is registered with the CFTC as a commodity pool operator as well as a commodity trading advisor, and is a member of the NFA as principals and/or associated persons. The Investment Adviser's NFA ID is 0463073.

The Investment Adviser generally does not have any other financial industry activities or affiliations.

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

As an SEC-registered investment adviser, Ergoteles has adopted a Code of Ethics and an Employee Investment Policy pursuant to SEC Rule 204A-1 under the Advisers Act. The Code of Ethics includes Ergoteles policies as they relate to personal investment and trading by The Investment Adviser management and employees. The policy includes a requirement that securities holdings be reported as well as pre-approval procedures for transactions. The Code of Ethics defines material nonpublic information and the restrictions on trading on any material nonpublic knowledge and sets forth the responsibilities of all supervised persons relative to insider trading. The Code of Ethics includes policies and procedures on issues of security as they relate to sensitive and confidential materials and record retention of all documents and electronic information.

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

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

All principals and employees of Ergoteles must acknowledge that they understand and agree to comply with the Code of Ethics initially upon employment and must certify on an annual basis that they have read and understand the Code of Ethics and have complied with it.

All employees are subject to our Code of Ethics and are required to certify their adherence to the Code of Ethics and Employee Investment Policy annually. In addition, employees are required to procure preclearance for certain personal trading or are restricted from certain personal securities transactions. Employees may not acquire securities for their own account in an initial public offering. The Employee Investment Policy requires Principals and employees to report all securities holdings, and to report all transactions in securities with limited exceptions for securities such as shares of mutual funds, and these transactions are reviewed by Ergoteles's CCO or his/her designee with a view to ensuring that

transactions are not based on information concerning the Clients' trades or with knowledge that they would disadvantage the Clients.

Employees must obtain preclearance from the CCO before engaging in any outside business activities or private placements.

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

## **Item 12: Brokerage Practices**

The Adviser has complete discretion in deciding which Securities are bought and sold, the amount and price of those Securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

Portfolio transactions for the Master Fund will be allocated to brokers and dealers on the basis of numerous factors and not necessarily lowest pricing. Brokers and dealers may provide other services that are beneficial to the Adviser and/or certain Accounts, but not beneficial to all Accounts. Subject to best execution, in selecting brokers and dealers (including prime brokers) to execute transactions, provide financing and securities on loan, hold cash and short balances and provide other services, the Adviser may consider, among other factors that are deemed appropriate to consider under the circumstances, the following: the ability of the brokers and dealers to effect the transaction; the brokers' or dealers' facilities, reliability and financial responsibility; and the provision by the brokers of capital introduction, talent introduction, marketing assistance, consulting with respect to technology, operations and equipment, commitment of capital, access to company management and access to deal flow.

Accordingly, the prices and commission rates (or dealer markups and markdowns arising in connection with riskless principal transactions) charged to the Master Fund by brokers or dealers in the foregoing circumstances may be higher than those charged by other brokers or dealers that may not offer such services. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost or spread. Generally, neither the Adviser nor the Master Fund separately compensates any broker or dealer for any of these other services.

The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

The Prime Brokers receive reasonable and customary fees, calculated and paid in accordance with the relevant prime brokerage agreements. Each Prime Broker is primarily regulated in the conduct of its brokerage business by the SEC and the Financial Industry Regulatory Authority.

The Master Fund is not committed to continue these prime brokerage relationships for any minimum period and may establish additional prime brokerage relationships at any time. To the extent that Securities are purchased in non-U.S. markets, the Prime Brokers generally transfer funds to their sub-

custodial agents located in the country in which the Securities are purchased. Such sub-custodial agents maintain custody of the Securities until such time as they are sold, at which point uninvested proceeds are transferred back to the Master Fund's account at Goldman Sachs, Morgan Stanley or UBS, as the case may be. Assets held as collateral by the Prime Brokers may be re-hypothecated or otherwise used by the Prime Brokers for their own purposes to the extent permitted under general brokerage laws applicable to the Prime Brokers. No restrictions have been imposed by the Master Fund on the transfer and reuse arrangements that the Master Fund may employ as a means of reducing the cost of the Prime Brokers or any other counterparty providing financing to the Master Fund. No prime broker participated in the preparation of the Memorandum.

The Master Fund's investment program emphasizes active management of the Master Fund's portfolio. Consequently, the Master Fund's portfolio turnover and brokerage commission expenses may exceed those of other investment entities of comparable size.

#### **Research and Other Soft Dollar Benefits.**

From time to time, the Adviser may pay a broker-dealer commissions (or markups or markdowns with respect to certain types of riskless principal transactions) for effecting Master Fund transactions in excess of that which another broker-dealer might have charged for effecting the transaction in recognition of the value of the brokerage and research services provided by the broker-dealer. The Adviser will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Exchange Act and subject to prevailing guidance provided by the SEC regarding Section 28(e). The Adviser believes it is important to its investment decision-making processes to have access to independent research.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by the Master Fund may be used by the Adviser to service one or more Other Accounts, including Accounts that may not have paid for the soft dollar benefits. The Adviser will not seek to allocate soft dollar benefits to Accounts in proportion to the soft dollar credits the Accounts generate. Where a product or service obtained with soft dollars provides both research and non-research assistance to the Adviser (i.e., a "mixed use" item), the Adviser will make a good faith allocation of the cost which may be paid for with soft dollars. In making good faith allocations of costs between administrative benefits and research and brokerage services, a conflict of interest may exist by reason of the Adviser's allocation of the costs of such benefits and services between those that primarily benefit the Adviser and those that primarily benefit the Accounts.

When the Adviser uses brokerage commissions (or markups or markdowns) generated by any Accounts to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for such products or services. While the Adviser is obligated to seek best execution for each Account, the fact that the Adviser can obtain or receive such products or services may create an incentive for it to select or recommend a particular broker-dealer based on the Adviser's interests, to the exclusion of another broker-dealer that offers business terms that are also favorable to one or more Accounts.

The Adviser considers the amount and nature of research and research services provided by broker-dealers, as well as the extent to which such services are relied upon, and attempts to allocate a portion of the brokerage business of its Accounts on the basis of that consideration. Broker-dealers sometimes suggest a level of business they would like to receive in return for the various products and services they provide. Actual brokerage business received by any broker-dealer may be less than the suggested allocation, but can (and often does) exceed the suggested level, because total brokerage is allocated on the basis of all of the considerations described above. In no case will the Adviser make binding commitments as to the level of brokerage commissions it will allocate to a broker-dealer, nor will it commit to pay cash if any informal targets are not met. A broker-dealer is not excluded from receiving business because it has not been identified as providing research products or services.

### **Capital Introduction**

From time to time, brokers (including the prime brokers) may assist the Funds in raising additional funds from investors. Additionally, brokers may provide capital introduction and marketing assistance services, and representatives of the Adviser may speak at conferences and programs sponsored by the brokers, for investors interested in investing in private investment funds. Through such events, prospective investors in the Funds may encounter representatives of the Adviser. Brokers may also provide other services, including consulting services relating to technology and office space. Although neither the Adviser nor the Funds compensate brokers for such assistance, events or services, or for any investments ultimately made by prospective investors attending such events, such activities may influence the Adviser in deciding whether to use such broker in connection with brokerage, financing and other activities of the Master Fund. Subject to its obligation to seek best execution, the Adviser may consider referrals of investors to the Fund in determining its selection of brokers for the Master Fund. However, the Adviser will not commit to an investor or a broker to allocate a particular amount of brokerage in any such situation.

### **Additional Brokerage Costs and Turnover**

Additional costs could be incurred in connection with the Master Fund's non-U.S. investment activities. Non-U.S. brokerage commissions generally are higher than brokerage commissions in the United States. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions.

The Master Fund's investment program emphasizes active management of the Master Fund's portfolio. Consequently, the Master Fund's portfolio turnover and brokerage commission expenses may exceed those of other investment entities of comparable size.

### **Trade Errors**

Trade errors involving transactions in any account directly or indirectly held by the Master Fund or any derivatives contract or other similar agreement of the Master Fund and/or any trading vehicle (each, a "Trade Error") may occur. Trade Errors include: (i) the placement of orders (either purchases or sales) in

excess of, or less than, the amount of Securities the account intended to trade; (ii) the sale of a Security when it should have been purchased; (iii) the purchase of a Security when it should have been sold; (iv) the purchase or sale of the wrong Security; and (v) the purchase or sale of a Security for the wrong account and the post-settlement discovery of such purchase or sale. Trades implemented as a result of faulty data, systems, coding, modeling or analysis, trades that are properly executed but result in losses, errors committed by other persons (including brokers and custodians), or that are otherwise caused by human error other than those specifically described above, are not considered Trade Errors. The loss of an investment opportunity is not considered a Trade Error.

Such errors may result in losses or gains. The Investment Adviser will use reasonable efforts to detect such errors prior to settlement and promptly correct them. To the extent that an error is caused by a counterparty, such as a broker-dealer, The Investment Adviser will use reasonable efforts to recover any losses associated with such error from the counterparty.

Pursuant to the exculpation and indemnification provided by the Master Fund to The Investment Adviser and its affiliates and personnel, The Investment Adviser and its affiliates and personnel will generally not be liable to the Master Fund for any act or omission, absent bad faith, gross negligence, willful misconduct or actual fraud of such person, and the Master Fund will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to the Master Fund, absent bad faith, gross negligence, willful misconduct or actual fraud of such person. As a result of these provisions, the Master Fund (and not The Investment Adviser) will benefit from any gains resulting from Trade Errors and other errors and will be responsible for any losses (including additional trading costs) resulting from Trade Errors and other errors, absent bad faith, gross negligence, willful misconduct or actual fraud of the relevant person. The Investment Adviser will not offset any such gains and losses resulting from Trade Errors and other errors unless the underlying transactions constitute a single transaction or closely related series of transactions. The Investment Adviser will reimburse the Master Fund for losses for which The Investment Adviser is responsible under the exculpation provisions. Given the potentially large volume of transactions executed by The Investment Adviser on behalf of the Master Fund, investors should assume that Trade Errors and other errors will occur and that, to the extent permitted by applicable law and under the Fund Documents, the Master Fund will be responsible for any resulting losses, even if such losses result from the negligence (but not gross negligence) of The Investment Adviser's personnel.

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

The Investment Adviser is involved in a continuous and on-going monitoring of the Client accounts to ensure that each security or asset is suitable for the account based on information given by the Client. We engage in active management for our positions in the Client's account and, accordingly, review our transactions, positions and cash balances on a daily basis.

The Fund's accounts are periodically reviewed by staff who may consider global market trends, review internal/external research, new market developments/products, and other topics and issues as they

relate to the investment strategy. They may consider the Fund's current security positions and overall market, economic, socio-political conditions domestically and abroad, among many other considerations, and what the impact could be to the performance of each security and the overall investment objectives of the Fund.

Clients receive monthly account statements from the fund administrator which is currently SS&C. The content of the reports which are prepared by the fund administrator generally include Opening Market Value of Account, Additions To Capital, Reductions To Capital, Increase/(Decrease) in Market Value, and Year-To-Date Return.

## **Item 14: Client Referrals**

The Adviser may receive client referrals which may come from consultants, current clients, attorneys, accountants, friends, brokers and other similar sources. All clients are required to meet accredited investor requirements in accordance with private placement rules under Regulation D of the U.S. Securities Act of 1933, as amended.

The Adviser does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them. The Investment Adviser does not derive an economic benefit from any person or entity that is not a client for providing investment advice or other advisory services to our clients.

## **Item 15: Custody**

Pursuant to Rule 206(4)-2(d)(2) under the Advisers Act (17 CFR 275.206(4)-(2)(d)(2)), the Investment Adviser may be deemed to have custody of certain Client funds because it has the same beneficial owners as the General Partner to a Limited Partnership. The Investment Adviser shall at all times comply with the provisions of this rule. The Investment Adviser at least annually distributes the Fund's audited financial statements prepared in accordance with generally accepted accounting principles to all limited partners (or members or other beneficial owners) within 120 days of the end of its fiscal year.

The Fund has prime brokers and other custodians who are the actual custodian of Clients' assets. The Investment Adviser utilizes a third-party administrator to oversee custody, as well as an independent accounting firm to prepare audited financial statement in accordance with Generally Accepted Accounting Principles ("GAAP"), and to distribute the audited financial statements to all limited partners or other beneficial owners. All assets are to be maintained in a prime brokerage account or in an account overseen by the administrator. Generally the selected Fund Administrator holds the client's assets in an escrow account on behalf of the Fund until it can be transferred to the Prime Broker. The Investment Adviser, with the oversight of the fund administrator, shall transfer funds to the relevant Fund account to facilitate payment of redemptions or fees as stated in Items 5 and 6. It is The Investment Adviser's internal policy



to take all steps necessary to appoint an independent third-party to be custodian taking control of the assets and to avoid taking actual control of any client's assets or becoming the custodian. The Investment Adviser will provide a copy of the full text of its policy to any Client or prospective Client upon request.

### **Account Statements**

All assets are held at qualified custodians and the custodians provide account statements to Clients at their address of record. The General Partner will receive and review the statements on behalf of the Funds directly from the custodian.

## **Item 16: Investment Discretion**

The Investment Adviser contracts for discretionary authority to transact portfolio securities accounts on behalf of its Clients. Discretionary authority is granted by an Investment Management Agreement with the relevant Fund and/or by a separate limited power of attorney where such document is required. The Investment Adviser has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The Investment Adviser's discretionary authority regarding investments may however be subject to certain limitations as detailed in the relevant Private Placement Memorandum, Articles of Association or Limited Partnership Agreement.

## **Item 17: Voting Client Securities**

In compliance with Rule 206(4)-6 under the Advisers Act, The Investment Adviser has adopted proxy-voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "Proxies"), in a prudent and diligent manner that will serve the applicable Account's best interest and is in line with each Account's investment objectives.

The Investment Adviser may take into account all relevant factors, as determined by The Investment Adviser in its discretion, including: (i) the impact on the value of the securities or instruments owned by the relevant Account and the returns on those securities; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices.

In limited circumstances, The Investment Adviser may refrain from voting Proxies where The Investment Adviser believes that voting would be inappropriate, taking into consideration the cost of voting the Proxies and the anticipated benefit to its Accounts. Generally, Shareholders and Accounts may not direct The Investment Adviser's vote in a particular solicitation.

Conflicts of interest may arise between the interests of the Accounts on the one hand and The Investment Adviser or its affiliates on the other hand. If The Investment Adviser determines that it may have, or is perceived to have, a conflict of interest when voting Proxies, The Investment Adviser will vote in

accordance with its Proxy-voting policies and procedures. Shareholders may obtain a copy of The Investment Adviser's Proxy-voting policies and its Proxy voting record upon request.

The Investment Adviser has not currently identified any material conflicts of interest that would affect its proxy voting decisions.

The Investment Adviser will maintain a written record of each proxy vote on each occasion a proxy is voted. The Investment Adviser may utilize a proxy voting service to facilitate the voting process pursuant to certain set standards.

Clients or investors in a Fund may request a copy of Ergoteles' Proxy Voting Policy, as well as relevant proxy voting records.

## **Item 18: Financial Information**

Ergoteles has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.