

Item 1. Cover Page

**Partner Fund Management, L.P.
Part 2A of Form ADV
The Brochure**

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This brochure provides information about the qualifications and business practices of Partner Fund Management, L.P., Partner Investment Management, L.P. and Partner Advisory Services, L.P. (collectively, the "Advisers"). If you have any questions about the contents of this brochure, please contact us at 415-281-1000. 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.

Additional information about the Advisers is also available on the SEC's website at: www.adviserinfo.sec.gov.

Item 2 Material Changes

The last update to Part 2A of Form ADV was made in September 2011. PFM’s business activities have not changed materially since then. The Advisers are consolidating their Forms ADV into one Form ADV. Accordingly, many of the changes herein reflect that consolidation. Accordingly, the Advisers are making other changes in this Form ADV Part 2A to conform some of the disclosures to recent changes to the same disclosures in the offering documents of the investment funds that the Advisers manage.

This section only summarizes the material changes to this Form ADV and does not summarize the other changes.

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Item 4. Advisory Business

Partner Fund Management, L.P. ("PFM") Partner Investment Management, L.P. ("PIM") and Partner Advisory Services, L.P. ("PAS", and together with PFM and PIM, the "Advisers", "we" or "our") each is a Delaware limited partnership and has its principal place of business in San Francisco, California. The Advisers provide investment advice and management to private investment funds (each referred to as a "Fund" and collectively as the "Funds") which are offered exclusively to sophisticated investors, and separately managed accounts ("Managed Accounts") for sophisticated institutional and high net worth investors, in certain cases with assistance from their affiliates, Partner Fund Management, Inc., a Delaware corporation ("PFMI"), and Partner Fund Management (Asia) Limited, a corporation organized under the laws of Hong Kong ("PFM Asia"). PFMI and PFM Asia are referred to herein as the "Affiliated Advisers." Funds and Managed Accounts are sometimes referred to together as "Clients".

PFM and its predecessor and PFMI have been in the investment advisory business since September 2004. PIM and PAS have been in the investment advisory business since April 2008. PFM Asia has been in the investment advisory business since July 2011. Christopher M. James is the principal owner of the Advisers. As of December 31, 2011, in Client accounts managed on a discretionary basis, the Adviser had approximately \$6.3 billion in regulatory assets under management.

The Advisers manage Funds on a discretionary basis. In certain cases, the Adviser's discretionary authority is limited. The Advisers have broad discretion with respect to investment decisions made for the Funds, and also with respect to the selection of brokers, dealers, and other counterparties for such transactions, and the amount of commissions or other compensation to be paid by the Funds. The Advisers provide investment advisory services to the Funds based on the particular investment objectives and strategies described in the applicable Fund's Offering Documents (defined below).

Unless otherwise specified herein, all discussions relating to the Advisers relate equally to each of PFM, PIM and PAS in their capacities as investment advisers to one or more Clients. PFMI and PFM Asia provide, on an exclusive basis, research and trading services to the Advisers. In addition to providing advisory services to their own respective Clients, PAS acts as a sub-advisor to PFM.

All discussions of the Funds in this brochure, including but not limited to their investments, the strategies used in managing the Funds, the fees, allocations and other costs associated with an investment in the Funds, and conflicts of interest faced by the Advisers and their affiliates in connection with management of the Funds are qualified in their entirety by reference to each Fund's respective private offering memorandum (if any) and governing documents (referred to collectively as "Offering Documents").

In addition to the Funds, the Advisers provide investment advisory services to Managed Accounts. These services are generally provided on a discretionary basis, as set forth in a written investment advisory agreement, and generally involve the purchase and sale of securities and other financial instruments by the Managed Account consistent with the particular Client's investment objectives and strategies.

Item 5. Fees and Compensation

We do not currently have a general fee schedule. The fees and expenses associated with an investment in the Funds or a Managed Account vary, depending on the Fund or Managed Account, and are described in detail in each Fund's Offering Documents or investment advisory agreement for a Managed Account. We may, in our discretion, manage other Funds or Managed Accounts with higher or lower fees, different fee structures, different expense payment arrangements and different withdrawal or redemption rights, than the Funds and current Managed Accounts. The fees charged for managing Managed Accounts are negotiable and are described in each Client's investment advisory agreement with the applicable Adviser.

Direct Expenses of the Funds

Each Fund bears all expenses incidental to its organizational and ongoing operation. Direct expenses of a Fund incurred by the Fund's general partner or Adviser, as the case may be, are reimbursed by that Fund. If the expense relates to a Fund and one or more Clients ("Shared Direct Expense"), the Fund and the other Clients will generally reimburse the general partner or Adviser on a pro rata basis based on net market value of the Client accounts. While we believe that this allocation is reasonable, alternatives may exist that may yield different results. We seek to allocate Shared Direct Expenses fairly among participating Clients.

Management Fees

Certain Funds pay the Adviser a management fee calculated and payable quarterly in advance, at an annual rate of between 0.75% and 2% of the Fund's net asset value. In certain cases, the management fee is charged on a prorated basis for capital contributions made on a date other than the first day of the quarter. The management fee varies depending on a number of factors, including, but not limited to, redemption or withdrawal rights and performance fees. The management fee is typically calculated at the beginning or end of the period (depending on the Fund). The Advisers generally deduct management fees directly from the applicable Fund's account.

Administrative Services Fee

HedgeServ Limited, a company incorporated under the laws of the Republic of Ireland (the "Administrator"), performs certain middle and back office administrative and operational services for the Funds. Each Fund pays the Administrator a fee for its services. The fee equals a percentage of the Fund's aggregate net asset value, subject to a monthly minimum.

Performance-Based Compensation

Each Fund and Managed Account pays its Adviser or an affiliate of its Adviser performance-based compensation.

The offshore Funds typically pay the applicable Adviser a performance fee of between 17.5% and 25% of net profits of the Fund (including both realized and unrealized gains and losses) in excess of prior unrecouped losses. Investors that have less frequent redemption rights typically pay

lower performance fees. The performance fees are payable annually at the end of the year and upon redemption by an investor, with respect to the amount redeemed.

Some Funds do not pay performance fees, but instead issue options allowing PFM to purchase up to 17.5% or 20% of the shares of the applicable Fund. PFM may exercise the options at the price on the date the Fund granted the options of the shares related to that option, so that PFM effectively receives an equivalent value 17.5% or 20% of the net profits of that Fund during the period from the grant date to the exercise date. Initially, the options are exercisable three years after they are issued, and then either annually or every subsequent three years.

An affiliate of the Adviser to domestic Funds typically receives from each investor in a domestic Fund an allocation of between 17.5% and 25% of the net profits (including both realized and unrealized gains and losses) in excess of prior unrecouped losses of that investor. Investors that have less frequent withdrawal rights typically are subject to the lower allocation. The allocations are made annually at the end of the year and on withdrawal by an investor, with respect to the amount withdrawn.

Valuation

We or one of our affiliates value each Fund's net assets in good faith. These valuations are used to determine the management fees, performance fees, special profit allocations and administration fees.

Withdrawal

Investors in a Fund generally may withdraw or redeem all or part of their investment in that Fund, on 45, 60 or 90 days' advance written notice, as of the last day of a calendar quarter. In certain cases, an investor may not withdraw or redeem all or any part of a capital contribution to a Fund until a calendar quarter end that occurs on or after the day before the first anniversary of that capital contribution. Some investors are subject to withdrawal or redemption fees payable to the Fund of between one percent and five percent of the amount withdrawn or redeemed. Investors in some Funds may only withdraw or redeem a capital contribution on the calendar quarter end in which the day in which the third anniversary of the day before that capital contribution occurs, and on each third anniversary of that calendar quarter end.

Differential Business Terms

A Related Party that invests in a Fund can withdraw or redeem from such Fund on less notice and more frequently than and are not subject to the management fee or performance-based compensation and redemption fees applicable to other investors in such Fund. "Related Parties" are partners, members, officers and employees of the Advisers, immediate family members and affiliates (entities that are controlled by, controlling or under control of any such person). Additionally, the investment funds managed by Goldman Sachs Asset Management International described in Item 10 that invest in Client of the Advisers are not subject to management fees or performance-based compensation.

Managed Accounts - Fees

The compensation paid by Managed Accounts is negotiable, and generally includes a management fee based on a percentage of the assets in the account. In general, the management fee for a Managed Account is paid quarterly at the beginning or end of the quarter, depending on the investment advisory agreement between the Client and the Adviser. Managed Account management fees typically are pro rated for contributions to and withdrawals from the Managed Account other than on the first or last day of each calendar quarter. Each Managed Account also typically pays the Adviser an annual performance fee based on a percentage of the net profits of that Managed Account in excess of its unrecouped losses.

Managed Accounts - Termination

A Client may terminate a Managed Account by giving us advance written notice, as provided in the investment advisory agreement with the Client. Generally, we refund prepaid but unearned advisory fees to the Managed Account on termination of that Client's Managed Account. Refunds are calculated based on the percentage of the period remaining at the time of termination relative to the total amount of fees prepaid for the period.

Waivers

The Advisers, the general partner of a domestic Fund or the directors of an offshore Fund may waive or rebate all or any portion of the management fees or performance-based compensation for any investor in a Fund or Managed Account in any period.

Eligible Indirect Compensation

The disclosure in this Item 5 along with the disclosure in Item 12 allow a Client or Fund investor that is subject to the Employee Retirement Income Security Act of 1974 and that invests in one of the Funds to use the "alternative reporting option" to report the Adviser's compensation as "eligible indirect compensation" on the Schedule C of the plan's Form 5500 Annual Return/Report of Employee Benefit Plan.

Item 6. Performance-Based Fees and Side-by-Side Management

The Advisers currently manage only accounts that pay performance-based compensation as described in Item 5. The performance-based compensation gives us an incentive to engage in more speculative investment strategies in an effort to maximize a Client's gross profits and receive greater compensation. Such fee arrangements also may create an incentive to favor higher paying accounts over other accounts in the allocation of investment opportunities. We have described our investment opportunity allocation practice more specifically in Item 12, Brokerage Practices. The Advisers, however, allocate trades among Clients that pursue different strategies based on the Adviser's determination of the appropriate exposure for that strategy, and then generally allocate trades among Clients within a strategy pro-rata in accordance with net assets.

Item 7. Types of Clients

We provide investment advice to Funds based on the particular investment objectives and strategies described in the applicable Fund's Offering Documents. The Advisers also provide investment advice to Managed Accounts, which may include high net worth individuals, institutions, trusts, endowments and pension plans. The Adviser may manage other Funds or Managed Accounts with different objectives, higher or lower fees and different fee structures than the existing Funds or Managed Accounts.

Generally, the minimum initial investment in the "Diversified" and "Meritage" Funds is \$5,000,000; in the "Healthcare" and "Technology" Funds the minimum initial investment is \$2,000,000. Minimum investment amounts for Managed Accounts may vary. Certain Funds require a minimum initial investment of \$25,000,000 and \$100,000,000. The Advisers or their affiliates may waive these minimums. Other limitations may also apply.

For Clients other than Funds, we do not generally impose a minimum dollar value of assets in order to open or maintain an account; however, Clients generally are expected to be "accredited investors" and "qualified purchasers" as those terms are defined in Rule 501 under the Securities Act of 1933 and section 2(a)(51) of the Investment Company Act, respectively. Clients (other than the Funds) are required to sign an investment advisory agreement that sets forth the terms under which we will provide our services.

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

Methods of Analysis

We generally use bottom-up analysis in an attempt to identify trends, investment themes and core investment opportunities across asset classes and geographies in a wide range of investment instruments. The Advisers may invest in various industries or sectors, including, but not limited to, communications and media, consumer, energy, financials, healthcare, industrials, materials, technology and utilities. Certain strategies focus on specific industries. We seek to identify out-and-under-performing companies that have the widest expectation gaps relative to consensus. In some cases, the Advisers may apply a catalyst-driven investment approach to express their fundamental view with respect to a company. Also, we may engage in top-down macro-economic analysis to identify opportunities, whether on a directional or relative value basis, across a wide range of global markets and investment instruments. We may consider economic, political and financial market conditions in seeking to identify attractive investment opportunities.

Investment Strategies

The Advisers invest in and trade a broad range of investment instruments, including, but not limited to, securities, options, exchange-traded funds, futures, currencies, derivatives, debt instruments and other assets that are financial instruments. We take both long and short positions in such investment instruments.

The Advisers seek to use structural parameters that emphasize liquidity and investment flexibility by actively managing each Client's net and gross exposures. A Client's net exposure may be long or short. We may invest across the market capitalization spectrum in companies of either a

"growth" or "value" nature. Mid- and large-cap "growth" companies may constitute a significant portion of a Client account's investment positions.

Our main investment strategies are currently (1) diversified global, known as "Diversified," (2) diversified global, known as "Meritage," (3) "Healthcare," and (4) "Technology." There are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. We have broad discretion to use different trading or investment techniques in the management of the Funds, based on the particular investment objectives, policies and strategies described in the applicable Fund Offering Documents. In general, there are no material limitations on the types of investments in which we may invest in on behalf of the Funds, the concentration of a Fund's investments or the amount of leverage that we may use. Depending on conditions and trends in securities and commodities markets and the economy generally, the Advisers may pursue different objectives or use alternative techniques that it considers appropriate and in a Fund's interest.

With respect to Clients that are not Funds, the Adviser will invest in investment instruments and employ investment strategies and techniques as are agreed with the Client and in accordance with the Managed Account's investment advisory agreement or other documentation.

Significant Risks

Investing in securities and derivatives involves risk of loss that Clients and Fund investors should be prepared to bear. There can be no assurance that a Client's objective will be achieved or that the investment strategies or techniques deployed on behalf of a Client will be successful. Client and Fund investors must be prepared to lose all or substantially all of their investment. Past performance of a Client or Fund is not indicative of its future performance. The following is a brief summary of some of the significant risks that Clients or Fund investors should consider before investing with the Adviser. Not all of these risks will apply equally to each Fund or Client or at any given time.

Investment Strategy Risks. The following risks are associated with the Advisers' investment strategies.

- *Investment Information.* We may not be able to obtain complete or accurate information about an investment and may misinterpret information we receive. We also may receive material, non-public information about an issuer that prevents us from trading securities of that issuer for a Client when the Client could make a profit or avoid losses.
- *Unpredictable Investor Sentiment.* Investor sentiment on the market, an industry or an individual stock, bond or other security is not predictable and can adversely affect a Client's investment.
- *Hedging.* We may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, which can lead to losses on both transactions. We are not obligated to hedge a Client's portfolio positions, and we frequently may not do so. Failure to hedge may result in losses larger than would be experienced if a position was hedged.

- *Short Sales.*
 - Short sales have a theoretically unlimited risk of loss as the price of a security sold short increases.
 - Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. The Advisers could be subject to such actions, even if they are baseless, and Clients could incur substantial costs defending them.
 - Regulatory initiatives rejoining the financial markets are ongoing, and it is impossible to predict whether short selling will be restricted or banned in a manner materially adverse to the Advisers' strategies.
- *Margin.* The Advisers may use leverage by borrowing on margin, selling securities short and trading futures, other commodity interests and derivatives. Leverage may increase volatility and risk of loss.
- *Options.* A Client may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- *Counterparty Risk.* Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which the Advisers do business on behalf of clients may default on their obligations. For example, a Client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house files for bankruptcy.
- *Repurchase Agreements.* A Client may enter into repurchase agreements or reverse repurchase agreements, which have risks similar to margin trading and leveraging strategies.
- *Non-U.S. Securities.* A Client may hold investment instruments related to non-U.S., private and government issuers which may be subject to risks such as political risks, economic conditions of the country in which the issuer is located, limitations on foreign investment in any such country, currency exchange risks, withholding taxes, limited information about the issuer, limited liquidity, and regulatory oversight which is limited or not well understood.
- *Small Unseasoned Companies.* A Client may hold positions in instruments issued by small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- *Concentrated Positions.* A Client may hold a large position in an issuer's securities but not have any control over the issuer's management. Large positions in an issuer's securities may be relatively illiquid and may depress the market for those securities.
- *Illiquid Securities.* A Client may hold positions that are or become illiquid, in which case the Advisers may not be able to sell such positions on behalf of the Client.

- *Restricted Securities.* A Client may invest in restricted securities that are subject to long holding periods or that are not traded in public markets. These securities are difficult or impossible to sell at prices comparable to the market prices of similar publicly-traded securities and may never become publicly traded.
- *Economic Conditions.* Changes in economic conditions can adversely affect investment performance. Volatile securities markets may lead to investment losses. Government actions responding to these conditions could lead to inflation and other negative consequences to a Client.
- *Lack of Diversification.* A Client's investments may not be diversified. Therefore, a loss in any one position, industry or sector may cause significant losses to the Client.
- *Portfolio Turnover.* A Client may have higher portfolio turnover and incur higher transaction costs than a similar account managed by another investment adviser.

General Risks for Clients and Fund Investors. The following general risks apply to both separately Managed Accounts and Fund investors.

- *Valuation.* The Advisers value the positions held by Clients, even if no public market exists for them. If our valuation is inaccurate, the Advisers might receive more compensation than that to which we are entitled. Also, a new investor in a Fund might receive an interest that is worth less than the investor paid, and an investor that is withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.
- *Trade Errors.* The Advisers place a substantial amount of trades for Clients. The Advisers may make trade errors, which could result in losses for Clients.
- *Risk of Asset Growth.* If the Advisers and their affiliates manage a large amount of assets, it may become difficult for the Advisers to find attractive investments for its Clients.
- *Different Terms for Different Clients and Investors.* We may provide certain Fund investors or Clients more frequent or detailed reports, special compensation arrangements and redemption rights that are not provided to other Fund investors or Clients.
- *Different Transparency.* The assets of a Managed Account are generally held in a custodial account in the name of the direct beneficial owner rather than in a pooled investment fund, although the Adviser generally seeks to manage the Managed Accounts the same way as the pooled investment funds. Clients with Managed Accounts have access to that custodial account and are able to see the holdings of their accounts. Additionally, an investor in a single investor Fund may have access to that Fund's portfolio. As a result, these Clients and Fund investors may receive information not available to investors in a multiple investor Fund, which could be an advantage in determining to withdraw assets from their account or terminate their investments. Clients in Managed Accounts and investors in single investor Funds may generally withdraw or

liquidate their assets on a more favorable basis than multiple investor Fund investors. The liquidation or withdrawal of such assets, could disadvantage other Clients.

- *Other Accounts.* The Advisers and their affiliates may spend time on activities that compete with the management of certain Clients without accountability to the Client or Fund investors. Other activities may include investing for other Clients and the Advisers and their affiliates own accounts. If we receive better compensation and other benefits from other activities, we have an incentive to allocate more time to those other activities. These factors could influence us not to make investments on a Client's behalf even if such investments would benefit the Client.
- *No Separate Counsel.* The attorneys who represent us or our principals do not represent Clients or Fund investors. Clients and Fund investors must hire their own counsel for legal advice and representation.
- *Anti-Money Laundering.* The Advisers, an administrator or any government agency may freeze assets they believe a Client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. A Client will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations relating to that Client.
- *Regulatory Risks.* Federal, state and international governments may increase regulation of investment advisers, private investment funds, securities and derivatives, which may increase the time and resources that we must devote to regulatory compliance, to the detriment of investment activities.
- *Securities Laws.* The Advisers are not registered with the SEC as broker-dealers or with the Commodity Futures Trading Commission as commodity pool operators. The equity interests in the Funds are not registered under the Securities Act of 1933, and the Funds are not registered investment companies under the Investment Company Act of 1940. We do not believe that any of these registrations are required because exemptions are available under applicable law. Compliance with these regulations may result in increased burdens for the Advisers, which may divert their attention from managing Client portfolios or could result in increased costs for Clients. If a regulatory authority deems that any of these registrations is required, the Advisers and any Fund could be subject to expensive legal action and potential termination. In addition, investors in the Funds do not have certain regulatory protection that they would have if these registrations were in place.
- *Fund Dissolution; Investor Expulsion.* A Fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- *Illiquidity of Interests.* There is not and will not be an active market for Fund interests. It may be impossible to transfer any such interests.
- *Redemptions and Withdrawals.* A Fund may not be able to generate cash necessary to satisfy investor withdrawals or redemptions. Substantial withdrawals or redemptions in a short period could force us to liquidate investments rapidly, which may depress the value

of those investments, and may so reduce the size of a Fund such that we cannot generate returns or reduce losses.

- *Suspending Withdrawals and Redemptions.* A Fund may limit or suspend redemptions of an investor's assets from the Fund.
- *Reserves.* A Fund may establish a reserve for contingencies if we consider it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- *No Distributions.* The Funds intend to reinvest substantially all income and gain and do not intend to make distributions. Therefore, a Fund investor may have taxable income from a Fund without a cash distribution to pay the related taxes.
- *Adverse Tax Consequences.* Our activities could cause adverse tax consequences to Clients and Fund investors, including liability for interest and penalties.

The above is only a summary of some of the significant risks that a Client or Fund investor may encounter. Prospective Fund investors should review that applicable Fund's Offering Documents carefully and completely, and consult with their professional advisers before deciding whether to invest. A prospective Client or Fund investor should discuss with the Advisers' representatives any questions that such person may have before opening a Managed Account or investing in a Fund.

Item 9. Disciplinary Information

We have no information to report with respect to this item.

Item 10. Other Financial Industry Activities and Affiliations

General

PFM, PIM and PAS are affiliated and shares offices with each other. Each is registered as an investment adviser with the U.S. Securities and Exchange Commission. The Advisers provide services to different types of Clients and may pursue different investment strategies. PIM and PAS each leases employees from PFM. Those employees provide administrative, back office and investment research services. PFM receives investment sub-advisory services from PAS. The Advisers and the Affiliated Advisers maintain joint compliance policies and procedures.

PFM Asia is a wholly-owned subsidiary of PFM. PFM Asia holds a Type 9 (Asset Management) license from the Hong Kong Securities and Futures Commission to provide certain regulated activities in Hong Kong. PFMI is also a wholly owned subsidiary of PFM. PFM Asia and PFMI provide investment advisory services to the Advisers in connection with our management of the Funds and Clients.

Goldman, Sachs & Co.

Investment funds managed by Goldman Sachs Asset Management International, an affiliate of The Goldman Sachs Group, Inc. ("Goldman"), hold a passive, non-controlling, minority revenue

share interest in PIM, PAS and Partner Asset Management, LLC ("PAM"), a Delaware limited liability company and an affiliate of PFM. None of these investment funds, Goldman or any of their affiliates has any rights over the management or policies of PIM, PAS or PAM or their affiliates or has any right to vote any of their interests in PIM, PAS or PAM or any of their affiliates and, therefore, each disclaims control of PIM, PAS or PAM and their affiliates. These investment funds have been granted consent rights with respect to the ability of PIM, PAS or PAM to undertake certain significant, non-ordinary course activities in the future. These activities do not include portfolio management activities.

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

Code of Ethics

The Advisers have adopted a business code of conduct and personal investment policies in furtherance of their commitment to conduct their businesses in accordance with applicable laws. Among other things, the code requires individuals to comply with applicable laws and to avoid conflicts of interest that could compel one to act in a manner that is inconsistent with the interests of the Advisers and their Clients. The code requires employees to report any violation or suspected violation of the code, Advisers' compliance policies and procedures or applicable law, promptly to the Chief Compliance Officer.

Personal Investment Policies

The Advisers' personal investment policies permit employees to invest for their personal accounts, subject to certain guidelines and restrictions. All personal securities transactions by employees, certain family members, and other accounts in which supervised persons have a financial interest must be conducted in accordance with the requirements of our personal investment policy. Among other things, our policies require that certain personal securities transactions by employees be approved in advance by the compliance department. Certain personal securities transactions are subject to a minimum holding period. Employees must report certain personal securities holdings upon commencement of employment (or otherwise becoming subject to the personal investment policies) and periodically thereafter, and arrange for certain duplicate confirmations and account statements to be sent to the Advisers' compliance department.

Clients and Fund investors, including prospective Clients and Fund investors, may obtain a copy of the Adviser's business code of conduct and personal investment policies by contacting Compliance at (415) 281-1000.

Inside Information

We or our affiliates may receive information that restricts our ability to cause our Clients to become restricted in its investment activities. As a result, the Adviser's Clients may be prohibited from buying or selling, and as a result, be required to maintain a position that we might have otherwise exited, or be unable to enter into position. Furthermore, this may result in significant losses, not avoiding losses or not realizing a profit in certain investments.

Principal and Cross Transactions

The Advisers may effect cross trades between or among Clients (i.e., causing one or more Client to sell investment instruments to one or more other Client). In effecting such cross trades, the Advisers seek to reduce the transaction costs to Clients of such account adjustments. All such cross trades will be consistent with the investment objectives and policies of each Client account involved in the trades and applicable law.

The Advisers do not typically enter into principal transactions with Clients. To the extent permitted by applicable law and with the consent of the Clients, at times, the General Partner and the Advisers may enter into a "principal transaction." A "principal transaction" is a purchase from or sale to a Client of an investment instrument by Adviser or any of its affiliates. The Funds may establish a committee of three investors that are not affiliates of that Adviser to consider and consent, on behalf of the investors, to those transactions.

Conflicts of Interest

Because we manage more than one Client, there may be conflicts of interest related to the time devoted to managing any one Client or the allocation of investment opportunities among all Clients that we manage. We select investments for each Client based solely on investment considerations for that Client. Different Clients have different investment strategies, investment guidelines, restrictions and expected levels of trading. We may buy or sell a security for one Client but not for another, or may buy (or sell) a security for one Client while simultaneously selling (or buying) the same security for another Client. The Advisers may give advice to a Client or take an action on behalf of a Client that differs from the advice given or the timing or nature of an action taken on behalf of another Client. We are not obligated to acquire for any Client any security that another Client may also acquire if, in the Adviser's absolute discretion, it is not practical or desirable to do so.

The Related Parties also may engage in securities transactions for their own accounts. These transactions may or may not be considered for Clients. The Advisers have no duty to present transactions to Clients, even if those transactions that may be appropriate for them as investment opportunities.

The terms that govern any Client may be more advantageous than those generally applicable to another Client, and the terms that apply to a particular investor in a Fund account may be more advantageous than those generally applicable to other investors in that Fund. For example, some investors may receive the following terms and conditions that do not apply to other investors: a reduction, rebate or waiver of management fees, performance-based fees or allocations or withdrawal fees to be paid by the investors (or other terms); rights to receive reports from the Fund on a more frequent basis or that include information not provided to other Fund investors (including, without limitation, more detailed information regarding portfolio positions); special rights to make future investments in the Funds, other Funds or Managed Accounts; and such other rights as may be negotiated by those persons. Also, if an investor in a Fund also has a Managed Account that uses an investment strategy that is similar to that of the Fund, that investor may use its knowledge of the portfolio in that Managed Account to decide if and when to make an additional investment or redeem capital from the Fund. Such investments or redemptions could

occur at times when other investors would have made similar decisions had they had similar transparency.

Different Clients have different portfolio managers. Each portfolio manager works separately to achieve the investment objectives of the Clients he manages. As a result, different portfolio managers may make different investment decisions about the same security, use different levels of leverage or take more or less concentrated positions in a particular security. The differences will likely result in different returns for Clients in the different accounts. The Clients managed by one portfolio manager may underperform the Clients managed by the other portfolio managers.

Economic Interests of the Advisers' Personnel

We and our employees will have different economic interests in different Funds and, accordingly, may have incentives to favor certain Funds over other Funds or other Clients or cause investments to be made, managed or realized in seeking the interests of such other Funds or Clients. Certain of the Funds may have substantial investment, directly or indirectly, by our personnel. Additionally, portfolio managers and other employees receive different compensation with respect to different Clients. The personal investments and compensation structure may cause an employee to favor one Client over another.

We have discretion in determining which investments are made by our Clients, sold to others or made by us or our affiliates, with or without the participation of any other person. The Advisers or their affiliates may be able to obtain more favorable compensation, cost reimbursement or risk-sharing arrangements in connection with some investments if Client accounts do not participate. Therefore, we may be influenced to cause a Client not to make such investments even though participation might benefit that Client. Performance compensation we and our affiliates receive from one Client may get a more favorable tax treatment than that from another Client. Related Parties may also make any investment, whether or not in competition with a Client or in a manner that would limit or eliminate a Client's opportunity to make the investment, without any accountability to that Client.

Item 12. Brokerage Practices

Brokerage Practices

The Advisers have complete discretion to select the broker-dealers and other financial counterparties used to effect transactions on behalf of the Funds, and may select or recommend the selection of broker-dealers and other financial counterparties as provided in its contracts with its other Clients. In selecting or recommending broker-dealers or other financial counterparties to effect transactions, we may cause a Client to enter into arrangements pursuant to which the Client pays transaction costs in an amount greater than would be incurred if another broker-dealer were used. We are not required to solicit competitive bids or seek the lowest available commission or transaction costs.

In determining what broker-dealer or financial counterparty to transact with, the Advisers consider various factors, such as for example, quoted prices, commissions and other execution or operational fees, research, general market commentary, economic information, portfolio strategy advice, industry and company commentary, technical data, recommendations, general reports,

quotations and other market data or information, arrangement of meetings with the management of companies, on-line pricing, execution capabilities, including the ability to execute transactions with appropriate levels of confidentiality, willingness to commit capital, quality of the operational infrastructure and frequency of operational errors or difficulties, the adequacy of its trading infrastructure, technology and capital, quality and timing of investment opportunities presented to or other brokerage and research services that may benefit the Advisers.

Certain Clients may select their own prime brokers or custodians through which to clear and hold their investments. The Advisers may also cause a Client to effect transactions with a broker-dealer or financial counterparty that refers prospective Fund investors and Clients to the Adviser.

The Clients' positions may involve significant turnover, potentially resulting in substantial brokerage, custodial and other transaction expenses and fees.

Use of Soft Dollars and Commission Sharing Arrangements (CSAs)

The Advisers may receive from a Client's broker-dealers products and services of the type described above in addition to brokerage services. The Advisers seek to obtain goods and services that fall within the safe harbor created by section 28(e) of the Securities Exchange Act of 1934, as amended. In certain cases, brokerage and dealing arrangements may fall outside of the section 28(e) safe harbor if the Advisers believe that these arrangements are reasonable and consistent with the Client's objectives. At times, we cause the broker-dealer executing a transaction for a Client to share the commission for that transaction with another broker-dealer that provides research to the Adviser. The services received from broker-dealers and paid for by that Client may be used by the Advisers and their affiliates, including in servicing other Clients, and certain of such services may not be used to benefit the Client paying the commission at all.

The Advisers may receive soft dollars on principal as well as agency transactions with broker-dealers. The relationships with broker-dealers that provide us soft dollar goods and services influence our judgment in allocating brokerage transactions and create a conflict of interest in using the services of those broker-dealers to execute transactions. The brokerage fees paid by a Client benefit the Adviser at the expense of the Client, to the extent that soft dollars may be used to pay our expenses that are not otherwise reimbursable by the Client. We believe that these relationships benefit both us and our Clients, but a Client's transactions executed through these broker-dealers may or may not be at the best price or lowest cost otherwise available. Moreover, if other Clients use most or all of the soft dollars generated by their trades for their own purposes, one Client's soft dollars would be used disproportionately to purchase products or services that the Advisers use to service the Advisers' other Clients.

Prime Brokers and Custodians

We have selected and retained prime brokers and custodians for the Funds. The prime brokerage agreements entered into by and among the Advisers, the Funds and prime brokers contain provisions that limit each prime broker's liabilities to that Fund and under which that Fund must indemnify that prime broker. The Adviser may replace a prime broker or appoint additional prime brokers and custodians at any time. Some of the factors that the Advisers consider when selecting a prime broker may include price, clearance, settlement, efficiency of execution and error

resolution, block trading and block positioning capabilities, order of call, offering to the Advisers electronic access to data regarding its Clients' accounts, the availability of stocks to borrow for short sale transactions, custody, recordkeeping, reputation, financial strength and stability and similar services and other matters involved in the receipt of prime brokerage services generally. Each prime broker also may provide us with administrative services, such as technology services (including IT support and disaster recovery systems), capital introduction services, consulting services, portfolio reporting and access to electronic communications networks. Although many prime brokers provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, if we did not receive these services from the prime brokers, we would be required to pay for all or some portion of them. The Advisers are not required to direct a particular number of trades to any prime broker or to continue to use any prime broker as a Fund's custodian, but the Advisers may have an incentive to do so based on the prime broker's prior and continued services. A Fund may also maintain some of its assets at a bank or similar institution.

To the extent that we direct portfolio transactions to a prime broker, an account may be deemed to be paying for the trading, research and administrative services that prime brokers provide with "soft" or commission dollars. Any such administrative assistance may not fall within the safe harbor provided by section 28(e).

Goldman, Sachs & Co.

As noted above, investment funds managed by Goldman Sachs Asset Management International, an affiliate of Goldman, hold a passive, non-controlling, minority revenue share interest in PIM, PAS and PAM. Goldman is a global, full-service investment banking, broker-dealer and financial services organization. To the extent permitted by the Investment Advisers Act of 1940 (the "Advisers Act") and other law, as applicable, we have caused and expect to cause Clients to enter into investment instruments or other investment transactions in which an affiliate of Goldman (a "Goldman Affiliate") acts on a principal or agency basis or otherwise provides services under which the Goldman Affiliate is compensated (including as executing or clearing broker (including prime broker), dealer, futures commission merchant, counterparty, agent, administrator, lender, or otherwise), and a Goldman Affiliate may retain all such compensation, commissions, fees or profits in connection therewith. For example, a Goldman Affiliate may serve and receive compensation and profit as broker or dealer in an equity or debt securities transaction, derivative counterparty, futures commission merchant or administrator or other back or middle office service provider. In addition, we may cause an account to trade investment instruments with broker-dealers that are not Goldman Affiliates, but for which a Goldman Affiliate acts as a market maker or which is executed on the floor of an exchange or is matched without our knowledge with an order from Goldman or its clients, or in connection with which a Goldman Affiliate receives compensation through its role as a lead underwriter, manager, lender, agent or administrator in a syndicate. To the extent permitted by the Advisers Act and other law, as applicable, the Advisers may cause a Client to invest in investment instruments issued, sponsored or underwritten by a Goldman Affiliate (or entities under its control). Entering into transactions with a Goldman Affiliate in which Goldman or such Goldman Affiliate directly or indirectly financially benefits, or which result in other potential commercial advantages to Goldman or such Goldman Affiliate, may give rise to conflicts of interest with respect to our exercise of investment discretion and brokerage discretion.

Allocation of Investment Opportunities

We use reasonable efforts to allocate investment opportunities (including new issues) in a manner that we believe is equitable over time among Clients, but there can be no assurance that a Client will participate in any particular investment opportunity or on an equal or pro-rata basis with any other Client. With respect to new issues, we will generally allocate investment opportunities among Clients with similar investment objectives. In determining how to allocate investment opportunities among Clients, we may consider, among other things, investment objectives, investment strategies, time horizons, tax issues, regulatory consequences, risk and exposure levels, odd lots, investment restrictions, availability of clearing, credit and financing, and other considerations. We may allocate investment opportunities based on pre-defined allocation procedures. As a result, we may determine that certain investment opportunities are appropriate for certain Clients and not others.

Trade Aggregation

We determine the aggregation and allocation methodologies used. We may execute a single transaction and allocate portions of the executed trade among participating Clients. Although we anticipate that, overall, aggregating orders will benefit the participating Clients, aggregating orders may disadvantage a particular Client. Conversely, not aggregating orders may disadvantage an account. In accordance with applicable regulations, we may allocate futures transactions made pursuant to investment strategies for certain accounts (including accounts in which we or our affiliates have an interest) after execution. These allocations will be made so that Clients are treated reasonably and non-preferentially over time.

Clients participating in an aggregated order generally receive the average price of any transactions executed pursuant to that order. Aggregated orders and the transaction costs associated with aggregated orders generally are allocated pro rata among all participating Clients in accordance with their participation in the order. Executed transactions, including partial executions and new issues allocations, generally will be allocated to Clients on a pro rata basis based on the initial order size for each Client. We may adjust these allocations, for example, to avoid excessively small allocations, and different allocation methods may be used.

Trading Errors

The Advisers place orders for the purchase and sale of investments with broker-dealers and other financial counterparties on behalf of their Clients. We may make trade errors in connection with placing those orders because the trading process can be complex and can vary for different types of instruments. The Advisers may determine to reimburse a Client for a loss resulting from a trade error. In the case of certain Clients, the Advisers may net losses and gains that resulted from trade errors that occurred during the same period to determine the amount to be reimbursed to that Client.

Item 13. Review of Accounts

Christopher M. James, the Chief Investment Officer of the Adviser, is the portfolio manager of Clients accounts that deploy the "Diversified" and "Meritage" investment strategies.

Brian D. Grossman is the portfolio manager of Client accounts that deploy the "Healthcare" strategy.

Christopher G. Aristides is the portfolio manager of Client accounts that deploy the "Technology" strategy.

Each portfolio manager is responsible for continuously reviewing the Client accounts that he manages. Among other factors, asset allocation, cash management, market prospects and individual issue prospects are considered. Particular attention may be given to changes in company earnings, industry outlook, market outlook, and price levels.

We provide monthly reporting information to Fund investors. We also provide audited financial statements annually to Fund investors.

Item 14. Client Referrals and Other Compensation

Other than the previously described services that the Advisers may receive from a broker-dealer or financial counterparty, the Advisers do not directly compensate any person for Client referrals.

Item 15. Custody

The funds and securities of the Funds are held by qualified custodians. Those custodians are not affiliates of the Advisers. Fund investors receive annual financial statements audited by an independent public accounting firm for the Funds in which the investors have invested. We urge Fund Investors to carefully review such statements.

The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Fund's fiscal year end.

Item 16. Investment Discretion

The Advisers exercise discretion in managing the Funds and other Client accounts, and in some cases, on a limited basis subject to the terms of a contract. Also, such discretion is based on the particular Fund's or Client's investment objectives, policies and strategies disclosed in its Offering Documents or as described in the investment adviser agreement with the Client.

Item 17. Voting Client Securities

The Funds grant us the authority to cast proxy votes. We have adopted a proxy voting policy intended to satisfy the requirements of Rule 206(4)-6 of the Advisers Act. The following is a summary of the key provisions:

- We will seek to vote proxies on a best efforts basis and when doing so, in the best interest of our Clients.
- We have retained a third-party service provider to provide research, recommendations, voting and record-keeping services with respect to Clients' securities for which we have proxy voting authority.

- While we may assess each proxy on a case-by-case basis, we will generally vote with management in situations where the third-party service provider and management recommendations are alike.
- We may choose not to vote if doing so would be costly or impractical or we otherwise deem it unnecessary or unwarranted for any other reason.
- If we identify a material conflict of interest exists with respect to a proxy, we will seek to not place our interests ahead of our Clients' in voting such proxy.

Clients may obtain a copy of our proxy voting policy and information on how we voted Client securities by contacting Compliance at (415) 281-1000.

Item 18. Financial Information

The Adviser does not believe that there is any information required by this item.

Privacy Policy

We are committed to protecting our Clients' and Fund investors' privacy and maintaining the confidentiality and security of consumer financial information. Please take the time to read and understand the privacy policies and procedures we have implemented to safeguard our Clients' and Fund investors' non-public personal information. Non-public personal information means any personally identifiable financial information and any list, description, or other grouping of consumers derived using any non-public personal information.

Information Collected

We and the Funds must collect certain personally identifiable financial information about our Clients and Fund investors in order to provide financial products and services. The personally identifiable information that we gather during the normal course of doing business with you may include:

- Information we receive from you on subscription agreements or other forms;
- Information about your transactions with us, our affiliates, or others; and/or
- Other interactions with us, our affiliates or our service providers (for example, discussions with our staff or administrator).

Information Disclosed

We do not disclose any non-public personal information about our Clients and Fund investors or former Clients or Fund investors except as permitted or required by law, or as necessary to provide the Adviser's services. We may share such information in connection with the administration and operation of the Funds, or with companies that assist us with investor communications or processing your transactions. We enter into agreements with all non-affiliated third parties that prohibit such third parties from disclosing or using the information other than to carry out the purposes for which we disclose the information.

Confidentiality and Security

We protect your non-public personal information by maintaining physical, electronic and procedural safeguards. Internally we restrict access to non-public personal information to only those employees who need to know such information in order to manage your Managed Account or the Fund in which you have invested.

Further Information

We reserve the right to change this Privacy Policy at any time. Please contact us at (415) 281-1000 if you have any questions.

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