

**Item 1 – Cover Page**

**TORREYCOVE CAPITAL PARTNERS LLC**

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**October 19, 2014**

This Brochure provides information about the qualifications and business practices of TorreyCove Capital Partners LLC (“TorreyCove”). If you have any questions about the contents of this Brochure, please contact us at (858) 456-6000. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information which you may use to determine whether to hire or retain an Adviser.

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

## **Item 2 – Material Changes**

The date of the last update of TorreyCove's Form ADV was June 18, 2014. Material changes contained in this Brochure are summarized below and, if applicable, a reference to a subsequent Item of this Brochure is included should you want additional information.

### Summary of Material Changes

- TorreyCove has updated its affiliate entities. Please see Item 10 of this Brochure for additional information.

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## **Item 4 – Advisory Business**

TorreyCove Capital Partners LLC ("TorreyCove" or the "Firm") was formed in August 2011 under the laws of the State of Delaware. TorreyCove provides investment services in the private equity (non-public alternative asset) arena primarily to public pension funds, institutional investors and other investors such as private equity funds-of-funds. These services include the development of policy and strategy with respect to the private equity asset class, as well as the selection, due diligence, structuring, negotiation, and monitoring and reporting related to private equity investments in limited partnerships and direct company investments. TorreyCove offers private equity and real asset investment advisory services as a bundled suite of services or as individual project-based services, depending on its clients' needs. TorreyCove's investment advice is limited to the private equity and real assets asset classes. See Item 7 of this Brochure for additional information about TorreyCove's clients.

Since inception, TorreyCove has been exclusively focused on private equity and real asset investments, which are illiquid holdings in non-public companies. Its primary client base consists of large institutional investors, most of which are public defined benefit programs. A smaller portion of the client base consists of institutional corporate entities, pooled investment vehicles, and other types of clients. These clients are domiciled in the United States and other countries. TorreyCove provides investment advice in connection with our client's investments in private equity and real asset funds. In addition, TorreyCove also serves as the adviser of private equity investment fund-of-funds. See Item 7 of this Brochure for additional information about TorreyCove's clients.

TorreyCove maintains offices in California, Massachusetts, and New York (unstaffed satellite office).

TorreyCove provides a full suite of services designed to assist clients with the development and management of their alternative investments. These services are non-discretionary (meaning that TorreyCove does not have authority to commit the client to an investment without its explicit approval) and usually include:

- *Investment policy development and implementation* – Key components of the client's private equity investment program, including return targets, risk tolerance, and important constraints, are identified and codified in a formal document.

- *Portfolio management* – This relates to the implementation of the client’s private equity investment policy. It is an active and ongoing process designed to ensure that the risk and return targets for a client’s private equity portfolio are being met and that other factors important to the client (e.g. liquidity requirements, exclusions relating to certain investments, special programs) are being implemented appropriately. A major part of this process involves selecting suitable investments for a client’s private equity portfolio and ensuring that appropriate diversification of risk (by geography, investment type, sector, etc.) exists within the portfolio. Another important element of the portfolio management process involves estimating the cash flows associated with a client’s private equity portfolio for use in the pacing of investment over multiple periods.
- *Investment selection and due diligence* – This involves identifying, evaluating, and selecting appropriate private equity fund investments to satisfy client needs. Usually these investments are made in independent private equity funds rather than directly in private companies, but TorreyCove provides both types of services. Once an investment is selected as a potential recommendation to a client, TorreyCove performs detailed and comprehensive due diligence to more thoroughly substantiate the appropriateness of the investment for the client. The firm also assists and advises on how to improve the structure of the investment (from a business/investment perspective), including expressing recommendations relating to the legal documents governing the agreements between investors and private equity managers, as applicable.
- *Monitoring, reporting, and risk-control* – Once an investment is made by a client, TorreyCove undertakes the ongoing monitoring of the performance of that investment (including whether it is complying with any and all contractual agreements) as well as the reporting of such performance to the client. Risk-control relates to ensuring compliance with legal agreements and identifying important negative developments in performance or other factors (key person departures, conflicts of interest, organizational instability, etc.) that may impact performance materially.

Additional Services Include:

- *Conferences and Seminars* – At the request of a client, TorreyCove will organize conference and/or seminars that typically involve relevant and prominent keynote speakers and roundtable discussions amongst its senior investment professionals.
- *Publications and Customized Research*: The firm publishes periodic pieces on topics of relevance to our general client constituency related to market trends, developments,

and more specific outlooks related to sectors, geographies, and strategies. TorreyCove also engages with clients on specific customized research projects on an as requested basis.

- *Co-Investment Advisory* – TorreyCove offers its clients co-investment services that encompass sourcing, due diligence, and monitoring and reporting.
- *Secondary Solutions* – TorreyCove offers clients the ability to more actively manage their private equity portfolios through its secondary market services. TorreyCove will custom tailor its secondary service offerings for each client and has capabilities related to both purchase and sale activities.

It should be noted that any of the above services can be offered as one-off projects for new or existing clients.

TorreyCove tailors its advisory services to the individual needs of its clients by providing a high level of customization to meet specific client mandates, taking into account each client's unique risk tolerances, liquidity requirements, and return targets. For this reason, each client's private equity portfolio will be constructed somewhat differently in terms of investments selected. Further, most clients have certain restrictions or parameters that must be taken into account when constructing portfolios. For instance, a client may restrict investments domiciled in certain geographies, or may restrict certain investment strategies, such as hostile takeovers or buyouts that are viewed as hostile to certain parties. TorreyCove does not provide investment management services to WRAP programs.

TorreyCove manages client assets on a non-discretionary basis. As of June 30, 2014, TorreyCove has approximately \$ 27,961,530,473 assets under advisement on a non-discretionary basis.

TorreyCove's principal owner is TorreyCove Capital Partners Holdings, Inc. which is a wholly owned subsidiary of Mitsubishi Corporation.

## **Item 5 – Fees and Compensation**

TorreyCove charges fees based upon the scope of the engagement and services required by its clients. All fees received are for non-discretionary services.

**Private Equity Advisory Services:** The specific manner in which fees are charged by TorreyCove is established in a client's written agreement with TorreyCove; which is typically a three year contract and includes extension options ranging between one to four years. All fees are subject

to negotiation. Generally, TorreyCove will bill its fees on a quarterly basis, payable in advance, but clients may elect to be billed in arrears.

Generally, TorreyCove is compensated via a contractual fee which is not directly calculated from the size of assets under management of the client. While such fees will take the size of the mandate into account, they will also reflect an assessment of the resources, personnel, and expenses associated with the advisory mandate. These fees are set out in a contract with the client and are fixed retainer fees. There is usually no incentive component to such fee arrangements.

A client will generally be able to terminate TorreyCove's advisory services upon 30 to 90 days written notice. In such a case, the fees owed to TorreyCove will be adjusted pro rata, unless otherwise agreed to by the client in writing. Accounts initiated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

**Private Equity Fund Advisory Services:** Compensation received from clients that are private investment fund-of-funds typically consists of two parts, a management fee based upon a percentage of assets under management within the separate account or fund and a variable incentive fee (or carried interest) that is based on the performance of the separate account or fund. Management fees typically range from 1% to 2% per annum, and may incorporate step-downs (reductions) at various points in a fund's life (e.g. after the expiration of the fund's investment period). Depending on certain performance hurdles being met, there may also be an additional incentive compensation associated with a fund known as a carried interest, which ranges from 5-20% of the profits generated by such a fund. The amount of carried interest payable to TorreyCove will vary depending on the structure and attributes of the particular fund. Specific information with respect to the calculation of carried interest and other fees is included in the fund's governing documents.

**Project Based Advisory Services:** From time-to-time TorreyCove will be engaged on a project-specific basis and will receive project-specific fees and/or hourly fees on either a one-time or ongoing basis. Generally, project fees and/or hourly fees will be agreed upon via a contractual agreement and paid when the project is completed or on an ongoing basis.

TorreyCove's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers,

custodial fees, fund administration fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to TorreyCove's fee, and TorreyCove shall not receive any portion of these commissions, fees, and costs.

See Item 12 of this Brochure for additional information about brokerage fees and how we select broker-dealers for client transactions.

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

In relation to certain non-discretionary client advisory agreements under which TorreyCove advises the manager of a private equity fund-of-funds, TorreyCove is entitled to receive carried interest (if one is generated) as a portion of its compensation, which is based on the performance of each fund's investments. Further, TorreyCove may serve as a sub-advisor to client-managed funds and receive fees based on a percentage of capital or assets in those funds. A client may also engage TorreyCove to provide advisory services for a flat fee to complete due diligence on specific co-investment opportunities, with the client maintaining full investment discretion.

Performance-based fee arrangements may create an incentive for TorreyCove to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. However, the various performance hurdles that are also part of such arrangements, and that are a precondition to the receipt of any carried interest, mitigate conflict of interest issues, and impel TorreyCove to provide advice designed to balance return and risk, seeking the highest risk-adjusted returns in the relevant markets, consistent with the best interests of the clients.

Further, TorreyCove has policies and procedures designed and implemented to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients. These policies and procedures require that investment and allocation decisions are made based on the merits of the investment and appropriate fit with the client's portfolio. All investment decisions by TorreyCove are made by its Investment Committee which is comprised of senior TorreyCove investment professionals. In

addition, as an additional safeguard, TorreyCove's Investment Committee is monitored by TorreyCove's compliance function.

TorreyCove recognizes that in certain circumstances strict compliance with these procedures may not be feasible and that unusual or extraordinary conditions may warrant deviation from its standard practices and procedures described in this Item. In such circumstances, senior management charged with investment decision-making responsibility, in collaboration with TorreyCove's Chief Compliance Officer, shall determine the most appropriate action which, in their reasonable judgment, will serve the best interests of, and be fair and equitable to all clients involved.

### **Item 7 – Types of Clients**

TorreyCove's primary client relationships are with state and municipal government defined benefit pension plans within the United States. TorreyCove also currently provides or may provide in the future investment services to private equity investment funds, private equity funds-of-funds, pooled investment vehicles, public pension plans, financial institutions, funds, foreign funds such as SICARs, and other U.S. and international institutional investors.

TorreyCove does not have formal requirements for new client relationships, such as a minimum account size; however, we focus our efforts on clients that are qualified, institutional investors.

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

Investing in securities involves risk of loss that clients should be prepared to bear. TorreyCove analyzes private equity and real asset investments to formulate advice and recommendations for its advisory clients. TorreyCove's investment strategies involve the construction of diversified fund portfolios that are designed to provide above market returns at reasonable risk when compared to other potential investments.

TorreyCove devotes substantial resources to identifying and evaluating private equity and real asset fund managers. Our analytical method combines both qualitative and quantitative elements and is focused on the following key areas:

- *Management* – evaluation of the experience of the key investment team members (particularly as it relates to principal investing), interaction and decision-making amongst these key members, distribution of profits and other compensation amongst

the team, organizational structure, and contributions of various team members to the success of prior investments.

- *Track record* – evaluation of the historical principal investment track records of the key investment professionals and/or prior fund vehicles, developing an attribution of these investments to various team members, analyzing the key factors which led to positive or negative performance, and determining whether the track record is relevant as a predictor of potential future performance of the investment team.
- *Strategy* – assessment of the appropriateness of an investment strategy in light of current and prospective market conditions, determination of whether the investment fund can demonstrate a differentiating advantage in sourcing, selecting, and/or managing investments, and evaluating a fund in comparison to its peers with similar strategies.
- *Terms* – business and investment review of the offering and legal documents pertaining to a fund in order to ensure that the interests of the fund and the investors are aligned, fees and expenses are appropriate and reasonable for the fund size and strategy, and key investor protections are included.

TorreyCove also implements direct private equity investment strategies, as part of a co-investment advisory service offering. For direct investments that are sponsored by a private equity fund manager, as well as for those that are not, the key elements of analysis include an evaluation of the following, among other things: the company's business plan and model, historical financial performance, pro-forma/projected financial performance, sources and uses of proceeds, market environment, competitive universe, SWOT analysis (strengths, weaknesses, opportunities, and threats), key company management, capital expenditure requirements, scenario analysis, downside protections, and exit strategy. In a case where there is a general partner sponsor of the transaction, many of the elements of the fund due diligence protocol are utilized to evaluate the quality of the sponsor along with the investment specific analysis. In addition to all of the risks associated with private equity that have been previously noted, direct investments pose additional risk when compared to fund investments, due to their lack of diversification. Since an investment is concentrated in one company rather than in a portfolio of such companies, the susceptibility of the investment return to unique business risk is significantly heightened and may lead to a loss of some or all of the invested capital. See below in this Item for additional information about Risk Factors.

**Risk Factors:** Prospective clients should be aware that investing in private equity and real assets entails a high degree of risk. There can be no assurance that a client's investment objectives will be achieved or that any investor will receive a return of its original invested capital or a gain on its investment. In addition, there may be occasions when TorreyCove, its affiliates and/or its members may encounter potential conflicts of interest. The following considerations are among those that should be carefully evaluated before engaging TorreyCove.

- **Prior Performance:** Past performance is not indicative of future results, and there can be no assurance that TorreyCove will achieve investment results comparable to those previously achieved.
- **Highly Competitive Market for Investment Opportunities:** The activity of identifying, completing and realizing attractive private equity investments is highly competitive, difficult and involves a high degree of uncertainty. There can be no assurance that TorreyCove will be able to execute on its strategy so as to satisfy a client's rate of return objectives or realize upon their values.
- **Long-Term Nature of Investment in Fund Interests; No Assurance of Return:** An investment in a private equity fund requires a long-term commitment, with no certainty of return.
- **Access to Private Equity Investments:** Access to private equity investments that are managed by high quality fund managers is limited, and there can be no assurance that TorreyCove will be able to secure sufficient opportunities to invest in all or any desirable fund investments.
- **Lack of Information:** There generally will be little or no publicly available information regarding the prospects of a private equity fund.
- **No Market for Interests; Restrictions on Transferability:** A private equity fund's interests will not be registered under the Securities Act of 1933 or the securities laws of any state or other jurisdiction and cannot be publicly resold. There is no public market for the interests in a private equity fund, and none is expected to develop.
- **Multiple Levels of Fees and Expenses:** Private equity fund-of-funds, as well as the underlying funds in which those funds invest, will each impose management fees and "carried interest," and each will incur operating and administrative costs and expenses. Investors will be required, directly or indirectly, to bear their proportionate share of all such amounts. Management fees and expenses will also be charged even if a private equity fund or its investments perform negatively.

- **Lack of Operating History of Certain Portfolio Companies:** Many portfolio companies in which a private equity fund invests, directly or indirectly, are expected to be at early stages of development, with minimal operating history and with a need for substantial additional capital to set up infrastructure, hire management and personnel, develop technologies, support expansion or achieve or maintain a competitive position.
- **Terms of Fund Investments:** The terms and conditions of a fund investment may not be subject to negotiation, and therefore terms of such investments may be favorable to the fund managers.
- **No Control Over Fund Investments:** Neither TorreyCove, its managers, advisers, or their affiliates will have (i) the right to participate in the management, control or operation of a portfolio fund's investments, (ii) the opportunity to evaluate the relevant economic, financial and other information that will be used by those funds' managers in their selection, structuring, monitoring and disposition of investments, or (iii) sole authority to remove the manager of any of such fund investments.
- **Market Risks:** Certain private equity investments may be in securities that become publicly traded. Such investments may involve economic, political, interest rate and other risks, any of which could result in an adverse change in the market price.
- **Passive Investment in Interests; Reliance on Personnel:** The success of a private equity investment depends in substantial part upon the skill and expertise of the manager and the manager's personnel. There can be no assurance that any or all of the personnel will continue to be associated with the manager throughout the life of a private equity investment.
- **Legal, Tax and Regulatory Risks:** The regulatory considerations affecting the ability of TorreyCove's clients to achieve their investment objectives are complicated and subject to change. In addition, other legal, tax and regulatory changes could occur that may adversely affect the private equity asset class.

The information about Risk Factors above addresses, in brief and in part, the material risks related to the private equity products and investments on which TorreyCove advises clients. More complete information about risks associated with private equity and real asset investing may be available in prospectuses, offering memoranda or other disclosure documents relating to TorreyCove-recommended private equity investment vehicles.

## **Item 9 – Disciplinary Information**

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

TorreyCove has no material items to disclose regarding disciplinary actions taken by official entities, including U.S. or state courts, federal or state regulatory agencies, the SEC, self-regulatory organizations or foreign regulatory entities. Neither TorreyCove nor any of its employees has been the subject of any actions or administrative proceedings before any such agencies or entities.

## **Item 10 – Other Financial Industry Activities and Affiliations<sup>1</sup>**

TorreyCove has affiliates, MC Asset Management Americas, Ltd, MC Asset Management Europe Ltd., and Mitsubishi Corporation Asset Management Ltd., that act as a placement agent (the "Placement Affiliate"). As a placement agent, the Placement Affiliate is typically compensated with a placement fee calculated by reference to an investor's capital commitment or subscription amount. TorreyCove could face a conflict of interest when recommending an investment vehicle for which a Placement Affiliate serves as placement agent because an affiliate may be entitled to a fee in connection with an investor's investment in such vehicle; however, TorreyCove has taken steps to eliminate this potential conflict. The Firm has instituted procedures to ensure that it will not provide an opinion or recommendation to any client on any fund where a Placement Affiliate serves in a placement agent capacity to that fund to that client. Additionally, TorreyCove has independent investment decision making processes with no overlapping members in the Placement Affiliate companies.

TorreyCove has affiliates that act as a broker-dealer (MC Asset Management Europe Ltd., Mitsubishi Corporation Asset Management Ltd., Mitsubishi Corporation Asset Management

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<sup>1</sup> TorreyCove affiliate companies determined based on common supervision and registration with a financial authority. All affiliate company information is provided by Mitsubishi Corporation.

Americas, Limited, and MC Asset Management Asia, Limited). TorreyCove does not market products or services related to its broker-dealer affiliates and it has no control over it. Members of the broker-dealer have no role of influence on the investment decisions of TorreyCove. TorreyCove does not, in the normal course of business, recommend its broker-dealer affiliates to its clients. TorreyCove does not believe that any conflicts of interests currently exist nor does the Firm foresee any potential conflict of interest with its broker-dealer affiliates.

TorreyCove serves as a non-discretionary advisor to various investment vehicles that Alternative Investment Capital manages including AIC-PCG Private Equity Fund I, AIC-PCG Private Equity Fund II, MCC-PCG Global Private Equity Fund, and Energy Opportunity Fund LP. TorreyCove provides monitoring and due diligences services to Mitsubishi Corporation Asset Management Ltd. Mitsubishi Corporation Asset Management Ltd. serves as a placement agent to the Energy Opportunity Fund LP.

A complete list of TorreyCove's affiliates is as follows (none of the entities listed have control of TorreyCove's operations or business practices):

- MC Asset Management Holdings, LLC
- MC Asset Management Americas, Ltd.
- Alternative Investment Capital Limited
- MC Asset Management Europe Ltd.
- Mitsubishi Corporation Asset Management Ltd.
- MC Asset Management Asia Limited

TorreyCove does not, in the normal course of business, recommend any of its affiliate entities' services to its clients and clients are not encouraged to use any of the services of its affiliate entities. TorreyCove seeks to identify all potential conflicts of interest and it maintains full and fair disclosure of all material relationships. TorreyCove does not believe that material conflicts of interest exist between the Firm and the aforementioned affiliates or any other entities not already named in its disclosure.

## **Item 11 – Code of Ethics**

TorreyCove has adopted a Code of Ethics (the "Code of Ethics") and an Insider Trading Policy and Code of Conduct ("Code of Conduct"). These policies apply to all supervised persons of the Firm and describe TorreyCove's high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics and Code of Conduct include provisions relating to a prohibition on

insider trading, and personal securities trading procedures, among other things (TorreyCove also maintains a separate Gift Policy that contains restrictions on the acceptance and delivery of gifts by TorreyCove or its personnel, and requires the reporting of gifts and business entertainment items received). All supervised persons at TorreyCove must provide a written certification acknowledging the terms of the Code of Ethics annually, or as amended.

The fundamental principles of TorreyCove's Code of Ethics, as amended from time to time, are that (i) TorreyCove requires high standards of conduct, (ii) the interests of TorreyCove's clients must always come first, (iii) TorreyCove employees must not take inappropriate advantage of any material, non-public information, and (iv) both actual and potential conflicts-of-interest must be avoided. Among other things, the Code of Ethics:

- Requires employees to comply with applicable provisions of the federal securities laws;
- Requires employees to pre-clear certain personal securities transactions; and
- Requires employees to provide TorreyCove with certain personal securities holdings reports (upon commencement of employment and annually thereafter).

TorreyCove's employees are required to follow TorreyCove's Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of TorreyCove will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of TorreyCove's clients. In addition, the Code of Ethics requires same day pre-clearance of all non-exempt employee securities transactions. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between TorreyCove and its clients.

A written copy of TorreyCove's Code of Ethics and Code of Conduct are available upon request.

## **Item 12 – Brokerage Practices**

TorreyCove does not utilize soft dollars in any way in connection with its business. Depending upon the terms of TorreyCove's contract with its clients, should TorreyCove be requested to recommend brokers or dealers for transactions on behalf of a client, TorreyCove takes several factors into account, including the financial stability and reputation of the broker or dealer, execution costs, the quality of the services provided by the broker or dealer, and any special

execution capabilities of the broker or dealer. TorreyCove does not necessarily choose a broker or dealer based on the lowest available commission cost or spread.

### **Item 13 – Review of Accounts**

TorreyCove generally reviews its advisory accounts at least once per annum, or as required by the terms of its various client engagement agreements or as circumstances warrant. In practice, TorreyCove often reviews accounts more frequently. The review of accounts is done by or under the supervision of the senior investment professionals of TorreyCove, who establish the review criteria for accounts in conjunction with client needs.

The nature of the review includes the evaluation of progress made over the prior year with respect to achieving the goals of the client's private equity program pertaining to investment pacing, manager selection, appropriate diversification, investment returns, maintenance of acceptable levels of risk, and adherence to program policies and constraints. Goals for the next year in all of these areas are outlined and recommendations are made to bring the client's private equity program more in line with the goals and policies set out at inception of the program and TorreyCove's engagement. For instance, a review of the client private equity portfolio may indicate that investments in certain strategies, sectors, or geographies have exceeded the ranges set out in the prior annual plan, which may lead to a lack of appropriate diversification of the portfolio. Recommendations will then be made, in light of current market conditions, to modify investment in those areas and/or other areas in order to construct a diversified portfolio.

TorreyCove may also review client accounts on a non-periodic basis. This will typically occur when a major change has been undertaken by a client regarding its private equity portfolio. For instance, a client may decide that it will allocate less of its investment capital to private equity overall, necessitating material changes in the pace of private equity investment and perhaps even a sale of some of its existing private equity investments. As another example, a client may decide that it no longer desires to invest in a certain region or private equity strategy, thereby requiring modifications to the investment plan.

TorreyCove prepares written quarterly reports for distribution to all of its clients that TorreyCove performs monitoring services for, and more frequent reports or updates as a client may require. These reports contain information discussing the historical and current performance of the client's portfolio, along with a detailed analysis of each investment manager within the portfolio. This analysis includes the following:

- Calculation of performance via both internal rate of return and multiple of invested capital methodologies
- Description of each investment within a fund portfolio, along with the cost basis and fair market value of that investment
- A discussion of material events relating to the fund's portfolio, including new investments, sale or other exit of existing investments, major increases or decreases in fair market value of existing investments
- Important organizational or personnel changes
- A rating for each fund investment based on performance

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

TorreyCove does not typically engage independent contractors and other third parties to assist with the procurement of new clients or investment opportunities.

#### **Item 15 – Custody**

TorreyCove does not have direct custody of any client assets.

TorreyCove's affiliate, Alternative Investment Capital Ltd., has custody of client assets via Funds it oversees on behalf of Japan-based investors (AIC-PCG Private Equity Fund I, AIC-PCG Private Equity Fund II, MCC-PCG Global Private Equity Fund, and Energy Opportunity Fund LP.). TorreyCove serves as a non-discretionary advisor to the investment advisor of these Funds.

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

TorreyCove provides advisory services on a non-discretionary basis to its clients; therefore TorreyCove has no investment discretion or authority to select the identity and amount of securities to be bought or sold by a client.

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

As an advisor of non-discretionary client accounts, TorreyCove will not be voting any proxies on behalf of its clients.

## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures. TorreyCove does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has not been the subject of a bankruptcy proceeding.

### **Other Information**

#### **TorreyCove Business Continuity Summary**

TorreyCove is committed to protecting the interests of our clients, the safety of our employees, and the protection of firm property in the event of a business disruption. TorreyCove has established a Business Continuity Plan (“BCP”) that details how we will respond to events that significantly disrupt our business.

The Firm’s BCP covers areas affected by a business disruption of any type, and includes back-up and recovery of client and business records; identification and backup of all mission-critical systems; financial and operational risk assessments; alternate communication between TorreyCove and its clients, employees, and regulators; alternate physical locations; and regulatory reporting. There is a broad range of scenarios under which a business disruption might occur. Internal disruptions include those business disruptions that affect only our Firm’s ability to communicate and do business, such as a fire or power failure in our building. External business disruptions affect a number of firms, such as a terrorist attack, earthquake, widespread fires, or a large-scale, regional disruption. Our plan is designed to enable the Firm to recover and restore business operations as quickly as possible, safeguard our employees and property, protect the Firm’s books and records and assure our clients prompt service through an alternative location.

TorreyCove conducts predominantly all of its business at its office located at 4365 Executive Drive, Suite 900, San Diego, California, 92121. In the event of a disaster that affects the use of our office, we will transfer operations to an alternate location as necessary in order to restore critical operations as soon as possible. Recovery will begin on local computer hardware as quickly as possible given the events. We plan to begin recovery immediately and notify clients how to contact us through e-mails, land phone lines and cellular phones, as available. Should a larger scale external business disruption occur, it is our goal to resume business activities as soon as practical given the specific circumstances surrounding the disruption. Such

a disruption may or may not require a relocation of operations to an alternate site. In any case, our goal remains to continue our business and protect the assets of our clients to the best of our abilities.

The BCP will be reviewed and updated annually by a Compliance Officer of the Firm. The BCP is subject to change without notice. If you have questions regarding our BCP, you may contact us at [complianceofficer@torreycove.com](mailto:complianceofficer@torreycove.com)

### **TorreyCove Information Security**

TorreyCove is committed to safeguard the confidentiality, integrity and availability of all physical and electronic information assets of the Firm to ensure that regulatory, operational and contractual requirements are fulfilled.

The overall goals for information security at TorreyCove are the following:

- Ensure compliance with current laws, regulations, and guidelines.
- Comply with requirements for confidentiality, integrity, and availability for TorreyCove employees.
- Establish controls for protecting TorreyCove's information and information systems against theft, abuse, and other forms of harm and loss.
- Motivate employees to maintain the responsibility for, ownership of and knowledge about information security, in order to minimize the risk of security incidents.
- Ensure that TorreyCove is capable of continuing their services even if major business disruptions occur.
- Ensure the protection of personnel data (privacy).
- Ensure the availability and reliability of the Firm's network infrastructure
- Ensure that external service providers comply with TorreyCove's information security needs and requirements.
- Ensure flexibility and a high level of security for accessing information systems from external locations.

TorreyCove's current business strategy and framework for risk management are the guidelines for identifying, assessing, evaluating, and controlling information related risks through establishing and maintaining the various information security policies. Information security is

to be ensured by various policies in the Firm's Employee Handbook. In order to secure operations at TorreyCove even after serious incidents, TorreyCove shall ensure the availability of continuity plans, backup procedures, system and information access control, and incident management and reporting.

Every user of TorreyCove's information systems shall comply with this information security policy. Violation of this policy and of relevant security requirements will therefore constitute a breach of trust between the user and TorreyCove and may have consequences for employment or contractual relationships.