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

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This brochure provides information about the qualifications and business practices of HealthCor Management, L.P. If you have any questions about the contents of this brochure, please contact us at (212) 622-7871 and/or [jcoghlin@healthcogroup.com](mailto:jcoghlin@healthcogroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

HealthCor Management, L.P. is a registered investment adviser and is providing you with this brochure in compliance with SEC rules. Registration as an investment adviser does not by itself imply a certain level of skill or training.

Additional information about HealthCor Management, L.P. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ITEM 2

### MATERIAL CHANGES

This is the second brochure that HealthCor Management, L.P. is providing to the investors in the funds it manages. Set forth below are the material changes to the information that was provided in the first brochure last year. We will provide you, at least annually, with a summary of any material changes to the information in this brochure.

1. Effective October 1, 2012, our U.S. hedge fund, HealthCor, L.P. (the "U.S. Feeder Fund"), a Delaware limited partnership that has substantially the same investment strategy as HealthCor Offshore, Ltd. (the "Offshore Feeder Fund"), became a "feeder" fund in HealthCor Offshore Master Fund, L.P. (the "Master Fund"). As a result, the Offshore Feeder Fund and the U.S. Feeder Fund are the two feeder funds in the Master Fund, where previously the Offshore Feeder Fund was the only feeder fund.
2. With the investment of the U.S. Feeder Fund through the Master Fund, the Master Fund was required to register with the Cayman Islands Monetary Authority (the "Monetary Authority") as a regulated mutual fund. Such registration occurred on September 19, 2012.
3. Effective January 1, 2013, HealthCor revised certain key terms and conditions of the US Feeder Fund and the Offshore Feeder Fund to (a) reduce the lockup period so that redemptions may begin on or after 12 months from the investment date, whereas the lock-up was previously 27 months, (b) grant an additional redemption right whereby, with 65 days prior written notice, investors are permitted to make partial redemptions with payments over a minimum of four three-month periods, as determined by the investors, in amounts up to 25%, 33⅓%, 50% or 100%, respectively, and (c) reduce management fees to 1.75% per annum for investors and their managed affiliates that maintain aggregate capital contributions to the U.S. Feeder Fund and Offshore Feeder Fund, in an amount equal to or greater than \$100,000,000.

## ITEM 3

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## **ITEM 4**

### **ADVISORY BUSINESS**

HealthCor Management, L.P. (“HealthCor” or the “Adviser”) launched on September 1, 2005 with offices in New York and London. HealthCor’s principal place of business is 152 West 57th Street, 43<sup>rd</sup> Floor, New York, NY 10019. Our principal owners are Joseph Healey and Arthur Cohen. Certain other key employees also have partnership interests in the Adviser. HealthCor has a staff of approximately 35 people.

HealthCor provides investment management services to several privately offered pooled investment funds (collectively, the “Funds”), as follows:

- HealthCor Offshore Master Fund, L.P. - a Cayman limited partnership whose interests are offered to investors through (i) a feeder fund called HealthCor Offshore, Ltd., a Cayman limited company, and (ii) a feeder fund called HealthCor, L.P., a Delaware limited partnership.
- HealthCor Hybrid Offshore Master Fund, L.P. - a Cayman limited partnership whose interests are offered to investors through a feeder fund called HealthCor Hybrid Offshore, Ltd., a Cayman limited company (“HealthCor Hybrid”).

The Adviser and its affiliates also advise other pooled investment funds with different investment strategies that are described in separate brochures.

The Funds are offered only to accredited investors, qualified clients, qualified purchasers and certain employees of HealthCor and its affiliates. HealthCor’s primary responsibilities for the Funds are to identify, review, select, and manage investment opportunities that can achieve the Funds’ investment objectives.

The Adviser and its affiliates have full discretionary authority with respect to investment decisions. HealthCor provides its services at the Fund level, in accordance with the investment objectives and guidelines set forth in the Funds’ respective offering memoranda, and it does not provide investment advisory services for individual investors in the Funds.

The Funds pursue a fundamentally driven long/short equity strategy with a principal focus on the global healthcare and life sciences sector. The primary investment objective of the Funds is to achieve capital appreciation by buying securities with trading values materially lower than their intrinsic values and by selling short securities with trading values materially higher than their intrinsic values. The Funds aim to achieve high absolute rates of return while minimizing the risk of capital loss. There can be no assurance that this investment objective will be achieved and investment results may vary substantially.

The Funds are authorized to invest, on margin or otherwise, in U.S. and non-U.S. equity securities and other equity-related instruments.

Although HealthCor principally invests in the healthcare and life sciences sector, the Funds also invest in the consumer sector, which may, or may not, include issuers with a healthcare component or connection.

HealthCor implements its investment strategy by focusing on in-depth and fundamental research. Each investment position will generally be judged on its own ability to generate profits consistent with its risk profile. HealthCor will identify investment opportunities through careful field research, quantitative screens, meetings with management teams, and discussions with brokerage firms and other research providers. Ongoing due diligence of portfolio investments is expected to include rigorous competitive, accounting and valuation analyses. HealthCor believes that such intensive fundamental research provides it with a competitive investment edge.

In accordance with common industry practice, the Adviser may from time to time enter into letter agreements or other similar agreements, referred to as “side letters,” with one or more investors in the Funds which provide such investors with additional and/or different rights than such investors have pursuant to general terms of such collective investment vehicle. The Adviser will not be required to notify any or all of the other investors of any such written agreements or any of the rights and/or terms or provisions thereof, nor will the Adviser be required to offer such additional and/or different rights and/or terms to any or all of the other investors. Once invested in a Fund, investors cannot impose additional investment guidelines or restrictions on the Fund.

HealthCor’s activities for each of the Funds are further described in each Fund’s offering memorandum, governing agreement, and management agreement. These Fund documents also detail the various investment restrictions that govern the types of investments each Fund may and may not make.

As of December 31, 2012, HealthCor’s regulatory assets under management were approximately \$3,070,037,200 and net assets under management were approximately \$2,227,409,286 all of which are managed on a discretionary basis.

## **ITEM 5**

### **FEES AND COMPENSATION**

The Adviser’s current compensation structure is summarized as follows:

- **Investment Management Fees:** 2.0% per annum of the net asset value of a Fund, paid quarterly in advance (0.5% per quarter). For investors and their managed affiliates that maintain aggregate capital contributions in the US Feeder Fund and Offshore Feeder Fund in an amount in excess of \$100 million, management fees are reduced to 1.75% per year (approximately .44% per quarter). The amount of any Fund's Management Fee is prorated for periods of less than a full billing cycle at the beginning or end of the advisory relationship. If an investor redeems mid-quarter, any unearned fees would be returned to the respective Fund.
- **Incentive Allocation:** 20% of the net increase in net asset value (after deduction of the Management Fee), paid on an annual basis and on any interim withdrawal of capital by, or other distribution of funds to, an investor.
- **Loss Carry Forward:** When applicable, the Incentive Allocation takes into account a modified "high water mark" as follows. For each fiscal year in which an investor realizes a net decrease in value of any of its investment, the Incentive Allocation is reduced by 50% for such investment until such investor recovers 200% of any net decrease.

The loss carry forward mechanism permits assessment of an Incentive Allocation, although in a reduced amount, notwithstanding the fact that past losses have not been fully recovered. However, the reduction in the Incentive Allocation will continue to apply even after past losses have been fully recovered until such time as the corresponding loss recovery account's balance reaches zero. An investor will not be permitted to recover any Incentive Allocation which has previously been allocated to the Fund's General Partner.

The Adviser withdraws Management Fees and Incentive Allocations directly from Fund assets by notice to the custodian. Investors do not have the ability to choose to be billed directly for such amounts, which are non-negotiable.

The Adviser and its personnel may invest in one or more Funds. The Adviser and its personnel (including former personnel) may not be charged a Management Fee or an Incentive Allocation by the Funds.

The Funds pay costs and expenses, such as investment-related expenses (e.g., brokerage commissions; clearing and settlement charges; custodial fees; interest expenses; borrowing charges on securities sold short; and expenses relating to consultants, attorneys, brokers or other professionals or advisers who provide research, advice or due diligence services with regard to investments and investment banking expenses related to the purchase and sale of

illiquid securities); fees and expenses of members of any advisory committee to the Funds; legal expenses; accounting; auditing and tax preparation expenses; fees and expenses relating to the Funds' administrator; expenses relating to the offering and sale of shares or interests in the Funds; investment-related travel expenses; expenses related to liability insurance for directors of the Funds, the general partners of the applicable Funds, the Adviser and their respective affiliates, members, directors, officers, employees and agents; organizational expenses; extraordinary expenses and other similar expenses related to the Funds as the applicable general partner or the Adviser determines in its sole discretion. Any costs and expenses common to the Funds will be paid pro rata based on capital. The Adviser may specially allocate expenses to a particular class of interests or shares to reflect such class's interest in special illiquid investments. Please refer to Item 12 of this brochure for a description of HealthCor's brokerage practices.

Investors should review all fees charged by the Adviser, its affiliates, custodians, brokers and others as disclosed in the Funds' respective offering memoranda to fully understand the total amount of fees to be paid by the Funds. Investors in the Funds may request a copy of these materials by contacting the Adviser at the address or telephone number listed on the first page of this brochure.

## **ITEM 6**

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

The Adviser accepts performance-based compensation ("Incentive Allocations") as discussed under Item 5 above. Such performance-based allocations may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of performance-based compensation. The possibility of this incentive to make riskier or more speculative investments is offset, in part, by the Loss Carry Forward discussed in Item 5 which results in lower performance-based compensation in the event that the Adviser loses money for investors. Prior to making an investment, investors are provided with information clearly disclosing how the HealthCor entities receive performance-based compensation and how performance-based compensation may increase investment risk, and the investors agree to these arrangements.

## **ITEM 7**

### **TYPES OF CLIENTS**

The clients to whom the Adviser generally provides investment advice are private investment funds offered to investors on a private placement basis, as described above. Details concerning applicable suitability criteria for investors in the Funds are set forth in the Funds' offering memoranda and subscription documents. Although the General Partner of a Fund has the authority to accept subscriptions for any lesser amount, the minimum investment in the Funds is generally \$5,000,000. Each investor is required to meet certain suitability qualifications, such as being a "qualified purchaser" as defined in the Investment Company Act of 1940, as amended. In addition, there are severe restrictions on withdrawals from the Funds (which may be settled in securities rather than cash) and on transfers of interests in the Funds. Because of the restrictions on withdrawals and transfers, an investment in the Funds is a relatively illiquid investment and involves a high degree of risk. A subscription for limited partner interests in the Funds should be considered only by persons financially able to maintain their investment and who can accept a loss of all of their investment.

## **ITEM 8**

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### **The Funds:**

##### **Investment Objective**

The investment objective of the Funds is to preserve capital and generate risk-adjusted capital growth. The Funds pursue a fundamental-driven long/short equity strategy with a principal focus on the global healthcare and life sciences sector. HealthCor also invests in the consumer sector, which may, or may not, include issuers with a healthcare component or connection.

##### **Investment Philosophy and Strategy**

HealthCor's investment style is a "best idea" orientation on longs and shorts with relatively large position concentrations. HealthCor implements this investment strategy by focusing on in-depth and fundamental research. Each investment position will generally be judged on its own ability to generate profits consistent with its risk profile. HealthCor believes that individual stock selection will generally determine how well a



fund will perform. HealthCor will identify investment opportunities through careful field research, quantitative screens, meetings with management teams, and discussions with brokerage firms and other third parties. Ongoing due diligence of portfolio investments is expected to include rigorous competitive, accounting and valuation analyses.

HealthCor's principal focus on, and comprehensive coverage of, the global healthcare and life sciences sector and the depth and quality of its fundamental research are key components of its investment strategy. With its attention to detail and methodical approach to research, HealthCor believes it has been able to develop deep subject matter expertise in the sectors in which it invests.

HealthCor employs a bottom-up fundamental selection of best long and short ideas. Additionally, HealthCor conducts daily monitoring of top-down, portfolio-level analysis, including the following:

- Concentration of Investments: No long position will generally be greater than 10% of equity and no short will generally be greater than 5% of equity. Portfolio allocations reflect the relative confidence in the investments. HealthCor maintains a comprehensive coverage of all major sub-sectors of healthcare and life sciences and also actively monitors the concentration of positions between sub-sectors to avoid significant one-way bets.
- Liquidity: HealthCor considers the liquidity of each investment and consequently of the portfolio as a whole. Where liquidity is limited, HealthCor usually invests with the expectation of a higher rate of return to compensate for the additional risk imposed.
- Price Target and Stop Loss Monitoring: HealthCor consistently evaluates each position in the portfolio to monitor changes in intrinsic value and trading value. HealthCor generally establishes price targets and stop loss parameters for each of the portfolio positions in order to harvest gains and minimize losses. In addition, a certain percentage decrease or increase in the stock price of a portfolio company generally triggers a hypothesis review by the portfolio managers and senior analysts, and a larger percentage decrease or increase in the stock price generally triggers investment action by the portfolio managers.
- Leverage: HealthCor employs leverage that is available through the use of brokerage firm margin accounts, as well as through its short positions and the use of total return equity swaps.

- Hedging: The Adviser uses various techniques to hedge its investments including selling short, buying and selling options, and buying and selling forward contracts on foreign exchange.

#### Risk Factors Associated with the Funds

The Funds' investment strategies are speculative and entail investment and market-related risks. There can be no assurance the Funds' investment objectives will be achieved. The Funds' activities could result in substantial losses under certain circumstances. Investing in securities involves risk of loss that clients should be prepared to bear.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Funds.

1. Healthcare and Life Science Industries' Related Risks. The Funds invest a significant portion of their assets in the healthcare and life science industries. Investing in securities and other instruments of healthcare companies involves substantial risks. Such risks include, but are not limited to, the following: changes in government policies, including policies regarding reimbursement of medical expenses; certain companies in which the Funds may invest may have limited or no operating histories, or may have limited products, markets and financial resources; rapidly changing technologies may cause products to quickly become obsolete; unanticipated problems often arise in connection with the development of new products, and many such efforts are ultimately unsuccessful; scarcity of management and marketing personnel with appropriate technological or medical training may slow or impede companies' growth; the possibility of lawsuits related to technological and medical patents could cause delays and expense in product development and implementation; regulatory changes and/or government actions may prevent a company from marketing its products; changing investors' sentiments and preferences with regard to investments in healthcare companies (which may be perceived as risky) may have an adverse effect on the price of underlying securities; volatility in the U.S. stock markets affecting the prices of securities of healthcare and life sciences companies may cause the Funds to experience substantial volatility; and certain healthcare and life sciences companies may be subject to extensive government regulation. In addition, many healthcare and life sciences companies may have substantial and ongoing capital needs for research and development, clinical trials and marketing and may have difficulty obtaining such funding under various market conditions or even under normal market conditions or such capital may be obtained on terms that are not favorable to existing equity holders. Also, obtaining government approval for new products from governmental agencies can be lengthy, expensive and uncertain, and withdrawal or curtailment of government

support could have an adverse impact on the profitability or market price of healthcare and life sciences companies. Furthermore, delays in generating products (as well as more general ongoing capital requirements) may result in the need for companies to seek additional capital, potentially diluting the interest of existing investors, such as the Funds.

2. Protection of Intellectual Property. The success of portfolio companies may depend heavily on their ability to establish and protect their proprietary rights through, among other things, patent prosecution. The patent prosecution process is complicated, time-consuming, expensive and uncertain. Accordingly, one or more portfolio companies may be unable to protect some or all of its technologies, which could adversely affect such portfolio company, which in turn could negatively impact performance of the Funds. Portfolio companies will not be able to guarantee: (i) their existing patents will not be challenged, or, if challenged, invalidated; (ii) their existing patents will provide sufficient protection against competitors; (iii) competitors will not independently develop similar products or designs around their patents; or (iv) they will be able to obtain future patents necessary to protect their business and/or fully execute their respective business plans. Portfolio companies may also rely on trade secret protection for certain confidential and proprietary information. Despite maintenance of policies designed to protect such trade secrets, a portfolio company may be unable to adequately protect its trade secrets, which could adversely affect such portfolio company, which in turn could negatively impact the performance of the Funds.

3. Government Regulations in the United States. The United States Food and Drug Administration (the “FDA”) regulates food, drugs, biological and medical devices under the Federal Food, Drug and Cosmetic Act and other laws. These laws and implementing regulations govern, among other things, the development, testing, manufacturing, record keeping, storage, labeling, advertising, promotion and pre-market clearance or approval of technologies and products subject to regulation. In the event that a portfolio company develops a viable technology or product candidate, regulation by the FDA of such technology or product candidate is likely. Regulation of a technology or product candidate by the FDA involves a complicated, time-consuming, expensive and uncertain process. Any delay or failure by a portfolio company with respect to such process could adversely affect the commercialization of its technologies and products, which in turn could negatively impact the performance of the Funds. In addition to FDA regulation, portfolio companies may be subject to regulation by other governmental authorities and agencies, both in the United States and abroad. Compliance with any such regulatory requirements could have a negative impact on a portfolio company or its ability to develop its technologies and products, which in turn could negatively impact the performance of the Funds. Government policies favoring research, including

funding, may change and be less favorable or become unfavorable for the portfolio companies.

4. Impact of Healthcare Reform. Portfolio companies involved in the healthcare and life sciences industry may be negatively impacted by the continuing efforts of governments and various third-party payors to contain or reduce the costs of healthcare through various means. For example, in some foreign markets, pricing and profitability of prescription pharmaceuticals are subject to government control. In the United States, there have been, and continue to be, a number of federal and state proposals to implement similar government controls. In addition, increasing emphasis on managed care in the United States will continue to put pressure on the pricing of healthcare products, and significant uncertainty exists as to the reimbursement by the federal government, private insurers and other third-party payors for newly approved healthcare products. The implementation of one or more cost control initiatives could decrease the price that portfolio companies would receive for any products in the future. Further, cost control initiatives could adversely affect a portfolio company's ability to commercialize, or realize royalties from, its technologies or products.

5. Illiquid Portfolio Securities. The Funds may invest a portion of their net assets in unregistered securities of publicly held companies and in privately held companies. Such investments, which may be held in Special Situation Sub-Accounts, will be illiquid and difficult to value and there will generally be no collateral to secure an investment once made. Such investments may require a significant amount of time from the date of initial investment before disposition. Sales of securities held in Special Situation Sub-Accounts may not be possible and, if possible, may be made at substantial discounts from cost. In addition, because disposition of such investments may require a lengthy amount of time, distributions may be made in-kind to investors. Furthermore, some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available, particularly for private companies.

6. Foreign Investments. A Fund may invest in companies that are organized and operating outside the United States. Such investments may be subject to certain additional risks due to, among other things, potentially unsettled points of applicable governing law, the risks associated with fluctuating currency exchange rates, capital repatriation regulations and the application of complex tax rules to cross-border investments. In addition, the Funds may not always hedge currency risks.

7. Concentration of Investments. The Funds may participate in a limited number of investments, and may seek to make several investments in one industry or one industry segment. As a result, the Funds' investment portfolio could become highly

concentrated and its aggregate return may be affected substantially by the performance of only a few holdings. In the event that the healthcare and life sciences industry as a whole declines, returns to investors may decrease. In addition, a redemption by an investor owning a significant portion of the Funds could materially adversely affect the performance of the Funds.

8. Leverage and Financing Risk. The portfolios of the Funds may be leveraged to enhance returns and/or for cash management purposes. Accordingly, the assets of the Funds may be pledged in order to borrow additional funds. The investment return of the Funds may also be leveraged with options, commodity futures contracts, short sales, swaps, forwards and other derivative instruments. The amount of borrowings which the Funds may have outstanding at any time may be very large in relation to capital and may vary, depending on the nature of the investments. While leverage presents opportunities for increasing the total return of the Funds, it has the effect of potentially increasing losses as well. Accordingly, any event which adversely affects the value of an investment would be magnified to the extent that leverage is employed. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the investments of such entities could result in a substantial loss to the Fund, which would be greater than if leverage were not employed.

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

The Funds’ brokers, including those effecting short sales on behalf of the Funds and counterparties with respect to certain derivative instruments, may impose on the Funds certain financial and non-financial covenants, including requiring that the capital of the Funds exceed certain levels and/or that decreases in the Funds’ capital (whether by losses or otherwise) do not exceed certain amounts or percentages. In the event these or other covenants are violated, such brokers and counterparties may require the liquidation of some or all of the positions in the Funds’ portfolios. Even absent a violation of a covenant or other agreement, such brokers and counterparties may have the right to compel the Funds to close a short position with little (or no)

notice. The Funds may be materially adversely affected (a) if the Funds fail to meet any collateral requirements, whether as a result of increased requirements imposed by any such brokers or counterparties or as a result of market fluctuations affecting the value of collateral or of the short position, (b) if some or all of the Funds' positions are liquidated in order to meet such increased requirements or in response to a violation of a covenant or other agreement, or (c) if securities to be sold short become unavailable or short positions become difficult or expensive to maintain.

Further, there is a risk that the institutions, including brokerage firms and banks, with which the Funds may trade or invest may encounter financial difficulties that may require such institutions to reduce the amount of financing previously granted to the Funds, resulting in forced liquidation of substantial portions of the Funds' portfolio. Any financial difficulty of any such counterparty, or any reduction in the amount of financing granted to the Funds by any such counterparty, could have a material adverse effect on the Funds.

9. Short Selling. The Funds' investment portfolios will include short positions. Short selling involves selling securities which may or may not be owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from decline in the price of a particular security. 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 Funds of buying those securities to cover the short position. There can be no assurance that the security necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

In addition, there is a risk that statutes, rules, orders or regulations may be imposed that limit or prohibit short selling. Any ongoing or future regulatory limitations on short-selling, or any ongoing or future requirement to disclose short positions, may materially adversely affect the ability of the Adviser to implement the Funds' investment strategy.

10. Insider Trading Restrictions. By reason of their responsibilities in connection with their investing and management activities, personnel of the Adviser or of the General Partner of a Fund may acquire material non-public information about a company or may otherwise be restricted from initiating transactions in certain securities. The Adviser's Code of Ethics and applicable law prohibit the Adviser

from acting upon any such information even if that would be financially beneficial to a Fund. Due to these restrictions, any Fund may not be able to initiate transactions that it may otherwise have initiated, including being prevented from selling an investment that it otherwise might have sold.

11. Reliance on Management. Decisions with respect to the management of each Fund will be made by the investment professionals of the Adviser. The success of a Fund will depend on the ability of these individuals to identify and consummate investments and to dispose of investments of such Fund at a profit. The loss of the services of one or more of these individuals could have an adverse impact on the Fund's ability to realize its investment objective. In addition, it is expected that all of the personnel responsible for managing a particular Fund will continue to have responsibilities with respect to other Funds. Thus, such persons will have demands made on their time for the investment, monitoring, exit strategy and other functions of other Funds and accounts.

HealthCor Hybrid Private Equity Strategy:

In addition to the Funds' strategy described above, HealthCor Hybrid also invests in private equity transactions with a focus on growth and later stage developmental businesses in the medical technology, healthcare services, healthcare information technology, therapeutics, and diagnostics sectors that are at or approaching an inflection point in their growth. Typically, when making private equity investments, HealthCor Hybrid will invest side-by-side with a fund managed by HealthCor Partners (as defined below), an affiliate of HealthCor, as disclosed in their respective offering documents.

Additional Risk Factors Associated with HealthCor Hybrid Private Equity Investments:

1. Risks Upon Disposition of Investments. In connection with the disposition of an investment in a private equity portfolio company, HealthCor Hybrid may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, or may be responsible for the contents of disclosure documents under applicable securities laws. HealthCor Hybrid may also be required to indemnify the purchasers of such investment or underwriters to the extent that any such representations or disclosure documents turn out to be incorrect, inaccurate or misleading. These arrangements may result in contingent liabilities, which might ultimately have to be funded by HealthCor Hybrid's investors.
2. Potential Lack of Diversification. Subject to limited conditions in the offering documents, the Adviser may invest HealthCor Hybrid's capital without any pre-approvals from the investors. Except as provided in the offering documents, the

Adviser is under no obligation to diversify HealthCor Hybrid's investments by amount invested or geographical area. Accordingly, poor performance by a small number of larger investments could substantially affect the aggregate returns of HealthCor Hybrid.

3. Illiquid Portfolio Securities. The HealthCor Hybrid private equity investments will be illiquid and difficult to value. Such investments may require a significant amount of time from the date of initial investment to the realization of HealthCor Hybrid's investment objectives and ultimate disposition. Sales of portfolio companies may not be possible, or, if possible, may not achieve valuations in excess of HealthCor Hybrid's costs. In addition, because disposition of such investments may require a lengthy amount of time, distributions may be made in-kind to investors. Furthermore, some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available, particularly for private companies.

Please refer to the offering documents for a more comprehensive listing of risk factors relating to an investment in the Funds.

## **ITEM 9**

### **DISCIPLINARY INFORMATION**

We are not aware of any legal or disciplinary events that would be material to an investor's or prospective investor's evaluation of HealthCor's advisory business or the integrity of our management.

## **ITEM 10**

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

We are required to disclose certain financial industry affiliations and activities that we, our management or certain of our related parties may have.

HealthCor Management UK LLP, a United Kingdom limited liability partnership (the "Sub-Adviser"), is indirectly owned by the Adviser. It is registered with the United Kingdom's Financial Services Authority (the "FSA") and provides investment advisory services to the Adviser in connection with management of the Funds.



HealthCor Partners Management, L.P., (“HealthCor Partners”) a Delaware limited partnership affiliated with the Adviser and also registered as an investment adviser with the SEC, manages HealthCor Partners Fund, L.P. and HealthCor Partners Fund II, L.P, each a Delaware limited partnership (together, the "Private Equity Funds").

The Adviser, its affiliates and their personnel serve as investment advisers and investment managers to multiple Funds. The Adviser may take action or give advice with respect to certain Funds that differs from, or is inconsistent with, the advice given to other Funds. The Adviser will devote as much time to the activities of each Fund as it deems necessary and appropriate, and the amount of time devoted to different Funds may vary.

Under certain circumstances, HealthCor Hybrid will invest side-by-side with the Private Equity Funds in private equity transactions, as disclosed in their respective offering documents. Other than HealthCor Hybrid, no other funds managed by HealthCor currently participate in the private equity strategy. Private equity investments are allocated between HealthCor Hybrid and the Private Equity Funds at the discretion of the Adviser and HealthCor Partners, respectively, and such allocations may vary from transaction-to-transaction. Accordingly, HealthCor Hybrid may decline to participate in certain private equity transactions altogether, may participate side-by-side, or may invest where the Private Equity Funds do not participate. Any potential conflicts of interest arising from these arrangements would be addressed by the Adviser and HealthCor Partners, and such advisers will make investment decisions based on what they believe to be fair and equitable for their respective funds, taking into account such factors as the relative amounts of capital available for new and follow-on investments, the investment strategies, and portfolio positions of the HealthCor Hybrid and the Private Equity Funds, among other relevant considerations.

Conflicts may arise when an investment is suitable for both the Funds and the Private Equity Funds. The risk of this conflict is mitigated by the fact that there is minimal overlap between the investment strategy of the Funds and that of the Private Equity Funds. As HealthCor Partners invests primarily in private companies and the Funds in public companies, there are few opportunities for conflicts to arise. Should such a circumstance arise, however, the Adviser will act in a manner that it believes to be fair and equitable under the circumstances.

The Adviser and its personnel do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

HealthCor expects its employees to devote their full attention and efforts towards their duties to HealthCor. No Employee may engage in any outside work or business which interferes with the performance of their responsibilities to HealthCor. Employees may not serve as

officers or directors of public companies without receiving prior approval from HealthCor. However, so long as such activities do not interfere with an employee's responsibilities to HealthCor, employees may serve as outside directors to such entities as private corporations, charitable foundations, and other not-for-profit institutions. Employees are required to disclose these affiliations to compliance. Compliance will determine how best to address potential conflicts as they arise.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

The Adviser strives to adhere to the highest industry standards of conduct based on principles of professionalism, integrity, honesty and trust. In seeking to meet these standards, the Adviser has adopted a Code of Ethics (the "Code"). The Code incorporates the following general principles that all employees are expected to uphold: employees must at all times place the interests of clients first; all personal securities transactions must be conducted in a manner consistent with the Code and any actual or potential conflicts of interest or any abuse of an employee's position of trust and responsibility must be avoided; employees must not take any inappropriate advantage of their positions; information concerning the identity of securities and financial circumstances of the Funds, including the Funds' investors, must be kept confidential; and independence in the investment decision-making process must be maintained at all times.

The Code places certain restrictions on personal trades by employees, requires that they disclose their personal securities holdings and transactions to the Adviser on a periodic basis, and requires that employees pre-clear certain types of personal securities transactions. The Code also includes an insider trading policy designed to deter the misuse of material non-public information and other procedures intended to avoid conflicts of interest between clients and the Adviser's personnel in connection with personal securities transactions.

Potential and actual conflicts of interest may arise from the Adviser's personal trading policy. The Adviser has established policies and procedures to monitor personal trading, including strict pre-clearance requirements, and regular monitoring of employee transactions and trading patterns for actual or perceived conflicts of interest.

Clients and prospective clients may request a copy of the Code by contacting the Adviser at the address or telephone number listed on the first page of this brochure.

## **ITEM 12**

### **BROKERAGE PRACTICES**

In selecting an appropriate broker-dealer to effect a trade for the Funds, the Adviser seeks to obtain best execution, taking into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, their reliability, financial responsibility, execution capability, commission rates, responsiveness to the Adviser, brokerage and research services provided to the Adviser (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services. If the Adviser determines in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the research and brokerage products or services provided by the broker-dealer, the Funds may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge. The Adviser maintains policies and procedures to review the quality of executions, including periodic reviews by its investment professionals.

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

From time to time, the Adviser may pay a broker-dealer commissions for effecting 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 Securities Exchange Act of 1934, as amended ("Section 28(e)") 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.

Generally, research services provided by broker-dealers may include information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis, and analysis of corporate responsibility

issues. Such research services are received primarily in the form of written reports, telephone contacts, and personal meetings with security analysts. In addition, such research services may be provided in the form of access to various computer-generated data and meetings arranged with corporate and industry spokespersons, economists, academicians, and government representatives. In some cases, research services are generated by third parties but are provided to the Adviser by or through broker-dealers.

Information so received is in addition to and not in lieu of services required to be performed by the Adviser. Because commission rates in the United States are negotiable, the Adviser's selection of broker-dealers on the basis of considerations which are not limited to applicable commission rates may at times result in the Funds being charged higher transaction costs than it could otherwise obtain. Nonetheless, the Adviser's decision on which broker-dealer to utilize will be fully driven by a concerted effort to seek best execution. Research services received from broker-dealers are supplemental to the Adviser's own research effort and, when utilized, are subject to internal analysis before being incorporated by the Adviser into its investment process.

Also, consistent with Section 28(e), research products or services obtained with "soft dollars" generated by one or more Funds may be used by the Adviser to service one or more other Funds. 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 Funds. The Adviser keeps a "Soft Dollar Budget" and compares all budgeted soft dollars to actual soft dollar budget on a regular basis. Additionally, on a periodic basis, the Adviser reviews the quality and effectiveness of services received from the Soft Dollar Budget allocations.

On a periodic basis, 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 Funds 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 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.

When the Adviser uses client commissions to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for the research, products or services. The Adviser may have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on the clients' interest in receiving most favorable execution. The Adviser may cause the Funds to pay commissions higher than those charged by other broker-dealers in return for soft dollar benefits. The Adviser does not necessarily use soft dollar benefits to service all of its clients in proportion to the soft dollar credits the accounts generate. However, the Adviser will at all times act in good faith and in such a way to put client interests ahead of its own. The Adviser has policies governing best execution, broker selection, and soft dollars and directed brokerage which require the Adviser to take into account all factors in determining best execution, including soft dollar benefits received.

#### Brokerage for Client Referrals

The broker-dealers that have entered into prime brokerage arrangements with the Adviser may occasionally provide the Adviser with introductions to potential investors. Capital introduction is a service provided by prime brokers and is designed to "introduce" hedge fund managers to potential investors, typically through individual meetings or in a conference format. Although capital introduction is customarily offered as a "free" service, various conflicts of interest are presented by such arrangements. While the Adviser does not compensate these broker-dealers based on capital introductions, the Adviser may be incentivized to use the services of a specific prime broker in order to have access to the broker's capital introduction services. In addition, the Adviser benefits from arrangements where investors are referred to the Adviser because its management fees are generally based upon a percentage of assets managed and its performance compensation is generally based upon a percentage of net profits on such assets. Thus, the more assets the Adviser has under management, the higher its management fee income and, potentially, its performance compensation. Also, there is a direct conflict between the prime brokers' desire to increase their revenues by raising capital through their prime brokerage services. The prime broker and/or its affiliates generally receive fees/commissions as a result of the Adviser's decision to utilize its services as follows: custodian of client accounts managed by the Adviser; securities transactions executed on behalf of the Adviser's clients; and lending funds and/or securities to the Adviser as part of the Adviser's investment strategy, i.e. margin/short sale and/or securities lending programs. While the relationship may present the appearance of a

conflict of interest, the availability of the foregoing products and services to the Adviser is not contingent upon Adviser committing to the primer brokers any specific amount of business (assets in custody or trading commissions).

The Adviser does not consider, in selecting or recommending broker-dealers, whether it or a related person receives client referrals from a broker-dealer or third party.

#### Directed Brokerage

The Adviser's clients are private investment funds and the Adviser has been delegated discretionary trading authority, including the authority to select broker-dealers to effect transactions on behalf of the Funds pursuant to best execution. As a result, the Adviser's clients do not direct the Adviser to execute transactions through a specified broker-dealer.

#### Order Aggregation

If the Adviser determines that the purchase or sale of the same security is in the best interest of more than one fund that it manages, the Adviser may, but is not obligated to, aggregate orders in order to reduce transaction costs to the extent permitted by applicable law. When an aggregated order is filled through multiple trades at different prices on the same day, each participating fund will receive the average price with transaction costs allocated pro rata based on the size of each fund's participation in the order as determined by the Adviser. In the event of a partial fill, allocations generally will be made on a pro rata basis on the initial order but may be modified on a basis the Adviser deems appropriate, including for example, in order to avoid odd lots or de minimis allocations. In any event, the Adviser seeks to ensure that each fund is treated equitably over time.

#### Trade Errors

The Adviser has internal controls in place to prevent trade errors from occurring. On those occasions when such an error nonetheless occurs, the Adviser will use reasonable efforts to correct the error as soon as possible. The Funds shall bear any losses resulting from such trading errors; provided that the Adviser shall be responsible for losses resulting from the gross negligence, willful misconduct or fraud of the Adviser and/or any of their respective affiliates, employees and agents.

## **ITEM 13**

### **REVIEW OF ACCOUNTS**

The Adviser's senior personnel, including portfolio managers, research associates, traders, chief operating officer, chief financial officer, general counsel and chief compliance officer conduct daily, weekly, monthly and periodic reviews of the Funds' portfolios. The Adviser provides the following written reports to the investors in its Funds: monthly performance and exposure reports, monthly net asset value statements, tax reports, audited financial statements within 120 days of the applicable Fund's fiscal year end, quarterly letters documenting performance of the Funds, and certain other reports.

## **ITEM 14**

### **CLIENT REFERRALS AND OTHER COMPENSATION**

The Adviser does not receive economic benefits from non-clients for providing investment advice and other advisory services. In addition, the Adviser and its related persons do not directly or indirectly compensate any person, including placement agents, for referrals to the Funds.

## **ITEM 15**

### **CUSTODY**

The Funds' assets are held in custody by unaffiliated broker-dealers or banks. The Funds are subject to an annual audit and the audited financial statements, prepared in accordance with generally accepted accounting principles, are distributed within 120 days of the Fund's fiscal year end. In addition, upon the final liquidation of a Fund, financial statements reflecting the final audit will be distributed to investors.

## **ITEM 16**

### **INVESTMENT DISCRETION**

The Adviser is appointed pursuant to an investment management agreement as the investment manager of each Fund with full discretionary authority for investment decisions, and its advice with respect to the Funds is made in accordance with the investment objectives and guidelines as set forth in the Funds' respective offering memoranda.

## **ITEM 17**

### **VOTING CLIENT SECURITIES**

The 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 keeping in mind the Adviser's fiduciary obligation to base its voting decision on its reasonable judgment of what will serve the applicable Fund's best interests and is in line with each Fund's investment objectives. The Adviser has engaged a third party service to assist in its proxy voting. This voting service manages the process of meeting notifications, voting, tracking, mailing, reporting, record maintenance, and vote disclosure rules. The general policy takes into account all relevant factors, as determined by the Adviser in its discretion, including: (i) the impact on the value of the securities owned by the relevant Fund and the returns on those securities; (ii) industry and business practices; and (iii) recommendations of the companies' management. The Adviser works to ensure that the voting is aligned with the best economic interests of the Fund. If any material conflicts of interest arise, the Adviser will determine the best way to handle such conflicts. It is the responsibility of the Adviser to ensure that each proxy is voted on in a timely manner. Clients may obtain a copy of the Adviser's proxy voting policies and its proxy voting record upon request.

In addition, if "Class Action" documents are received by the Adviser on behalf of the Funds, the Adviser determines whether the Funds will either participate in, or opt out of, any class action settlements received and whether it is in the best interest of the Funds to recover monies from a class action.



## **ITEM 18**

### **FINANCIAL INFORMATION**

The Adviser is not aware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Funds.