



# Oracle Investment Management, Inc.

## Form ADV Part 2A Brochure

March 2019

**Oracle Investment Management, Inc.** is an investment adviser registered with the Securities and Exchange Commission ("SEC"). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

This brochure provides information about the qualifications and business practices of Oracle Investment Management, Inc. ("**Oracle**," "**we**," "**us**" or our "**Firm**"). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

If you have any questions about the contents of this Brochure, please contact Oracle's Chief Compliance Officer:

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Additional information about Oracle Investment Management, Inc. is also available at [www.oraclepartners.com](http://www.oraclepartners.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The firm's CRD number is 138127.

**Oracle Investment Management, Inc.**

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## Item 2 Material Changes

This page discusses only material changes that were made to the Brochure of the firm and provides Clients with a summary of such changes. **This Brochure contains the following material changes since our last Brochure update, distributed in March 2018:**

**Change of Address:** In June of 2018, Oracle moved its core place of business operations from 200 Greenwich Ave, Greenwich, CT to 262 Harbor Dr, Stamford, CT. All phone numbers and basic contact information remain the same.

**Section 4 | Advisory Business:** Updated regulatory assets under management for year-end 2018.

**Section 8 | Methods of Analysis, Investment Strategy & Risk of Loss:** Added risk factor sections for: Key Man, Industry Relationships, Valuation, and Securities on Margin.

**Section 12 | Brokerage Practices/Soft Dollar:** Provided additional information on our Soft Dollars use, including expenses that fall both within and outside of Section 28(e) of the Securities Act of 1934, as amended.

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## Item 4 Advisory Business

**Oracle Investment Management, Inc.** ("**Oracle**," "**OIM**," the "**Firm**," "**we**," "**our**," or "**us**") is a Delaware corporation, formed in July 1993 and registered as an investment advisor in 2012.

Since inception, Oracle has maintained a niche focus on investment opportunities across the broad Healthcare Sector. The firm is currently based in Stamford, CT and remains wholly owned and controlled by its founder, Larry Feinberg.

Oracle provides discretionary investment advisory services to:

- Oracle Partners L.P. ("**OP**")
- Oracle Institutional Partners, L.P. ("**OIP**")
- Oracle Ten Fund, L.P. ("**TEN**")

OP, OIP, and TEN are all Delaware limited partnerships and collectively referred to as the "**Funds**," and together with other funds or accounts managed by Oracle from time to time, if any, the "**Clients**."

Oracle Associates, LLC (the "**General Partner**"), a Delaware limited liability company, serves as the General Partner of the Funds.

Oracle intends to manage the Funds only in accordance with their own characteristics and not tailor to any particular investor in a Fund (each an "**Investor**").

As of December 31, 2018, the Firm managed approximately US \$493,724,364 of regulatory assets under management in the Funds, all of which are managed on a discretionary basis.

## Item 5 Fees and Compensation

As investment adviser to the Funds, Oracle receives a management fee in accordance with each Fund's confidential private offering memorandum, which is generally based on assets under management. Below is a summary of the fee structure for each of the funds currently managed by Oracle:

- **OP & OIP:** Oracle receives an annual management fee of up to 1.5% - 2% of the value of the net assets of the Funds, as of the first business day of each fiscal quarter. The management fee is payable in advance, as of the first day of each fiscal quarter. Management fees, with respect to contributions made on a day other than the first day of a fiscal quarter, will be pro-rated. Management fees, with respect to redemptions made on a day other than the last day of a fiscal quarter, will be returned for payment or credited to the redeeming Investor.
- **TEN:** Oracle receives a management fee at an annual rate of up to 1.5% - 2% of the month-end capital account balance of each Limited Partner. This fee, payable quarterly in arrears, is charged to each Limited Partner's Capital balance, as of the first day of the following month.

The Funds pay these fees by debiting the accounts of investors in each given Fund, as applicable. Investors do not have the option to be billed directly for the fees incurred. Management fees are generally not negotiable; however, Oracle maintains the right to waive or modify the management fees for investors of the Fund that are the Principals, members, employees or affiliates of Oracle (or General Partner, as applicable), members of the

immediate families of such persons, and for certain large or strategic investors.

The Funds pay for organizational and initial offering expenses as well as ongoing operating expenses, including but not limited to accounting, auditing, bank fees, tax preparation, legal, administration, research, and trading costs. The Funds also incur brokerage and other transaction costs. For further detail, including Soft Dollar use, within and outside of Section 28E of the Securities Act of 1934, please refer to the Soft Dollar detail in [Item 12 Brokerage Practices \(pg 10-15\)](#) of this Brochure.

Expenses incurred for the benefit of one or more Clients are generally allocated pro-rata in proportion to the relative net asset value of each of such Clients or any other manner Oracle determines to be fair and reasonable in light of the circumstances, taking account of what is practicable.

Oracle and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

## Item 6 Performance-Based Fees & Side-By-Side Management

In addition to the management fee, at the end of each fiscal year, the General Partner receives an incentive allocation equal to 20% of net profits, subject to a loss carry-forward, or “high water mark.” Net profits include net realized and unrealized profits and losses. Net profits are calculated net of management fees, but before the performance fee allocation. Fees and allocations are covered in further detail in each Fund’s confidential private offering memorandum.

The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the “**Advisers Act**”).

Performance-based fee arrangements may create an incentive for Oracle to recommend investments which may be riskier or more speculative than recommendations made under a different fee structure. Such fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. Oracle has procedures designed and implemented to ensure that all Funds are treated fairly and equally, and to prevent this conflict of interest from influencing the allocation of investment opportunities among Funds.

No other hourly, flat or asset-based fees are charged to the Funds.

## Item 7 Types of Clients

**The Firm’s Clients are the Funds.** Investors in the Funds consist primarily of institutional investors, high net worth individuals, and family offices.

The minimum initial investment for each Fund is as follows:

- Oracle Partners, L.P. US \$ 2 million
- Oracle Institutional Partners, L.P. US \$ 1 million
- Oracle Ten Fund, L.P. US \$ 1 million

## Item 8 Methods of Analysis, Investment Strategy & Risk of Loss

### Healthcare Industry Focus

An aging baby boom population coupled with advances in medical technology, disruptive scientific innovation, and higher Medicare/Medicaid costs are driving increased spending across the healthcare industry at large. Healthcare as a percentage of GDP is forecast to maintain an upward trend for the next decade, according to the U.S. Centers for Medicare and Medicaid Services (CMS)<sup>1</sup>. These forces provide opportunities for both long and short investing, based on Oracle's fundamental security selection process.

### Methods of Analysis & Investment Strategy

Our investment strategy is based primarily on a top-down approach of understanding how the healthcare industry is evolving, followed by a bottom-up analysis of which companies we believe will out-perform or under-perform over time. We start by identifying broad themes or disruptions within the global healthcare landscape. We then identify which industry sub-sectors will be most impacted by change. Next, we determine which companies within the sub-sectors we believe will win or lose based on those changes. The process has been followed since our inception. Our greatest strength is the investment team's experience in the industry and the ability to identify investment opportunities across sub-sectors of the healthcare industry.

**Investment ideas are employed across three portfolios:** Oracle Partners, L.P. ("OP") and Oracle Institutional Partners, L.P. ("OIP") have an aggressive investment profile seeking maximum capital appreciation. Oracle Ten Fund L.P. ("TEN") has an even more aggressive investment profile and seeks maximum capital appreciation by investing in a more focused list of the Fund manager's top research ideas.

As a sector specific fund, we generally do not produce broad diversification within the portfolios. Capital is allocated across market capitalizations with a current concentration on small- to mid-cap companies with varying degrees of liquidity. When evaluating early-stage scientific risk, we generally seek investment opportunities in later stages of clinical development or commercial stage assets. Final decisions are made by the portfolio manager and reviewed continuously.

Investment criteria considered for new positions include:

- Market conditions
- Urgency of establishing a position
- Whether the Fund has an existing investment in the issuer
- Scarcity of asset (M&A potential)
- New/emerging standards of care
- Industry and business segment inflection points
- Barrier to competitive entry (IP or patent protection)
- Small- to mid-cap companies with the potential to displace market leader
- Market inefficiency in valuing assets

We may modify the investment objectives and strategies of our Funds at any time. Our right to modify strategies, with respect to the Funds, depends upon the terms of the agreements governing such accounts and vehicles.

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<sup>1</sup> <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/NHE-Presentation-Slides.pdf>

While Oracle's investment strategy focuses on investments in the healthcare and related industries, the Firm also engages in short-term and long-term trading in securities and other instruments of issuers outside of such industries, as permitted under the Funds' limited partnership agreements and/or Clients' investment advisory agreements. Such transactions are not limited to hedging activities but also represent opportunities which Oracle believes are attractive. Throughout the year, our portfolio holdings include ETFs and derivative instruments to refine our risk profile in response to market conditions. Oracle has broad discretion in selecting the type and the amount of securities or instruments which it trades on behalf of Clients, and in determining the length of time for which such securities or instruments are held. Other securities recommended to Clients include, without limitation, U.S. and non-U.S. equity-related securities, including ETFs, other fixed-income securities not described above, warrants, options, swaps, and other derivative instruments, U.S. government securities, commercial paper, certificates of deposit and other cash equivalents. These investments may be made on exchanges and over-the-counter.

## Risk of Loss

Investing in securities involves risk of loss that Investors should be prepared to bear. We cannot guarantee our analysis methods will yield a return. The investment decisions we make will not always be profitable nor can we guarantee any level of performance. Investors should consider the following risk factors before investing in one of the Funds. The following list does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors are urged to consult their professional advisers and review the legal documents for each fund before deciding to invest.

### Risk Factor: Market Conditions

The profitability of a significant portion of the Funds' investment program depends, to a great extent, upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Firm will be able to accurately predict these price movements. With respect to the investment strategy utilized by the Funds, there is a significant degree of market risk.

### Risk Factor: Healthcare Industry

Because the Funds focus their investments primarily in the healthcare industry, the value of the interests in the Funds is particularly susceptible to factors affecting this industry. The healthcare industry is subject to substantial government regulation and approvals; accordingly, changes in government policies or regulations or the failure to receive FDA approval often have a material effect on the demand for products and services offered by healthcare companies and therefore affect the performance of the Funds.

Furthermore, FDA approval of a given product is subject to withdrawal if subsequent problems with the product's use are discovered. Even large healthcare companies may be highly dependent on the revenue and profits from a single product. In addition, the products and services offered by such companies may be subject to rapid obsolescence caused by technological and scientific advances or may not meet the expectations of intended use.

Reimbursement for approved products also fluctuates over time, which can have a large impact on the total addressable market. Technology disruption is also a risk, given rapid innovation cycles in the sectors where we invest. This competition can arise from non-healthcare sources (traditional tech), and private companies.

### Risk Factor: Product Liability Exposure

Healthcare companies are especially susceptible to product liability lawsuits because their products and services affect the health and well-being of many individuals. Certain companies in which the Funds will invest will be exposed to potential product liability risks that are inherent in the testing, manufacturing,

marketing and sale of human therapeutic and diagnostic products. As a result of product liability claims, companies in which the Funds invest may be required to pay substantial sums, including punitive damages. There can be no assurance that product liability claims would not have a material adverse effect on the business, financial condition or securities price of the companies in which the Funds invest. The share price of a healthcare company can drop dramatically not only as a reaction to an adverse judicial ruling but also from the adverse publicity accompanying threatened litigation.

### **Risk Factor: Diversification**

Since a large portion of the Funds' portfolio is concentrated in the healthcare industry and the portfolio is not required to be widely diversified, the investment portfolio of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among companies or industry groups. The Firm will not invest more than 10% of the net assets of the Funds (computed at the time the investment is made) in the securities of any one company. However, the position size in a given security may grow beyond 10% exposure over time and in-line with our investment thesis conviction, which can further impact overall diversification and performance volatility. Though each Fund's investment strategy is outlined in its Offering Documents, at times the Funds' holdings may significantly overlap due to the Firm's focused research efforts.

### **Risk Factor: Illiquidity**

In as much as there are substantial restrictions on withdrawals, particularly since (i) investments held in special capital accounts and private investments allocated by the Firm to basic capital accounts, in the discretion of the Firm, are subject in the hands of the Funds to long-term or indefinite legal or contractual restrictions on disposition and (ii) limited partnership interests are not tradeable, an investment in the Funds is a relatively illiquid investment. Considering the preceding, investment in the Funds should be contemplated only by persons financially able to maintain their investment for a substantial period of time and who can afford a loss of a substantial part of their investment.

### **Risk Factor: Key Man**

Dependence on Key Manager. Client portfolios are dependent on the continued service and active trading efforts of Oracle's key managers and employees, including Mr. Larry Feinberg. If the services of Mr. Feinberg or any other key manager were to discontinue or lapse for any reason, client portfolios in all likelihood would be adversely affected.

### **Risk Factor: Industry Relationships**

Due to Oracle's 20+ year longevity in tracking and investing in the healthcare sector, the firm's portfolio manager and research analysts have developed long-standing relationships with industry peers and related business associates, including individuals that may hold senior positions in public companies, medical development or research centers, government posts, other healthcare related investment vehicles, etc. If Oracle receives material non-public information from any source, the firm must restrict trading in the security until the information is made public. Such a circumstance poses a financial risk (both upside and downside) to any of our managed funds if Oracle is unable to execute trades on behalf of its Clients until the restriction is lifted.

### **Risk Factor: Incentive Allocation**

The allocation of 20% of the Funds' net profits to the Firm as described in [Item 6 Performance-Based Fees & Side-By-Side Management \(pg 4\)](#) above may create an incentive for the Firm to cause the Funds to make investments that are riskier or more speculative than would be the case if this special allocation were not made. Since a portion of the performance allocation is calculated on a basis which includes unrealized appreciation of the Funds' assets, such allocation may be greater than if it were based solely



on realized gains, and a performance allocation could be made with respect to unrealized gains which may never be realized.

### **Risk Factor: Illiquid Private Investments**

The Funds may invest in unregistered securities of publicly held companies and privately held companies. Such investments, which will generally be held in special capital accounts, will be illiquid and difficult to value. Such investments may require a significant amount of time from the date of initial investment before disposition. Sales of securities held in special capital accounts may not be possible and, if possible, may be made at substantial discounts from cost. Some portfolio companies may need 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. The Firm may restrict withdrawals in order to fund such capital calls and fees and expenses of the Funds related to illiquid investments in which the withdrawing investor is a participant. In addition, upon the realization of such an illiquid investment, the proceeds of the realization will be retained in the special capital accounts and will not be transferred to basic capital accounts until the calculation of the month-end net asset value of the Funds. If such realization occurs at the beginning of a fiscal period, the proceeds of the realization may be retained in the special capital accounts and may remain un-invested for up to approximately 30 days before being transferred to basic capital accounts.

### **Risk Factor: Valuation**

It is expected that third party pricing information will not be available regarding certain investments in the Funds. Inaccurate valuations can impact, among other things, the amount of capital received by a redeeming investor and the amount of compensation received by Oracle. In terms of valuing securities in any portfolio, Oracle will do so in accordance with relevant disclosures and the valuation criteria established in each Fund's legal documents and Private Placement Memorandum. Oracle may from time-to-time seek an independent valuation assessment as it reasonably determines the usefulness of such service.

### **Risk Factor: Securities on Margin**

The Funds may borrow money to purchase securities. Such borrowing provides the advantages of leverage but exposes the Partnership to capital risk and higher current expenses. Any gain in the value of securities purchased with borrowed money or income earned from these securities that exceeds interest paid on the amount borrowed would cause the Partnership's net assets to increase faster than would otherwise be the case. Conversely, any decline in the value of the securities purchased would cause the Partnership's net assets to decrease faster than would otherwise be the case.

### **Risk Factor: Short Sales**

The Funds' investment program includes selling securities of an issuer short in the expectation of "covering" the short sale with securities purchased in the open market at a price lower than that received in the short sale. The profit or loss realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position or a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

### **Risk Factor: Options**

The Funds may engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific



market movements of the securities underlying an option cannot be predicted accurately. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option, which the writer must purchase or deliver upon exercise of the option. The Funds may also engage in the trading of options on baskets of securities and stock indices.

### Risk Factor: Cybersecurity Risks

Oracle's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages, loss of internet access and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. Although Oracle has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Oracle may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Oracle's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Clients and Investors (and the beneficial owners of Investors). Such a failure could harm Oracle's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of Oracle's information, technology or security systems could have an adverse impact on its ability to manage the private investment funds referred to herein.

## Item 9 Disciplinary Information

Oracle has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Oracle have been subject to such action.

## Item 10 Other Financial Industry Activities and Affiliations

As noted in [Item 4 Advisory Business \(pg 3\)](#), Oracle Associates, LLC, a related entity of Oracle, is the General Partner of the Funds. Additionally, the Funds themselves may be considered related entities of Oracle, because of a significant investment by Larry N. Feinberg in each of the Funds.

Furthermore, certain existing or prospective investors in the Funds may own or control companies issuing securities or other instruments held in Client accounts or recommended for investment by Oracle on behalf of Client accounts. While these relationships may create a potential conflict of interest with respect to Oracle's recommendation to invest or maintain an investment of Clients' assets in these companies, Oracle has established policies and procedures designed to ensure that Client accounts are managed in accordance with Clients' investment objectives and Oracle's fiduciary duties to its Clients.

## Item 11 Code of Ethics, Client Transactions & Personal Trading

### Participation or Interest in Client Transactions

We serve as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employee may make investments in the Funds. We may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

## Code of Ethics & Personal Trading

Pursuant to Rule 204A-1 under the Advisers Act, we have adopted a Code of Ethics (“**Code**”) and an Employee Investment Policy (“**EIP**”) that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

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

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

In general, employees (and members of their immediate households) are permitted to invest in securities including in the fields of healthcare services, bioscience, biotechnology, pharmaceuticals, and medical devices, but must obtain pre-approval from the CCO in accordance with our Code and EIP. The spirit of our Code and EIP is to always put the needs of the Client first, prevent front-running and discourage frequent trading in personal employee accounts. In addition, employees may not acquire securities for their own account in an initial public offering without pre-approved authorization from the CCO. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities, open-end mutual funds or other instruments which afford the investor no discretion over individual securities transactions.

Our Code of Ethics and Employee Investment Policy are available upon request

## Item 12 Brokerage Practices

As an adviser and a fiduciary to our Funds, we require that our Funds’ interests be placed first and foremost, and our trading practices and procedures generally prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Fund’s favor. Oracle’s primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. Oracle also takes into account a variety of other factors, including the financial strength, integrity, and stability of the broker-dealer and the commissions to be paid. Oracle may also consider the quality, comprehensiveness, and frequency of available research and other products and services considered to be of value.

We have adopted the following policies and practices to meet the Firm’s fiduciary responsibilities and to ensure our trading practices are fair to all Funds and that no Fund or account is advantaged or disadvantaged over any other.

### Aggregation

The aggregation or blocking of Client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to Clients. Our policy is to

aggregate Client transactions where possible and when advantageous to Clients. In these instances, Clients participating in any aggregated transactions will receive an average share price, and transaction costs will be shared equally and on a pro-rata basis.

## Cross and Principal Trades

Oracle may from time-to-time engage in cross or principal trades, provided that such trades are conducted in a manner consistent with its legal obligations (including Section 206(3) of the Advisers Act) and in accordance with its internal policies and procedures regarding such trading. Oracle also effects same-day trading activity in which one Client buys and another sells the same security or instrument in the open market. In the case of such activity in an illiquid market, Oracle generally will treat such trades as if they were cross trades due to the possibility of such trades crossing in the market. To the extent such trade is executed on behalf of at least one Client which is more than 25% owned by Oracle and its employees, Oracle will treat such transaction as if it were subject to the requirements of Section 206(3) of the Advisers Act. For the benefit of investors, Oracle has engaged a third-party service to serve as a gate-keeper and independent reviewer to assist with all future Cross and Principal Trades.

## Allocation

Our policy prohibits any allocation of trades in a manner that provides our proprietary accounts, affiliated accounts, or any particular Client or group of Clients with more favorable treatment than other Clients.

All Funds are generally traded *pari passu* and trades are normally allocated pro-rata with the allocations being set on a continual basis.

## Soft Dollars

Oracle considers research and soft dollar benefits in selecting brokers to execute trades on behalf of Clients. “Soft Dollar” benefits typically arise in connection with transactions where a Client pays a commission that is not the lowest possible commission available among all brokers for that transaction, but where research or other services are provided by the selected broker in addition to trade execution. When soft dollars are used to obtain research and other benefits from brokers, those benefits are being paid for by higher commissions incurred in connection with trades on behalf of Clients. Oracle believes that these relationships will be beneficial to both the Firm and its Clients, but Client trades executed through these firms or any other brokerage firm may or may not be at the best commission otherwise available.

Oracle uses soft dollars generated by clients’ trading activities to pay for research and execution services, including “Mixed Use” and “Third Party” services, in accordance with Section 28e of the Securities Act of 1934, as amended. In accordance with the subscription documents for the individual Funds, Oracle also engages in soft dollar use which falls outside of Section 28e, that would otherwise constitute a direct expense of the Firm. Our soft dollar use this past fiscal year, both within and outside of Section 28e, includes: broker and third party research services; execution services; fees of Expert Networks and consultants who provide research for the Funds; marketing and research expenses, including without limitation, premium and/or efficient travel related expenses including transportation, accommodations, meals, and other related expenses; proxy services; voice and data telephone lines and other telecommunications and electronic infrastructure (including dedicated high speed and/or broadband lines); cellular phones; computer hardware and software; news and quotation equipment and services; electronic office equipment; overhead, including rent, utilities, furnishings, technology support and other office expenses; record keeping and clerical services, financial publications, maintenance fees, insurance dues, educational and training meetings or seminars, professional fees, local taxes, filing fees, disaster recovery expenses; and other business expenses.

Use of commissions could be viewed as additional compensation to Oracle, and Oracle receives a benefit because it does not have to produce or pay for such research or other products or services. This may create a

potential conflict of interest between Oracle's fiduciary duty to operate the Funds in the best interest of the Funds, and Oracle's desire to receive or direct these soft-dollar benefits. As a result of receiving such products or services, Oracle has an incentive to select and recommend, and to use and continue to use, such brokers-dealers to effect transactions for a Fund so long as such brokers-dealers continue to provide such soft dollar credits to Oracle, rather than based on such Fund's interests in receiving most favorable execution of their securities transactions. As a result, Oracle may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers, or to accept lower prices for the sale of securities, in return for soft dollar benefits (known as "paying-up"). In selecting a broker for each specific Fund portfolio transaction, Oracle will use its best judgment to choose the broker-dealers most capable of providing best execution on an overall basis and not only based upon price.

Because Oracle uses its soft dollars to pay for a variety of products and services, some of which would be expenses not otherwise allocable or chargeable to a Client, Clients may or may not benefit directly or indirectly, immediately or over time, from the products and services paid for with soft dollars. On occasion, Oracle may exchange soft dollar generated research reports from 3rd party vendors with other industry contacts. Oracle does not attempt to allocate the benefits of soft dollars among Clients in proportion to the trades that generate the soft dollars. Furthermore, Oracle itself may benefit from the products and services paid for by soft dollars and certain of our proprietary accounts and related accounts do not pay soft dollars but benefit from products and services paid by soft dollars generated by other Clients. Consequently, the Firm uses soft dollars generated by any one of the Clients to pay for products and services, the exclusive, primary or immediate benefit of which may inure to one or more of the other Clients or to Oracle. To help monitor this conflict of interest, Oracle conducts internal soft dollar activity reviews on an annual basis.

## Review of Accounts

The Funds' portfolios will be reviewed with regard to positions held, risk, exposure and proper settlement on a daily basis by the portfolio managers, the traders, other members of senior management, and Larry N. Feinberg. The review will also be conducted to determine whether investment positions should be maintained in view of current market conditions. The Fund's portfolios are also reviewed for performance and adherence to their investment guidelines.

## Reporting

Oracle will distribute an audited financial report for each Fund with respect to the previous fiscal year to all Investors within 120 days of year-end. In addition, each Fund will generally distribute net asset value updates and performance reports to individual partners.

## Item 13 Client Referrals & Other Compensation

We do not directly or indirectly compensate any person for Investor or Client referrals; however, we may compensate third parties in the future which provide referrals for advisory clients in accordance with Rule 206(4)-3 of the Advisers Act.

We do not currently provide advice to parties other than the Investors in the Funds. The Firm also does not provide other advisory services to the Investors in the Funds.

## Item 14 Custody

For purposes of Rule 206(4)-2 under the Advisers Act (the "**Custody Rule**"), Oracle is deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian will not be required to deliver quarterly account statements to the Funds or their respective investors as long as (i) the Funds will be audited

by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board; (ii) the Funds' audited financial statements will be prepared in accordance with U.S. generally accepted accounting principles, and (iii) Oracle or Oracle's third party administrator will deliver such annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

## Item 15 Investment Discretion

Oracle possesses discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

Prior to assuming full discretion in managing a Client's assets, the Firm enters into an investment management agreement or other agreement that sets forth the scope of the Firm's discretion.

Oracle has the authority to determine (i) the securities to be purchased and sold for the Client's account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the Client's account.

## Item 16 Voting Client Securities

To the extent Oracle has been delegated proxy voting authority on behalf of its Clients, Oracle complies with its proxy voting policies and procedures that are designed to ensure that in cases where Oracle votes proxies with respect to securities held by Clients, such proxies are voted in the best interest of the Funds. The Investors in the Fund may not direct the voting of proxies.

Upon request, we will provide an Investor with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

## Item 17 Financial Information

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

### **Oracle Investment Management, Inc.**

262 Harbor Drive, 3<sup>rd</sup> Floor | Stamford, CT 06902 | 203-862-7900

If you have any questions about the contents of this Brochure, please contact Oracle's Chief Compliance Officer: [compliance@oraclepartners.com](mailto:compliance@oraclepartners.com)

Additional information about Oracle Investment Management, Inc. is also available at [www.oraclepartners.com](http://www.oraclepartners.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).