

**Item 1. Cover Page**

# Consonance Capital



Part 2A of Form ADV Brochure for:

**Consonance Capital Management LP  
Consonance Capital Opportunity Fund Management LP**

1370 Avenue of the Americas, Suite 3301  
New York, NY 10019  
Phone: 212-660-8060  
Fax: 212-660-8098  
[www.consonancecapital.com](http://www.consonancecapital.com)

**November 24, 2014**

**This brochure provides information about the qualifications and business practices of Consonance Capital Management, LP and Consonance Capital Opportunity Fund Management LP. If you have any questions about the contents of this brochure, please contact us at 212-660-8060 or [wfowler@consonancecapital.com](mailto:wfowler@consonancecapital.com). 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 certain level of skill or training. Additional information about Consonance Capital Management, LP and Consonance Capital Opportunity Fund Management LP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Item 2. Material Changes**

The following material changes have been made to this Brochure since the last annual amendment filed on March 28, 2014.

- The adviser has revised this Brochure to reflect that Consonance Capital Opportunity Fund Management LP is a relying adviser.

**Item 3. Table of Contents**

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

#### **Item 4. Advisory Business**

Consonance Capital Management LP is a Delaware limited partnership formed in July 2007 for the primary purpose of providing investment advisory services to private pooled investment vehicles. Consonance Capital Opportunity Fund Management LP (together with Consonance Capital Management LP, referred to as the “adviser” or “we”) is a Delaware limited partnership formed in October 2014 for the primary purpose of providing investment advisory services to a separately managed account.

The pooled vehicles for which the adviser provides investment advisory services are: (i) Consonance Capital Master Account LP, a Cayman Islands exempted limited partnership (“Consonance Capital Master”); (ii) Consonance Capital Investors LP, a Delaware limited partnership (“Consonance Capital Onshore”) that acts as a feeder fund for Consonance Capital Master; (iii) Consonance Capital Investors Ltd., a Cayman Islands exempted company (“Consonance Capital Offshore” and together with Consonance Capital Master and Consonance Capital Onshore, (each a “fund” and collectively, the “funds”) that also acts as a feeder fund for Consonance Capital Master. An affiliate of Consonance Capital Management, Consonance Capital Advisors LLC, a Delaware limited liability company (“Consonance Capital Advisors”), serves as the general partner of Consonance Capital Master and Consonance Capital Onshore.

Mitchell J. Blutt, M.D. is the founder, Chief Executive Officer and Co-Portfolio Manager of the adviser. Kevin H. Livingston is a founder, partner and Chief Operating Officer of the adviser. Benny Soffer, M.D. is a founder, partner and Co-Portfolio Manager of the adviser. Consonance CapMan GP LLC, a Delaware limited liability company (“Consonance CapMan GP”), serves as the general partner of the adviser. Mitchell J. Blutt, Kevin H. Livingston and Benny Soffer are the principal owners of the adviser.

With respect to each of the funds, the investment objective is to seek to deliver exceptional, uncorrelated risk adjusted returns.

The adviser seeks to meet this objective by focusing on investment opportunities in the publicly traded stocks of healthcare companies. The adviser believes the public healthcare market lends itself to an active long/short strategy. The adviser is focused on creating long and short portfolios driven by the opportunity for absolute return and alpha creation. The funds may also invest in other types of securities and may use a variety of investment techniques to generate profit and/or control risk, including, but not limited to, participating in swaps, buying or selling futures contracts, purchasing and writing options and other derivative contracts, purchasing or selling debt instruments, and trading on margin by borrowing funds and pledging securities as collateral.

The portfolio management services the adviser offers the funds are set forth in each fund’s offering memoranda. The adviser does not tailor portfolio management services to the individual needs of investors in the funds and the investors in the funds cannot impose restrictions on investing in certain securities or certain types of securities.

The adviser also provides investment advisory services to a separately managed account (the “managed account” and together with the funds, the “clients”). The adviser tailors the investment

objectives to the specific requests of the managed account (as documented in the investment advisory agreement). The managed account is subject to different terms and fees, as negotiated by the adviser and the managed account.

As of January 31, 2014, the adviser manages approximately \$513,800,000 on a discretionary basis.

## **Item 5. Fees and Compensation**

The adviser receives a monthly investment management fee as described below from investors in the funds, and Consonance Capital Advisors receives an allocation of profits. Please see Item 6 below for a discussion of the performance-based allocation to Consonance Capital Advisors.

### **Management Fees**

With respect to the funds, the management fee will be equal to 2.0% per annum of the entire capital account or series of shares of each Class A and H investor in the funds as of the beginning of the current month (computed prior to the allocation of the performance allocation). The adviser, or its affiliate, may negotiate different management fees at its discretion. If an investor withdraws from a fund or the investment management agreement is terminated before the end of the month, the adviser will refund a pro rata portion of the management fee.

For purposes of determining the management fee, all expenses and fees will be deemed to be incurred at the Consonance Capital Master level. Consonance Capital Master will establish sub-accounts ("Sub-Accounts") for each investor in the funds that permit Consonance Capital Master to properly determine the management fee for each investor. Since the adviser will receive the management fee at the master fund level, no additional fee will be paid at the fund level. The adviser may waive, reduce or rebate the management fee with respect to any investor, including affiliates of the adviser and Consonance Capital Advisors. Management fees are deducted from the funds' accounts.

Management fees for the managed account are payable quarterly in arrears. The management fee is individually negotiated between the adviser and the managed account.

The adviser will bear all of its own normal and recurring operating expenses incurred in connection with the investment management services that it will provide to the clients.

### **Expenses**

Each fund bears the legal, accounting and administrative expenses associated with the organization of the fund and the ongoing offering of the interests or shares of the fund. Each fund also bears all costs and expenses related to its investments and its operations, including, without limitation, brokerage and other transaction costs, clearing and settlement charges, trade break fees, consulting expenses, legal fees and other expenses in connection with conducting due diligence and negotiating the terms of certain investments, custodial fees, initial and varying margin interest and commitment fees on debit balances or borrowings, stock borrowing fees and proxy solicitation expenses, legal expenses, audit and tax preparation expenses, accounting fees, fees and expenses of an administrator, insurance expenses including costs of any liability

insurance obtained on behalf of the funds, indemnification expenses, the management fee, regulatory costs and expenses (including filing and license fees), any issue or transfer taxes chargeable in connection with any securities transactions, any entity level withholding taxes and fees, costs of litigation or investigation involving the fund activities, and any extraordinary expenses. The funds will also pay for trade errors unless these errors involve willful misconduct or gross negligence on the part of the adviser in the performance of its services.

Consonance Capital Onshore and Consonance Capital Offshore will also be responsible for their pro rata portion of Consonance Capital Master's costs and expenses, the nature of which expenses are expected to be similar to those of its feeder funds.

The managed account will bear its own investment and operating expenses, as detailed in the investment management agreement. To the extent applicable, the managed account will also bear its pro rata share of any expenses common to the managed account and the funds.

Neither the adviser nor its supervised persons accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products, including interests in the funds.

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

With respect to Consonance Capital Onshore and Consonance Capital Offshore, Consonance Capital Advisors is entitled to receive a performance allocation as described below.

Generally at the end of each fiscal year, Consonance Capital Advisors will have reallocated to its capital account a performance allocation from Series A investors in Consonance Capital Onshore and Consonance Capital Offshore equal to twenty percent (20%), and from Series H investors in Consonance Capital Onshore and Consonance Capital Offshore equal to between ten percent (10%) and twenty percent (20%), of the excess net capital appreciation attributable to an investor's capital account or increase in the net asset value of an investor's shares, as applicable, and the investors' corresponding Sub-Accounts. The performance allocation is made at Consonance Capital Master Level for Consonance Capital Offshore and at the feeder fund level for Consonance Capital Onshore. The performance fee is subject to a high water mark limitation.

Consonance Capital Advisors may reduce, waive, or rebate the performance allocation with respect to any investor, including affiliates of the adviser and/or Consonance Capital Advisors.

The adviser also receives a performance fee from the managed account, which is payable annually in arrears. The performance fee is individually negotiated between the adviser and the managed account.

The adviser faces a conflict of interest to the extent that it receives different levels of performance allocation from different clients. The adviser may have an incentive to favor a client for which it receives greater performance-based compensation. The adviser has policies and procedures to address this conflict of interest, including policies designed to ensure allocation of trades among client is fair and equitable. The performance allocation may also create an incentive to enter into more risky investments than it otherwise would. The adviser mitigates this conflict through the use of risk management techniques which are reasonably designed to reduce,

as possible, the risk of loss. Clients are provided with clear disclosure in applicable Fund Documents or Investment Management Agreements as to how the performance-based compensation is charged.

### **Item 7. Types of Clients**

The adviser provides investment advice to the funds, as described above in Item 4. The adviser may consider fund clients if they have sufficient assets to carry on their potential investment program.

The funds will offer interests only to certain qualified investors who meet qualification requirements under applicable securities laws and other laws. Admission to the funds is not open to the general public.

The funds may also set minimum requirements and minimum investment amounts for investors. The minimum initial investment with respect to the funds is \$1,000,000. The funds may accept contributions of a lesser amount.

The adviser also provides investment advice to the managed account. It should be noted that the managed account relationship is individually negotiated and subject to a significant account minimum.

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

#### **Investment Objective**

With respect to each of the funds, the investment objective is to seek to deliver exceptional, uncorrelated risk adjusted returns. The adviser seeks to meet this objective by focusing on investment opportunities in the publicly traded stocks of healthcare companies. There is no guarantee that our investment objective will be achieved and investment results may vary substantially.

The principal objective of the managed account is capital appreciation. The adviser seeks to meet this strategy by investing in publicly traded microcap and small cap healthcare equities.

#### **Investment Strategy**

The adviser seeks to meet the investment objective of the funds by investing substantially in the common stock of publicly-traded healthcare companies, and by investing broadly across all subsectors in this broader category, including healthcare information technology, managed care, pharmaceuticals, specialty pharmaceuticals, commercial stage biotechnology, healthcare facilities and services, medical devices and supplies, diagnostics and consumer-based healthcare companies. The adviser believes that understanding and evaluating healthcare companies requires special domain knowledge and expertise. The adviser believes the healthcare sector possesses unique qualities, including rapid innovation, significant regulation, and clinical and commercial complexity that lead to misunderstandings and dislocations of value that can be profited from. The adviser uses its substantial medical, scientific and investment expertise to identify these opportunities and exploit value disparities on both the long and short side of the market. In addition, an active risk management approach, a low amount of margin leverage, a private-equity style due diligence process that manifests itself in a concentrated long portfolio

and deep proprietary network of physicians, clinicians, scientists, industry executives, and healthcare administrators and policy experts contribute significantly to the adviser's value proposition, and the adviser believes provides the opportunity for superior risk-adjusted returns.

The adviser anticipates it will invest primarily in healthcare companies in the U.S., and on an opportunistic basis in the rest of the world. Generally, it is anticipated that the portfolio of the funds will be comprised of a predetermined range of long and short positions. The adviser will attempt to generate absolute returns commensurate with the potentially higher volatility, but will not sacrifice absolute returns for the sole purpose of reducing volatility.

The managed account shall invest primarily in (i) publicly-traded equities (ii) with a market capitalization of less than \$500 million at the time of initial investment (iii) in the healthcare sector (with a particular emphasis in therapeutics), including pre-commercial stage companies.

### **Methods of Analysis**

The adviser applies over 25 years of healthcare investing experience to a fundamental, private equity-styled process of sourcing, due diligence, and investing in publicly traded equities and other securities. The adviser seeks to identify and analyze companies trading below their intrinsic value, which may include deep value as well as growth companies.

The adviser's target universe for the funds includes over 300 healthcare companies with market capitalizations generally ranging from \$250 million to over \$5 billion. The managed account will generally invest in healthcare issuers with market capitalizations below \$500 million.

Once an idea merits a level of discussion, a preliminary assessment is made, including business description, consensus valuation, initial investment thesis, view of core value-creation driver, and biographies of senior management and the board of directors. On the basis of this initial assessment the adviser determines if the idea is worth pursuing in more depth, and if so, a path of due diligence is mapped out including a pooled effort to identify appropriate points of contact, including physicians and other industry executives. The due diligence process includes analysis of proprietary valuation models, overall market opportunity and growth attributes for the company's key products, the company's financial position, the abilities of senior management of the company, competition, and the regulatory and reimbursement environment. The adviser considers the forecasted return opportunity, strength of proprietary insight/thesis, unique touch points of due diligence, and the ability to engage with senior management to be the key elements in the investment process.

The process continues towards developing further perspective and analysis, and each position is tracked closely to ensure the adviser's core investment thesis remains intact and that the asymmetric risk-return opportunities the adviser seeks remain favorable. While the adviser tracks and monitors the portfolio's sub sector exposures, the adviser believes the idiosyncratic qualities of each position to be of more importance. The funds will use short positions to generate alpha and potentially absolute return, and these positions may indirectly serve as a portfolio hedge. The adviser will maintain risk management processes, including adherence to price targets, monitoring portfolio concentration and liquidity, and other methods that are deemed appropriate.



## Market and Investment Risks

Prospective investors should be aware that an investment in the funds entails risks of significant losses arising from a variety of factors, including the following:

*Healthcare Industry Risks.* The fund will focus its investments in the publicly traded securities of healthcare companies. Healthcare related stocks, especially those of smaller, research-oriented companies, tend to be more volatile than the overall market.

In addition, the healthcare industry may be subject to extensive government regulation and may therefore be affected by government regulatory requirements, regulatory approval for new drugs and medical products, patent protection considerations, product liability concerns, reimbursement risk and similar significant matters. As these factors impact the industry, the value of the funds' investments may fluctuate significantly over relatively short periods of time.

*High Growth Industry Related Risks.* Healthcare is one of the largest and fastest-growing sectors of the U.S. economy. Certain of the healthcare companies in which the funds may invest allocate, or may have allocated, greater than usual amounts to research and product development. The securities of healthcare companies may experience above-average price movements associated with the perceived prospects of success or failure of the research and development programs. In addition, healthcare companies in which the funds invest could be adversely affected by a lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these healthcare companies may have limited operating histories, limited financial resources and may lack experienced management. As a result, they may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

The markets in which many healthcare companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that healthcare companies in which the funds invest will successfully penetrate their markets or establish or maintain competitive advantages.

*Portfolio Liquidity.* Although the adviser has previously made two investments in assets in securities for which there is no public market and for which valuations may be difficult, the adviser does not intend to make such investments on behalf of the funds in the future.

*Equity Securities of Small-Cap Companies.* Many healthcare companies may have relatively small market capitalizations and trading volumes may be low. Liquidity issues, together with adverse developments, either industry or healthcare company specific, may significantly impact share prices. In addition, many small and medium size companies are not well known to the investing public, do not have significant institutional ownership and are followed by relatively few analysts, and thus there may tend to be less publicly available information concerning these companies compared to what is available for companies that have larger market capitalizations.

Finally, some securities traded in the over-the-counter (“OTC”) market may have fewer market makers and wider spreads between their quoted bid and asked prices.

*Diversification.* The funds focus their investments in the publicly-traded securities in the healthcare industry. An investment in the funds does not constitute a diversified investment program. The funds may hold a few relatively large investments in relation to their capital. Consequently, a loss in any single investment could result in a proportionately higher reduction in the funds' capital than if the funds' capital had been spread among a wider number of investments.

*Non-U.S. Currencies and Investments.* Investing in non-U.S. issuers involves certain considerations comprising both risks and opportunities not typically associated with investing in U.S. issuers. These considerations include changes in exchange control regulations, political and social instability, expropriation, imposition of non-U.S. taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, less developed bankruptcy laws, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

Although most of the funds' investments will be U.S. dollar denominated, investments that are denominated in a non-U.S. currency are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. The adviser intends, but is under no obligation, to employ hedging techniques to minimize these risks, but there can be no assurance that these hedging strategies will be effective.

*Leverage.* The funds may leverage their capital when the adviser believes that the use of leverage may enable the funds to capitalize on opportunities to achieve a higher rate of return as well as to satisfy withdrawals which would otherwise result in the premature liquidation of investments. While borrowing will increase the investment opportunities available to the fund, it will also increase the risk of loss on leveraged investments.

*Political, Economic and Other Conditions.* The funds' investments may be adversely affected by changes in economic conditions or political events that are beyond its control. For example, a stock market break, continued threats of terrorism, the outbreak of hostilities involving the United States, or the death of a major political figure may have significant adverse effects on the funds' investment results.

*Interest Rate Fluctuations.* The prices of securities tend to be sensitive to interest rate fluctuations and unexpected fluctuations in interest rates could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. In addition, interest rate increases generally will increase the interest carrying costs to the funds of borrowed securities and leveraged investments. To the extent that interest rate assumptions underlie the hedge ratios implemented in hedging a particular position, fluctuations in interest rates could invalidate those underlying assumptions and expose the funds to losses.

*Equity Securities Generally.* The adviser will invest in equity securities. Market prices of equity securities generally are subject to greater volatility than prices of fixed-income securities.

Market prices of equity securities as a group have dropped dramatically in a short period of time on several occasions in the past, and they may do so again in the future.

*Short Selling.* The adviser will engage in selling securities short. Selling securities short inherently involves leverage because the short sale of a security may involve the sale of a security not owned by the seller. The seller may borrow the security for delivery at the time of the short sale. If the seller borrows the security, the seller must then buy the security at a later date in order to replace the shares borrowed. If the price of the security at the later date is lower than that at the date of the short sale, the seller realizes a profit; if the price of the security has risen, however, the seller realizes a loss. Selling a security short which is borrowed exposes the seller to unlimited risk with respect to the security due to the lack of an upper limit on the price to which a security can rise.

*Trading Is Speculative.* The adviser may engage in futures trading. A principal risk in trading futures is the traditional volatility and rapid fluctuation in the market prices. The profitability of futures trading will depend primarily on the prediction of fluctuations in market prices. Price movements for futures are influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; weather and climate conditions; changing supply and demand relationships; national and international political and economic events; changes in interest rates; and the psychological emotions of the market place. In addition, governments from time to time intervene, directly and by regulation, in certain markets, often with the intent to influence prices directly. The effects of governmental intervention may be particularly significant at certain times in the financial instrument and currency markets and may cause these markets to move rapidly.

*Futures Trading Is Highly Leveraged.* The low margin deposits normally required in futures trading permit an extremely high degree of leverage. Accordingly, a relatively small price movement in a futures contract may result in immediate and substantial loss or gain to the investors. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a 10% decrease in the price of the futures contract would, if the contract were then closed out, result in a total loss of the margin deposit before any deduction for brokerage commissions. Thus, like other leveraged investments, any futures trade may result in losses in excess of the amount invested. Any increase in the amount of leverage applied in trading will increase the risk of loss by the amount of additional leverage applied.

*Institutional Risks.* Brokers, dealers and other financial institutions will have custody of the assets of the funds. These firms may encounter financial difficulties that impair the operating capabilities or the capital position of the funds.

*Bankruptcy of Broker-Dealers.* Any cash and securities maintained by the funds in accounts with U.S. broker-dealers registered with the SEC and FINRA are protected to a limited degree by the U.S. Securities Investor Protection Corporation. In the event of the bankruptcy of a broker-dealer, if sufficient funds are not available in the broker-dealer's customer accounts to satisfy claims, the reserve funds of the SIPC will be used to supplement the distribution, up to a ceiling of \$500,000 per customer, including a maximum of \$100,000 for cash claims. Therefore, the funds could be at risk of loss for any amounts in excess of the SIPC limit to the extent that the broker-dealer does not maintain insurance sufficient to cover any amounts owed. Assets held

outside the U.S. may be subject to different and/or diminished protection in the event of a counterparty failure located in a non-U.S. jurisdiction.

*Counterparty Risk.* The funds will be subject to the risk of the inability of counterparties to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes, which could subject the funds to substantial losses.

*Government Intervention; Dodd Frank Wall Street Reform and Consumer Protection Act.* The global financial markets have in the past few years gone through pervasive and fundamental disruptions that have led to extensive and unprecedented governmental intervention. Governmental intervention has in certain cases been implemented on an “emergency” basis, and may have suddenly and substantially eliminated some market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. The regulations relating to the Wall Street Reform and Consumer Protection Act are still being developed and may negatively impact the funds or their ability to profit on certain opportunities.

### **Item 9. Disciplinary Information**

Neither the adviser nor any of its management persons have had any legal or disciplinary events that would be material to an investor’s evaluation of the adviser or the integrity of the adviser’s management.

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

The adviser serves as investment adviser to the clients. Affiliates of the adviser invest directly in the funds and employees of the Adviser or its affiliates may also invest directly in the funds.

The adviser is affiliated with Consonance Capital Partners, LLC, an investment adviser registered with the Securities and Exchange Commission. Consonance Capital Partners, LLC advises healthcare focused private equity funds. Mitchell J. Blutt, a Principal of the adviser, is the Managing Member of various GP entities associated with Consonance Capital Partners, LLC and related investment fund entities. Certain executive officers of Consonance Capital Partners, LLC also serve as executive officers of the adviser. Accordingly, conflicts may arise in the allocation of time, services and function between the adviser and Consonance Capital Partners, LLC. The adviser believes that it and its clients investment focus—public securities with some private placement securities—is sufficiently distinct from that of its related persons advised by Consonance Capital Partners LLC—private equity investing—that the adviser does not anticipate investing in the same security.

The adviser, Consonance Capital Advisors and each of their members, principals, managers, affiliates and employees (the “Consonance Affiliates”) may engage in other activities, including providing investment management and advisory services to other funds and accounts, and shall not be required to refrain from any activity, to disgorge profits from these activities or to devote all or any particular amount of time or effort of any of their officers, directors or employees to the funds, or its affairs. These other funds or accounts may pursue a substantially similar investment strategy as that of the fund. These activities could be viewed as creating a conflict of interest in that the time and effort of the Consonance Affiliates will not be devoted exclusively to

the business of the funds, but will be allocated between the business of the funds and other business activities of Consonance Affiliates. The Adviser reviews all such business activities for conflicts of interest. The Adviser also requires that all employees receive prior approval from the Chief Compliance Officer before engaging in a business activity outside of their employment with the Adviser.

Also, Consonance Capital Advisors, which acts as the general partner of the Consonance Capital Onshore and Consonance Capital Master, is a related person of the adviser and is eligible to receive performance-based compensation. The adviser attempts to mitigate this conflict by disclosing the fees to investors in the funds prior to their investment.

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

The adviser's Code of Ethics (the "Code") is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Code applies to the adviser's "Access Persons." Access Persons include, generally, any partner, officer or director of the adviser and any employee or other supervised person of the adviser (or an affiliate) who, in relation to the funds, (1) has access to non-public information regarding any purchase or sale of securities, or non-public information regarding securities holdings or (2) is involved in making securities recommendations, executing securities recommendations, or has access to such recommendations that are non-public. All employees and employees of certain affiliates of the adviser are deemed to be Access Persons.

The Code sets forth a standard of business conduct that takes into account the adviser's status as a fiduciary and requires Access Persons to place the interests of the clients and fund investors above their own interests and the interests of the adviser and its affiliates. The Code requires Access Persons to comply with applicable federal securities laws. Further, Access Persons are required to promptly bring violations of the Code to the attention of the Adviser's Chief Compliance Officer (the "Chief Compliance Officer"). All Access Persons are provided with a copy of the Code and are required to acknowledge receipt of the Code upon hire and on at least an annual basis thereafter.

The Code also sets forth certain reporting and pre-clearance requirements with respect to personal trading by Access Persons. Access Persons must provide the adviser's Chief Compliance Officer with a list of their personal accounts and an initial holdings report within 10 days of becoming an Access Person. In addition, the Adviser's Access Persons must provide annual holdings reports and quarterly transaction reports in accordance with Advisers Act Rule 204A-1.

In addition, the Code seeks to ensure the protection of non-public information about the activities of the funds. Investors or prospective Investors may obtain a copy of the Code by contacting the Chief Compliance Officer at [wfowler@consonancecapital.com](mailto:wfowler@consonancecapital.com).

### **Personal Trading Policy**

Except as expressly permitted by the adviser in writing, and except for any investments in place at the time of becoming an employee of the adviser, employees are prohibited from trading in healthcare securities, as defined in the policy, and from acquiring securities in initial public offerings. Investments in private placements on behalf of their personal accounts requires pre-clearance.

## **Conflicts**

As explained in Item 10 above, the adviser serves as investment adviser to the funds and the managed account. The adviser recommends interests in the funds to prospective Investors.

The adviser, its affiliates and certain Access Persons invest in the funds.

The fact that the adviser, its affiliates and Access Persons may each have a financial ownership interests in the funds creates a potential conflict in that it could cause the adviser and its affiliates to make different investment decisions than if such parties did not have such financial ownership interests. Such potential conflicts are addressed by the policies established in the Code of Ethics and Personal Trading Policies described above.

The adviser addresses these potential conflicts through regular monitoring of the clients' portfolios and investments for consistency with the clients' objectives, strategies, and target capacities. Further, the adviser and its affiliates carefully consider the risks involved in any investments and provide extensive disclosure to clients regarding the potential risks that come with an investment in the clients. The Code requires Access Persons to place the interests of the clients and fund investors over their own or those of the adviser, its affiliates and Access Persons. All Access Persons are required to acknowledge their receipt and understanding of the Code.

Further, the adviser (or its affiliate) receives management and performance-based compensation. The management fees are payable without regard to the overall success or income earned by the clients and, therefore, may create an incentive on the part of the adviser to raise or otherwise increase assets under management to a higher level than would be the case if the adviser was receiving a lower or no management fee. Performance-based fees may create an incentive for the adviser to make investments that are riskier or more speculative than in the absence of such performance-based fee.

## **Item 12. Brokerage Practices**

The adviser is responsible for selecting broker-dealers to execute trades and negotiating any commissions paid on transactions. The adviser has an obligation to seek best execution for its clients based on the circumstances of each transaction it places. In selecting a broker for each specific client portfolio transaction, traders will use their best judgment to choose the broker most capable of providing "best execution". Brokers are selected on the basis of an evaluation by the adviser of the overall value and quality of the brokerage services provided by the firms to clients. As a general definition, "best execution" is the execution of client trades at the best net results (i.e., price) under the circumstances. Best execution requires the placement of trades in a manner that is intended to maximize the value of the client's investment objectives. When a trader places a discretionary order for a client account, many factors must be considered. In

seeking the best price and execution quality, traders must consider not only the commission rate, spread or other compensation paid, but the price at which the transaction is executed, bearing in mind that it may be in the client's best interest to pay a higher commission, spread or other compensation in order to receive better execution.

A portion of the commissions associated with the clients' brokerage transactions may generate "soft dollar" credits. The adviser will be authorized to enter into agreements whereby "soft dollar" credits are used to pay for eligible research and other brokerage services and products used by the adviser consistent with the "safe harbor" provisions of Section 28(e) of the Securities Exchange Act of 1934, as amended. The operating expenses and overhead costs of the adviser will not be paid for through the use of "soft dollars." The adviser will use soft-dollar credits only to pay for research products and services, including Bloomberg and healthcare industry due diligence consultants. Where a research product or service obtained with soft dollars provides both research and non-research assistance, the adviser will make a reasonable allocation of the cost that may be paid for with soft dollars. These soft dollar credits may, however, incentivize the adviser to choose brokers that provide the research, as it may offset costs that the adviser would otherwise have to pay. The adviser attempts to mitigate this conflict by choosing brokers that otherwise satisfy the best execution factors. The clients do not "pay up" so that the adviser may receive these benefits.

### **Item 13. Review of Accounts**

The clients' portfolios and investments are under continuous review by the adviser's investment team to ensure that each client's core investment thesis remains intact and that the asymmetric risk-return opportunities the adviser seeks remain favorable. While the adviser tracks and monitors each fund portfolio's sub sector exposures, the adviser believes the idiosyncratic qualities of each position to be of more importance. The funds will use short positions to generate alpha and potentially absolute return, and these positions may indirectly serve as a portfolio hedge. The managed account will generally utilize exchange-traded funds to serve as a portfolio hedge. The adviser will maintain risk management processes, including adherence to price targets, monitoring portfolio concentration and liquidity, and other methods that are deemed appropriate.

After the end of each fiscal year (generally within 120 days or as soon thereafter as is reasonably practicable) the funds will prepare and deliver to each investor their Schedule K-1, or equivalent report, and the funds' audited financial statements prepared in accordance with United States generally accepted accounting principles (except to the extent that the General Partner determines that certain matters shall not be prepared in accordance with generally accepted accounting principles). If the General Partner is unable to deliver Schedule K-1 by April 15, the General Partner will provide investors with estimates of the taxable income or loss allocated to their investments in the funds. In addition, the funds will send to each investor at least quarterly an unaudited statement setting forth the fund's performance for the quarter and year-to-date. Unless otherwise restricted by law, all reports, financial statements, and other information may be delivered to investors electronically.

The managed account will receive daily trade files from the adviser that reflect trades executed for such day.

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

The adviser has previously engaged a third party solicitor to refer prospective investors to the funds. All such referral activities were conducted in a manner that is consistent with Advisers Act Rule 206(4)-3 and relevant SEC guidance. In general, the adviser may pay the third party solicitor a commission which is based on the amount of investor capital they introduced to the funds, which may include a share of performance allocation. Payments to the third party solicitor are paid by the adviser, not the funds.

The adviser does not receive any economic benefit from a person who is not a client for providing investment advice or other advisory services to the adviser's clients. The adviser does not directly or indirectly compensate any person who is not a supervised person for client referrals.

#### **Item 15. Custody**

The adviser is deemed to have custody of the funds' assets pursuant to Advisers Act Rule 206(4)-2. To ensure compliance with Rule 206(4)-2 under the Advisers Act, the adviser provides audited financial statements to Investors within 120 days after the end of the relevant funds' fiscal year (i.e., generally before April 30). Unaudited quarterly performance reports will also be provided to each investor in the funds.

The adviser maintains custodial, clearing, settlement and related services on behalf of its clients through what is known as a "prime brokerage" arrangement. Under that arrangement, a single brokerage firm (the "Prime Broker") maintains custody of each client's assets (either directly or through its clearing brokerage firm). The Prime Broker is a "qualified custodian" and maintains custody of each client's funds and securities in a separate account for that client.

The adviser does not have custody of the assets of the managed account.

#### **Item 16. Investment Discretion**

The adviser has broad discretion, without limitation, to use any trading or investment techniques, whether or not contemplated by the strategies described above, in order to attempt to achieve the return goals and the best interests of the funds.

The Investment Management Agreements entered into between each fund and the adviser provide that the adviser has complete discretion regarding the investment of the funds' assets, subject to the investment objectives, policies, and parameters set forth in the funds' offering documents.

The adviser has discretionary authority to trade on behalf of the managed account. Any limitations on the adviser's discretionary authority are contained in the Investment Management Agreement between the adviser and the managed account.



### **Item 17. Voting Client Securities**

The adviser has adopted a proxy voting policy to ensure that proxies it votes, on behalf of each client, are voted to further the best interest of that client. The adviser determines how to vote after studying the proxy materials and any other materials that may be necessary or beneficial to voting. The adviser votes in a manner that attempts to further the best interests of the client and is consistent with its investment philosophy.

The adviser will generally vote in favor of matters which follow an agreeable corporate strategic direction, support an ownership structure that enhances shareholder value without diluting management's accountability to shareholders and/or present compensation plans that are commensurate with enhanced manager performance and market practices. If a proxy vote creates a material conflict between the interests of the adviser and a client, the adviser will resolve the conflict before voting the proxies. The adviser maintains records of (a) all proxy statements and materials we receive on behalf of clients, (b) all proxy votes that are made on behalf of the clients, (c) all written requests from clients or fund investors regarding voting history, and (d) all responses (written and oral) to clients' or fund investors' requests. These records are available to the clients or fund investors (including owners of an investor that is an investment vehicle) upon request.

### **Item 18. Financial Information**

The adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. The adviser has not been the subject of a bankruptcy petition.