

PART 2A OF FORM ADV - THE BROCHURE

PROSIGHT MANAGEMENT, LP

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This Brochure provides information about the qualifications and business practices of Prosight Management, LP. If you have any questions about the contents of this Brochure, please contact us at (214) 468-0008. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Additional information about Prosight Management, LP is available on the SEC’s website at www.adviserinfo.sec.gov.

THIS BROCHURE DOES NOT CONSTITUTE AN OFFER, SOLICITATION OR RECOMMENDATION TO SELL OR AN OFFER TO BUY ANY SECURITIES, INVESTMENT PRODUCTS OR INVESTMENT ADVISORY SERVICES. SUCH AN OFFER MAY ONLY BE MADE TO ELIGIBLE PERSONS BY MEANS OF DELIVERY OF OFFERING, GOVERNING AND/OR ACCOUNT DOCUMENTS THAT CONTAIN THE MATERIAL TERMS RELATING TO SUCH INVESTMENTS, PRODUCTS OR SERVICES.

March 28, 2019

Item 2 – Material Changes

The date of the last annual updating amendment to Prosight Management, LP's Brochure was March 28, 2018. A summary of certain material changes made to the Brochure since the date of the last annual updating amendment is set forth below:

- We updated our advisory business and regulatory assets under management as of December 31, 2018. **See Item 4.**
- In June 2018, we began providing investment management services to Prosight Plus Offshore, Ltd, a newly formed private pooled investment vehicle for which we serve as the investment manager. **See Items 4 and 5.**

The information set forth in this brochure is qualified in its entirety by the applicable offering, governing and/or account documents. In the event of a conflict between the information set forth in this brochure and the information in the applicable offering, governing and/or account documents, such documents shall control.

We encourage all investors and clients to carefully review this Brochure in its entirety.

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Item 4 – Advisory Business

Prosight Management, LP, a Delaware limited partnership and private investment management firm (“Prosight Management” or the “Advisor”, “we”, “us” or “our”), was founded in November 2008 with a principal place of business in Dallas, Texas. The general partner of Prosight Management is Prosight Partners, LLC, a Delaware limited liability company. William Lawrence Hawkins is the sole member and owner of the Prosight Partners, LLC.

Prosight Management provides discretionary investment advisory, sub-advisory and various other services to (i) various private pooled investment vehicles, including Prosight Fund, LP and Prosight Plus Fund, LP, both of which are Delaware limited partnerships, and Prosight Plus Offshore, Ltd, a Cayman Islands exempted company, which invests substantially all of its assets in Prosight Plus Fund, LP (collectively, the “Fund Clients”), and (ii) separately managed accounts of unaffiliated pooled investment vehicles (the “Managed Account Clients” and collectively with the Fund Clients, the “Clients”).

The investment objectives, strategies, terms, conditions and restrictions applicable to (i) the Fund Clients are described in their respective confidential memoranda and governing documents (referred to collectively as the “Offering Documents”) and (ii) the Managed Account Clients are set forth in their respective investment management or sub-advisory agreements between the Managed Account Clients and the Advisor (the “Advisory Agreements”). Prosight Management generally seeks to achieve capital appreciation with respect to Clients primarily through establishing long and short positions in publicly-traded securities primarily of healthcare-related issuers. Information about each Fund Client is set forth in its applicable Offering Documents. *See Item 8 below.*

An investment in a Fund Client does not, in and of itself, create an advisory or other relationship between an investor in such Fund Client and Prosight Management. Investors generally are not permitted to impose restrictions or limitations on the management of the Fund Clients. Prosight Management and the Fund Clients have entered into, and may from time to time in the future enter into, side letter agreements and similar arrangements with certain investors in Fund Clients that have the effect of establishing rights and/or otherwise benefitting such investors in a manner that is more favorable in various material respects than the rights and benefits established in favor of the investors generally pursuant to the applicable governing documents. Such rights or benefits in a side letter or similar arrangement include, without limitation, (i) capacity rights, (ii) preferential information, reporting, transparency or special notice rights, (iii) most favored nations’ status, (iv) lower or different management fees and/or performance allocations, (v) preferential withdrawal or liquidity rights and (vi) various other preferential or favorable rights, terms and benefits.

A Managed Account Client may impose investment guidelines, limitations and other restrictions or terms on the management of its Managed Account pursuant to the applicable Advisory Agreement. The Managed Account Clients also have certain portfolio liquidity, concentration and exposure (or other) limits, in addition to being prohibited from trading specified instruments, without the prior written consent of the underlying investment manager of such Managed Account Clients.

Interests in the Fund Clients are privately offered only to eligible investors pursuant to exemptions under the Securities Act of 1933, as amended, and the regulations promulgated thereunder. Such Fund Clients are not registered with the SEC as investment companies based on specific exclusions from the definition of investment company under the Investment Company Act of 1940, as amended.

As of December 31, 2018, Prosight Management had approximately \$372,284,000 in regulatory assets under management, all of which were managed on a discretionary basis.

For a further description of these and related items, see *Item 7* (Types of Clients), *Item 8* (Methods of Analysis, Investment Strategies and Risk of Loss) and *Item 10* (Other Financial Industry Activities and Affiliations).

All discussion regarding the Fund Clients in this Brochure, including but not limited to the investments, the strategies used in managing the Fund Clients, the fees, expenses, and risks associated with an investment in the Fund Clients, and conflicts of interest in connection with the management of the Fund Clients are qualified in their entirety by reference to their respective Offering Documents.

Item 5 – Fees and Compensation

In consideration of our advisory services, Prosight Management generally is entitled to receive management fees and performance-based compensation with respect to the Clients. The fees and expenses applicable to the Fund Clients are set forth in detail in their respective Offering Documents and the fees and expenses applicable to the Managed Account Clients are set forth in their respective Advisory Agreements. However, a summary of Prosight Management's basic fee schedule is set forth below.

The Fund Clients

Management Fee. Prosight Management generally charges each of the Fund Clients an asset-based management fee, payable quarterly in advance, equal to 0.375% (1.5% per annum) of the net asset value of the capital account or series of interests of each investor in such Fund Client (including net unrealized appreciation or depreciation of investments and cash, cash equivalents and accrued interest) as of the beginning of such calendar quarter (the "Management Fee"). The Management Fee is calculated and paid in advance but is amortized monthly over the quarter for which such Management Fee is being paid. The Management Fee is prorated with respect to any new or additional capital contribution effective other than as of the first business day of a calendar quarter. In the event of a withdrawal by an investor in the Fund Clients other than as of the last day of a calendar quarter, a *pro rata* portion of the Management Fee, based upon the actual number of days remaining in such quarter, is repaid by Prosight Management to the respective Fund Client for credit to the investor's account. The Management Fee is deducted directly from the capital account or series of each investor in the Fund Clients.

Performance Allocation. Subject to certain terms, limitations and conditions set forth in the applicable Offering Documents, at the end of each fiscal year (and such other times set forth in the Offering Documents of each Fund Client), Prosight Management generally is entitled to receive a performance-based allocation ("Performance Allocation") that is equal to a percentage of the net profits allocated to the capital account of each investor in a Fund Client during the applicable period (subject to certain adjustments and the "high water mark" described below). The performance allocation percentage generally is no more than 20% with respect to the capital account of each investor in the Fund Clients.

The Performance Allocation is subject to a "high water mark" limitation (or cumulative loss provision). As a result, after the first fiscal year in which a Performance Allocation is earned, the Performance Allocation for subsequent years applies only to the extent that an investor's pro rata share of net profits measured on a cumulative basis, net of any losses, for all years since admission exceeds the highest level of such cumulative net profits achieved through the close of any prior year since admission. If an investor in a Fund Client makes a withdrawal at a time when its capital account balance is below its historic "high water mark", the level of the high water mark will be ratably reduced to reflect such withdrawal. The Performance Allocation is calculated and charged to each investor in a Fund Client at the end of each fiscal year and such other dates set forth in the applicable Offering Documents. The Performance Allocation is re-allocated from each capital account of an investor to the capital account of Prosight Management.

Each investor in Prosight Fund, LP generally is required to certify that it is, among other things, both an "accredited investor" (as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended) and a "qualified client" (as such term is defined in Rule 205-3 under the Investment Advisers Act of 1940, as amended (the "Advisers Act")). Each investor in Prosight Plus Fund, LP or Prosight Plus Offshore, Ltd generally is required to certify that it, among other things, both an "accredited investor" and a "qualified purchaser" (as defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the "Company Act")).

Fees with respect to an investor in a Fund Client generally and not negotiable. However, Prosight Management has entered into and may enter into side letters or other similar arrangements with certain investors in the Fund Clients that waive, reduce or calculate differently the Management Fee and/or the Performance Allocation with respect to such investors.

Other Fees and Expenses. In addition to the Management Fee and the Performance Allocation, each Fund Client generally is required to bear (and reimburse Prosight Management and its affiliates for) all costs and expenses relating to its activities. A summary of certain costs and expenses that generally are required to be borne by the Fund Clients is set forth below:

- (a) all costs, expenses, or charges incurred by the Fund Clients, directly or indirectly, in connection with the investment and trading activities of the Fund Clients, including without limitation, brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges, and other transaction costs to brokers and/or all expenses incurred in developing, evaluating, negotiating, consummating, monitoring, structuring, trading, effecting, settling, holding and/or disposing of investments, including expenses which the general partner reasonably determines to be related to the activities of the Fund Clients or the investment of the Fund Client's assets;
- (b) all costs and expenses associated with the organization of the Fund Clients and the offering of interests in the Fund Clients, including legal and accounting fees, printing costs, travel and out-of-pocket expenses and compliance with any applicable federal and state laws;
- (c) all operating expenses such as tax preparation fees (including, without limitation, any such fees related to the preparation of tax returns and Schedule K-1s), governmental fees and taxes (or any other governmental charges levied against a Fund), administrator, custodial and prime brokerage fees and expenses, communications with investors and ongoing legal, accounting, auditing (including the cost of the annual audit of the Fund Clients' financial statements), administration, appraisal, bookkeeping, consulting and other professional fees and expenses, including for litigation and preparation of financial statements and reports;
- (d) the cost of any outside appraisers, accountants, attorneys or other experts engaged by Prosight Management on behalf of the Fund Clients as well as other expenses directly related to the Fund Clients' investment program (including, without limitation, travel and transportation-related costs and expenses (which may include the cost of economy, first or business class commercial airfare, the cost of private chartered aircraft or other private air travel, the cost of rail service (including first class or business class tickets) or livery service), meals, lodging, international data and roaming, entertainment and incidentals);
- (e) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the Fund Clients,
- (f) interest on, and fees and expenses arising out of, all borrowings;
- (g) costs and expenses of holding any meetings of the limited partners of the Fund Clients, if any;
- (h) the costs of any litigation and indemnification relating to the affairs of the Fund Clients;
- (i) expenses related to obtaining systems, third party research, publications, data and data services, including real time pricing and market information (such as FactSet, Bloomberg and

Reuters services) and historical pricing, and other information utilized for portfolio management purposes and that facilitate valuations and accounting, including the costs of statistics and pricing services, service contracts for quotation equipment and related hardware and software;

- (j) the costs of any liability insurance obtained on behalf of the Fund Clients or Prosight Management, as general partner of the Fund Clients,
- (k) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies, including costs of counsel and other costs incurred by Prosight Management and its affiliates in obtaining advice relating to the Fund Clients' legal affairs and in complying with laws and regulations that apply to any such entities as a result of the services provided to the Fund;
- (l) all expenses and costs incurred in connection with any regulatory or legal filings (or registrations) required to be made with respect to the Fund Clients, such as Form PF, but excluding expenses related to preparation of the Advisor's Form ADV;
- (m) expenses attributable to compliance with the Advisor's directive and compliance with anti-money laundering laws and know-your-customer requirements;
- (n) expenses associated with forming and maintaining the legal existence of the Fund Clients, including directors' fees, administrators' fees, occupancy costs and other operating costs of entities that maintain their own offices in certain jurisdictions; and
- (o) all other reasonable expenses related to the management and operation of the Fund Clients and/or the purchase, sale or disposition of interests, including in the case of any expenses directly related to the Fund Clients' and one or more of its related Clients' investments, any portion of any such joint expenses that the Advisor determines are properly and ratably allocable to the Fund Clients. The Fund Clients generally are responsible for and pays all applicable brokerage and custodial expenses and fees. *See Item 12 below.*

The fees and expenses listed above are not comprehensive and are qualified in their entirety by reference to the applicable Offering Documents. Each of the Fund Clients has entered into an administration agreement with a third-party administrator, which is paid customary fees by such Fund Client based on the net asset value thereof. The Advisor bears all of its own overhead expenses including, without limitation, salaries and wages, utility costs, office space, facilities, supplies and other similar expenses.

Managed Account Clients

Management Fee. Prosight Management generally receives an advisory fee (payable on a periodic basis either in advance or in arrears) equal to a percentage of the net asset value of each Managed Account Client. The advisory fees with respect to each Managed Account Client has been negotiated separately with such Managed Account Client based upon a variety of factors (including the type of the account, etc.). Advisory fees for partial periods generally are prorated, as appropriate, based upon the number of days elapsed during such period.

Generally, advisory fees with respect to Managed Account Clients are paid to Prosight Management no later than 30 days from each calendar quarter beginning or end.

Performance Fee. Subject to certain terms and conditions set forth in the Advisory Agreement, Prosight Management generally receives an annual performance-based or incentive fee equal to a percentage of the net realized and unrealized appreciation in net asset value of each Managed Account Client. The performance fee is calculated after payment and accrual of all fees and expenses for the applicable period, other than the performance fee. Generally, performance fees are payable within a certain period of time after the end of each performance period (*e.g.*, within 15 days after receipt of an invoice by the applicable Managed Account Client).

Other Fees and Expenses. In addition to advisory fees and/or performance-based fees, the Managed Account Clients generally bear (and reimburses Prosight Management or its affiliates, if applicable, for) all costs and expenses relating to or associated with the Managed Account Clients' investment activities, including, but not limited to, all costs and expenses relating to portfolio investments or prospective investments for the Managed Account Clients, withholding taxes, interest expenses, brokerage commissions and other transaction costs (including, but not limited to, any soft dollar expenses or other items within the safe harbor afforded by Section 28(e)), proxy voting expenses, custody fees and administration fees.

Generally, for the Managed Account Clients, Prosight Management bears all of its standard operating expenses arising out of the performance of its duties, including all of its general overhead, travel, salary and office expense (which include the rent of the offices which Prosight Management occupies, maintenance of its book and records, and its fixed expenses, telephones and general purpose office equipment), unless otherwise agreed to in writing.

Compensation for the Sale of Securities or Other Investment Products

Neither Prosight Management nor any of its supervised persons accept compensation for the sale of securities or other investment products.

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

As detailed previously in *Item 5* (Fees and Compensation), Prosight Management generally is entitled to receive performance-based compensation with respect to each of the Clients. In addition, certain of the Advisor's investment personnel are compensated on a basis that includes a performance-based component and therefore face these same potential conflicts. Performance-based fee arrangements create an incentive for Prosight Management to recommend investments which may be riskier or more speculative than if only asset-based management fees were charged. In addition, because performance-based compensation generally is calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by Prosight Management, Prosight Management faces a conflict of interest in valuing those portfolios. Prosight Management attempts to address these conflicts through their investment allocation policy and full and fair disclosure in the applicable account and/or Offering Documents and/or this Brochure.

Certain Clients' accounts may have higher asset-based fees or more favorable performance-based compensation arrangements for us than other accounts. Because the Advisor and its investment personnel manage more than one Client account, a potential conflict exists for one of the Clients to be favored over another and to provide preferential treatment in terms of time, resources, and investment opportunities to the Clients that pay the Advisor (and indirectly the portfolio manager) a higher fee. Prosight Management is focused on monitoring the allocation of investment opportunities in such situations and endeavors to resolve in good faith any material conflict with respect to the allocation of investment opportunities. Prosight Management has adopted and implemented policies and procedures intended to address these types of conflicts of interest and in an attempt to ensure that all the Clients are treated in a fair and equitable manner with respect to the allocation of investment opportunities. The general policy of Prosight Management is to allocate investment opportunities to and among all of the Clients in a fair and equitable manner under the circumstances and, in general, each Client participates in each investment opportunity (subject to the terms set forth in the applicable Offering Documents and/or Advisory Agreement). As between the Clients, Prosight Management expects to allocate investment opportunities between the Clients *pro rata* (assuming Prosight Plus Fund, LP's and certain Managed Account Clients' portion of such position will be 1.5x the portion held by Prosight Fund, LP and certain Managed Account Clients). Under certain circumstances, Prosight Management has discretion to utilize alternative allocation procedures, provided that all participating Clients are treated fairly and equitably. In addition, the performance of the Clients' accounts is regularly monitored for discrepancies. *See Item 12.*

Item 7 – Types of Clients

As discussed in *Item 4* (Advisory Business), Prosight Management provides investment advisory, management, sub-advisory and other services to the Fund Clients, which are affiliated pooled investment vehicles, and Managed Account Clients of unaffiliated pooled investment vehicles. Prosight Management may in the future provide investment advice and other services to other clients or types of clients.

The minimum initial capital contribution required for an investor in the Fund Clients is set forth in the applicable Offering Documents.

To invest in the Fund Clients, each investor generally is required to certify that it is, among other things, an “accredited investor” (as such term is defined in Rule 501(a) of Regulation D under the Securities Act of 1933, as amended), and either a “qualified client” (as such term is defined in Rule 205-3 under the Advisers Act), or a “qualified purchaser” (as such term is defined in Section 2(a)(51)(A) of the Company Act). Each prospective investor generally is required to complete and return various subscription documents to the Fund Clients, which are designed to provide the Fund Clients, Prosight Management and their affiliates and agents with important information about the investor. Subscriptions may be accepted or rejected, in whole or in part, in the sole discretion of Prosight Management.

The Managed Account Clients are required to enter into the Advisory Agreements that, among other things, set forth the nature and scope of the investment advisory authority of Prosight Management and the investment objectives, guidelines and restrictions applicable to the management of the Managed Account Clients. Prosight Management does not have a minimum account size for Managed Account Clients.

For a further discussion of these and related items, see *Item 4* (Advisory Business) and *Item 10* (Other Financial Industry Activities and Affiliations).

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

Prosight Management utilizes a variety of methods and strategies to make investment decisions and recommendations with an objective to generate attractive risk adjusted returns in all market conditions by dynamically managing a portfolio of investments. Analysis is predominantly based on fundamental research of investments primarily in healthcare related businesses. Analysis may be augmented by cyclical analysis and other quantitative/qualitative tools. Prosight Management's investment strategy focuses on a company's intrinsic value and ability to increase shareholder value over time as well as the company's ability to maintain a margin of safety during fluctuating market and business conditions. To achieve its investment objective, the Clients generally acquire long positions in companies that Prosight Management believes will increase in value over time and short positions in companies the Advisor believes will decrease over time.

The underlying thesis for a position or idea is generally supported by at least one of many investment strategies that the Clients employ. These strategies include:

Fundamental Value. Prosight Management engages in a fundamental value investment strategy wherein Prosight Management attempts to invest in asset-oriented securities it believes are undervalued by the market.

Buy and hold: Prosight Management engages in a buy and hold strategy where it purchases securities and holds them for a relatively longer period of time regardless of short-term market factors or volatility.

Short Term Trading: Prosight Management engages in short term trading strategies wherein the Advisor buys securities and holds them for a relatively short period of time, taking advantage of temporary price anomalies, short term events and disconnects between Prosight Management's opinion of the underlying value and market value.

Hedging: The Advisor may utilize a variety of financial instruments such as option contracts for risk management. There can be no assurance that such hedging strategies will be implemented, or if implemented, will be effective.

Short Selling: Prosight Management engages in short selling strategies. In a short sell transaction, the seller sells securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes.

Options Trading: Prosight Management engages in options trading as an extension of the above-mentioned strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. When Prosight Management engages in option trading, it is generally by writing puts or writing covered calls, but may also buy options.

The investment strategies summarized above are not intended to be comprehensive and are qualified in their entirety by the information set forth in the applicable Offering Documents and/or the Advisory Agreements.

General Risks

There can be no assurance that Clients will achieve their investment objectives or that investments will be profitable. Prosight Management's investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this Brochure is intended to imply, and no one is or will be authorized to represent, that the investment strategies are low risk or risk free. Prosight Management's investment

strategies are appropriate only for sophisticated persons who fully understand and are capable of bearing the risks of investment. Prospective investors or clients are encouraged to consider the following risks, among others, before making any investment decisions. The various risks outlined below are not the only risks associated with Prosight Management's investment strategies and processes and may not necessarily apply to each Client. Clients and investors are urged to consult with their own independent financial, legal and tax advisors before making any investment decisions. With respect to the Fund Clients, the following risks are qualified in their entirety by the risks set forth in the applicable Offering Documents.

General Economic and Market Conditions. The success of the investment advisory services provided to the Clients is affected by general economic and market conditions, such as changes in interest rates, availability of credit and debt-related issues, inflation rates, economic uncertainty, market volatility, changes in laws (including laws relating to taxation of the Clients investments), trade barriers, unemployment rates, release of economic data, currency exchange controls and national and international political circumstances (including wars, terrorist acts, natural disasters, security operations, the European debt crisis or the U.S. budget or debt-ceiling negotiations). These factors may affect the level and volatility of securities prices and the liquidity of the Clients' investments. Volatility and/or illiquidity could impair the Clients' profitability or result in losses. The Clients could incur material losses even if Prosight Management reacts quickly to difficult market or economic conditions, and there can be no assurance that the Clients will not suffer material losses and other adverse effects from broad and rapid changes in economic and market conditions in the future. Investors should realize that markets for the financial instruments in which Prosight Management seeks to invest can correlate strongly with each other at times or in ways that are difficult for the Advisor to predict. Even a well-analyzed approach may not protect the Clients from significant losses under certain market conditions.

Investment and Trading Risks Generally. All investments risk the loss of capital. The Advisor's investment program involves, without limitation, risks associated with limited diversification, short-selling, equity risks, distressed issuers, interest rates, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in the Advisor's activities. Certain of the Advisor's investment techniques may, in certain circumstances, substantially increase the impact of adverse market movements to which our clients' investments may be subject. In addition, the Clients' investments may be materially affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where the Advisor invests. The Advisor's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

Healthcare Industry Risks. We invest primarily in healthcare-related companies and in companies operating in the healthcare industry. Many healthcare-related companies are smaller and less seasoned than companies in other sectors. Healthcare-related companies may also be strongly affected by scientific or technological developments and their products may quickly become obsolete. Healthcare-related companies offer products and services that are subject to governmental regulations and may be adversely affected by changes in governmental policies or laws.

Limited Diversification and Risk Management Failures. As described herein, at any given time, the Clients' portfolios may not be diversified to any material extent and, as a result, the Clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by the Clients, decline. In addition, the Clients' portfolios could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by our clients. This

limited diversity could expose our clients to losses disproportionate to market movements in general. Other investment funds pursue similar strategies, which creates the risk that many funds may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although the Advisor attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in our risk management efforts could result in material losses for the Clients.

Investment in Small- and Medium-Capitalization Companies. Utilizing fundamental research, we may invest across all market capitalizations, including on small- and mid-cap issuers. Smaller capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, “blue-chip” companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience.

Market Volatility. The profitability of our clients substantially depends upon our ability to correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities. We cannot guarantee that we will be successful in accurately predicting price and interest rate movements.

Equity Risks. The market prices of securities owned by the Clients may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Clients is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets (i.e., the healthcare industry). The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Advisor believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Advisor anticipates. As a result, the Clients may lose all or substantially all of their investment in any particular instance.

Investments in Undervalued Equity and Equity-Related Securities. The Clients may invest in undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. The investments in undervalued securities involved a high degree of financial risk and can result in substantial losses. Returns generated from the Clients investments may not adequately compensate for the business and financial risks assumed. In addition, the Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If long positions are taken in stocks that decline and short positions in stocks that increase in value, then the losses of the Clients may exceed those of other portfolios that hold long positions only.

Fundamental Analysis. Fundamental analysis is premised on the assumption that markets are not perfectly efficient, that informational advantages and mispricings do occur and that econometric analysis can identify trading opportunities. Fundamental analysis may incur substantial losses if such economic factors are not

correctly analyzed, not all relevant factors are identified and/or market forces cause mispricings to continue despite the traders having correctly identified such mispricings. Fundamental analysis may also be more subject to human error and emotional factors than technical analysis.

Off-Balance Sheet Risk. In the normal course of business, we may invest in financial instruments with off-balance sheet risk. These instruments include forward contracts, swaps and securities and options contracts sold short. An off-balance sheet risk is associated with a financial instrument if such instrument exposes the investor to an accounting and economic loss in excess of the investor's recognized asset carrying value in such financial instrument, if any; or if the ultimate liability associated with the financial instrument has the potential to exceed the amount that the investor recognizes as a liability in the investor's statement of assets and liabilities. Additionally, in the normal course of business, we may purchase long positions in option contracts that do not have off-balance sheet-risk. The risk that these financial instruments expose the investor to is not in excess of the investor's recognized asset carrying value in the statement of assets and liabilities.

Short Sales. From time to time the Clients affects short sales. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. To complete a short sale, the Clients generally must borrow the securities from a third party in order to make delivery to the buyer. The Clients generally will be required to pay a brokerage commission that will increase the cost to the Clients of selling such securities. The proceeds of the short sale plus additional cash or securities must be deposited as collateral with the lender of the securities to the extent necessary to meet margin requirements. The amount of the required deposit will be adjusted periodically to reflect any change in the market price of the securities that the Clients are required to return to the lender. The Clients generally will be entitled to receive payments from the lender with respect to the short sale proceeds and additional cash on deposit with the lender at negotiated interest rates. The Clients will be obligated to return securities equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. Until the securities are replaced, the Clients will be required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the securities. An increase in the value of any security that is the subject of short selling by the Clients may, as a result of the foregoing, have a material adverse effect on the assets of the Clients, and therefore the return on investment of the Clients.

Call Options. In certain circumstances, the Clients' investment portfolios may include call options. There are significant risks associated with the sale and purchase of call options. A call option is a financial contract that gives the buyer of the contract the right, but not the obligation, to buy a security or other financial instrument from the seller (or "writer") at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the call option. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. In certain circumstances, the Clients' investment portfolios may include put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the

underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Relative Value and Directional Investments. The Clients' investment strategies depend on the Advisor's ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by the Advisor. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements will be determined by unanticipated factors, and the Advisor's analysis of known factors may prove incorrect, in each case potentially leading to substantial losses to the Client.

Less Liquid Instruments. We generally invest the Clients assets in publicly-traded equity securities that are relatively liquid. However, we may invest client assets in the securities of companies with micro- and small-capitalizations, specifically companies with market capitalizations of less than \$1 billion, which may be thinly traded and otherwise illiquid. In addition, we may from time to time hold large positions with respect to a specific type of instrument, which may further reduce liquidity. During such times, we may be unable to timely dispose of certain assets, which would adversely affect our ability to rebalance our clients' portfolios or to meet withdrawal requests. In addition, such circumstances may force us to dispose of our clients' assets at reduced prices, thereby adversely affecting our clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if our clients incur substantial trading losses, the need for liquidity could rise sharply while their access to liquidity could be impaired. In conjunction with a market downturn, our clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing our clients' credit risk to them.

Corporate Debt. The Clients may invest in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. The Client may invest in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality rating or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower-rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. The Clients' investments may experience significant credit rating volatility, which may result in significant market value volatility and the potential for substantial loss. In addition, the Clients may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Clients may experience substantial losses.

Loans of Portfolio Securities. The Clients may lend its portfolio securities. By doing so, the Clients will attempt to increase income through the receipt of interest on the loan. While a securities loan is outstanding, the Clients will continue to receive the equivalent of the interest or dividends paid by the issuer on the securities, as well as interest on the investment of the collateral or a fee from the borrower. The risks in lending securities, as with other extensions of secured credit, if any, consist of possible delay in receiving additional collateral, if any, or in recovery of the securities or possible loss of rights in the collateral, if any, should the borrower fail financially. To the extent that the value of the securities the Clients lent increases, the Clients could experience a loss if such securities are not recovered.

Investments in Distressed Issuers. The Clients may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and “below investment-grade” debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court’s power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies’ securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that the Advisor will analyze such investments correctly.

Stressed Debt. The Clients may invest in debt obligations of stressed issuers. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of distressed and stressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

Highly Volatile Markets. The prices of financial instruments in which the Clients may invest can be volatile. Price movements of the financial instruments in which the Clients’ assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies. The Clients are subject to the risk of failure of any of the exchanges on which their positions trade or of their clearinghouses. In addition, governments from time to time intervene in certain markets, directly, by regulation and otherwise, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

Stock Index Options. In certain circumstances, the Advisor may cause the Clients to purchase and sell, call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing their investment objective or for the purpose of hedging its portfolio and managing its net exposure. A stock index or index option fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes depends upon the extent to which price movements in the Clients’ portfolios correlates with price movements of the stock indices selected. Since the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether the Clients realize gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use of options on stock indices is subject to our ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

Other Derivative Instruments. The Advisor may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Clients and legally permissible. Special risks may apply to instruments that are invested in by the Advisor in the future that cannot be determined at this time or until such instruments are developed or invested in by the Advisor. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

Convertible Securities. The Advisor may invest the Clients assets in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula.

The value of a convertible security is a function of its “investment value” (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its “conversion value” (the security’s worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an effect on the convertible security’s investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium will decrease as the convertible security approaches maturity.

A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security’s governing instrument. If a convertible security held in the Clients’ portfolios is called for redemption, we will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve the Clients’ investment objective.

Fixed Income Securities. The Advisor may invest the Clients assets in bonds or other fixed income securities of issuers including, without limitation, bonds, notes and debentures issued by corporations; debt securities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which we may invest may change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

Limited Diversification and Risk Management Failures. As described herein, at any given time, Client portfolios are primarily invested in healthcare related companies and may not be diversified to any material extent and, as a result, our Clients could experience significant losses if general economic conditions, and, in particular, those relevant to the healthcare industry and issuers whose securities are owned by our clients, decline. In addition to any concentration in the healthcare industry, our clients’ portfolios could become

significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by our clients. This limited diversity could expose our clients to losses disproportionate to market movements in general. Other investment funds pursue similar strategies, which creates the risk that many funds may be forced to liquidate positions at the same time, reducing liquidity, increasing volatility and exacerbating losses. Although we attempt to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market behavior, but future market behavior may be entirely different. Any inadequacy or failure in our risk management efforts could result in material losses for our clients.

Litigation. The Clients' investment activities may subject it and the Advisor to the risks of becoming involved in litigation with third parties. The expense of defending against claims against the Client by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Client, reduce net assets and could require investors to return distributed capital and earnings to the Client. The Advisor and its affiliates generally will be indemnified by the Client in connection with any such litigation, subject to certain conditions.

Trading Decisions. The Advisor's trading decisions generally are based on fundamental and other analysis. Any factor that would lessen the prospect of major trends occurring in the future (such as increased governmental control of, or participation in, the financial markets) may reduce the prospect that a particular trading method or strategy will be profitable in the future. In the past, there have been periods without discernible trends and, presumably, such periods will continue to occur in the future. Moreover, any factor that would make it more difficult to execute trades at desired prices in accordance with the signals of the trading method or strategy (such as a significant lessening of liquidity in a particular market) would also be detrimental to profitability. Further, many advisors' trading methods utilize similar analyses in making trading decisions. Therefore, bunching of buy and sell orders can occur, which makes it more difficult for a position to be taken or liquidated. No assurance can be given that our strategies will be successful under all or any market conditions.

Non-U.S. Investments. The Clients may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Clients investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Clients may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Clients rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission (the "CFTC") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Clients under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

Competition. The markets in which the Advisor expects to participate are extremely competitive. There can be no assurance that the Advisor will be able to identify or successfully pursue attractive investment opportunities in this environment. Clients should expect that their investments will involve substantially more company-specific and market risk and associated volatility in the future than in the past. The Advisor competes with many firms, some of which may have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to the Advisor.

Default and Credit Risks. The Clients assume the credit risk to their brokers, custodians and other counterparties in connection with brokerage arrangements, derivatives and other contractual relationships. In evaluating credit risk, the Advisor is often dependent upon information provided by the obligor, which may be materially inaccurate or fraudulent. Any actual default, or any circumstance that increases the possibility of such a default, could have a material adverse effect on the Clients.

Interest Rate Risks. The Advisor may also invest client assets in debt obligations of government issuers (e.g., U.S. treasury bills) as a part of an overall cash management strategy. These and various other assets, as well as the Clients' borrowings, may subject the Clients' to risks associated with movements in interest rates. For example, the Advisor would be required to manage both curve risk, which is the risk that the slope of the yield curve will vary from the slope assumed in our strategy, and credit spread risk, which is the risk that the spreads between yields of differently rated issuers will change in a manner that adversely affects the Clients' portfolios.

Hedging Strategies. The Clients engage primarily in long purchases and short sales of securities. However, the Clients also engage from time to time in hedging, option trading and other strategies. Hedging strategies in general are usually intended to limit or reduce investment risk, but can also be expected to limit or reduce the potential for profit. The success of hedging strategies depends, in part, upon the General Partner's ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Clients' hedging strategy is subject to the Advisor's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While the Clients may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Clients than if it had not engaged in such hedging transactions. For a variety of reasons, the Advisor may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent the Client from achieving the intended hedge or expose the Clients to risk of loss. The Clients will not be required to hedge any particular risk in connection with a particular transaction or its portfolios generally. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Clients' portfolio holdings. No assurances can be given that these hedging strategies will not adversely impact the overall return on investment realized by the Clients, and, ultimately, the investors of the Clients.

Leverage and Liquidity Risks. Consistent with the terms outlined in the applicable Offering Documents and/or Advisory Agreements, the Clients may borrow funds to utilize leverage when deemed appropriate by the Advisor, including to enhance the Clients returns and for cash management purposes (e.g., short-term borrowings to make investments in anticipation of additional subscriptions and to fund withdrawals). The Clients may borrow funds from brokers, banks and other lenders to finance its investing and trading operations, which borrowings may be secured by assets of the Clients. The use of such leverage can, in certain circumstances, maximize the losses to which the Clients investment portfolio may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or the Clients as a whole are leveraged. The cumulative effect of the use of leverage by the Clients in

a market that moves adversely to the Clients' investments could result in a substantial loss, which would be greater than if the Clients were not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The use of margin and short-term borrowings creates several risks for the Clients. If the value of the Clients' securities falls below the margin level required by a prime broker, additional margin deposits would be required. If the Clients are unable to satisfy any margin call by a prime broker, then the prime broker could liquidate the Clients' position in some or all of the financial instruments that are in the Clients' accounts at the prime broker and cause the Clients to incur significant losses. Furthermore, secured counterparties and lenders may have the right to sell, pledge, re-hypothecate, assign, use or otherwise dispose of collateral posted by the Clients. This could increase exposure to the risk of a counterparty default since, under such circumstances, the Clients may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under the Clients' agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of the Clients.

The purchase of options and other derivative instruments generally involves little or no margin deposit and, therefore, will provide substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to the Clients.

In addition, certain of the companies in which the Clients invest may have significant leverage. The leveraged capital structures of the Clients and companies in which it makes investments also increase exposure to adverse economic factors such as rising interest rates, downturns in the economy and/or deterioration in the condition of the company or its industry. Such increased exposure to adverse economic factors may decrease the overall return on investment realized by the Clients, and ultimately the investors in the Clients, from the overall return on investment that may have been realized if leveraged capital structures had not been used by the Clients or the companies in which the Clients make investments.

Counterparty Risks

The Advisor has established (and may in the future establish) relationships to obtain prime brokerage services and other services, all of which permit the Advisor to trade in any variety of markets or asset classes over time; however, there can be no assurance that the Advisor will be able to maintain such relationships or establish such relationships in the future. An inability to establish or maintain such relationships would limit the Advisor's trading activities and could create losses, preclude the Advisor from engaging in certain transactions, financing and prime brokerage services and prevent the Advisor from trading at optimal rates and terms. Moreover, a disruption in the financing and prime brokerage services provided by any such relationships before the Advisor establishes additional relationships could have a significant impact on the Advisor's business due to our reliance on such counterparties.

Some of the markets in which the Advisor may effect its transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and regulatory oversight as are members of "exchange-based" markets. This exposes the Clients' to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Clients' to suffer a loss. In addition, in the case of a default, the Clients could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where the Clients have concentrated their transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of the Advisor's counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of the Advisor's counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of the Clients' securities and other assets from the Clients' prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer.

The Advisor may use counterparties located in jurisdictions outside the United States. Such counterparties

are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to the Clients' assets are subject to substantial limitations and uncertainties. Due to the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on the Clients and their assets.

The Advisor is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Advisor's internal process for evaluating the creditworthiness of the Advisor's counterparties may prove insufficient. The Advisor's ability to transact business with any one or more counterparties, the lack of complete and "foolproof" evaluation of the financial capabilities of our counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Clients.

Cybersecurity Risks. The Advisor, the Clients and their respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that the Advisor or its affiliates may perform on such service providers, the Advisor may not be in a position to verify the risks or reliability of such information technology systems. The Advisor, the Clients and their respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The Advisor, its affiliates and its service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Advisor and its affiliates have 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, the Advisor and/or the Clients 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 our, our clients' or any of our respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Advisor or its affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Clients or individual investors in the Client by interfering with the operations of the Advisor and its affiliates (or service providers). The Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose one or more of the Clients, the Advisor and their respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Clients may be required to indemnify us and our affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS THAT ARE OR MAY BE ASSOCIATED WITH PROSIGHT MANAGEMENT'S INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND THE APPLICABLE OFFERING MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.

For a further discussion of these and related items, see *Item 10* (Other Financial Industry Activities and Affiliations), *Item 11* (Code of Ethics, Participation or Interest in Client Transactions and Personal Trading) and *Item 12* (Brokerage Practices).

Item 9 – Disciplinary Information

There are no legal or disciplinary events related to Prosight Management or any of its employees that are material to the Clients or prospective client's evaluation of our advisory business or the integrity of Prosight Management.

Item 10 – Other Financial Industry Activities and Affiliations

- A. Prosight Management is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of Prosight Management are registered representatives of a broker-dealer.
- B. Neither Prosight Management nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of the foregoing entities.
- C. Other than as set forth below, Prosight Management has no relationships or arrangements with any related person listed in the instructions to Item 10.C. or any other person that are material to its advisory business or to its Clients.

In connection with the initial launch of Prosight Plus Fund, LP, we and certain of our affiliates entered into a side letter agreement with a strategic investor. Pursuant to that letter agreement, among other things, (i) the strategic investor made a significant investment in Prosight Plus Fund, LP, (ii) the strategic investor has certain ongoing non-investment consent and notification rights concerning the operations of the Fund Clients, (iii) the strategic investor has access to certain information and documents with respect to the Fund Clients and us that generally are not made available to other investors, and (iv) the strategic investor has certain other preferential economic and non-economic rights with respect to Prosight Plus Fund, LP. We generally must obtain the prior written consent of the strategic investor before taking certain actions with respect to Prosight Plus Fund, LP, as set forth in the side letter between us and the strategic investor. The strategic investor also has “most favored nations” rights with respect to the Clients.

The strategic investor currently holds a significant percentage of the limited partnership interests in Prosight Plus Fund, LP. Notwithstanding the foregoing, the strategic investor is not responsible for and do not have any authority over the management and operation of the Fund Clients, does not participate in our management, and does not have any authority over any aspect of the trading, investment or other activities of the Clients.

The strategic investor is not a sponsor or promoter of the Fund Clients, does not owe any fiduciary duties or other special duties or obligations to the Fund Clients or any of the other investors and may have interests that conflict with the Fund Clients and the other investors. The strategic investor will not be liable to other investors for exercising or not exercising any rights that they may have with respect to the Fund Clients.

For more information regarding the arrangement with the strategic investor, please see the Offering Documents of Prosight Plus Fund, LP.

- D. Prosight Management does not recommend or select other investment advisers for its Clients.

Item 11 – Code of Ethics and Personal Trading

Under the Advisers Act, an investment adviser owes a fiduciary duty to its clients. As a fiduciary, Prosight Management has an affirmative duty to (i) act solely in the best interests of its Clients and (ii) make a full and fair disclosure of all material facts, particularly where Prosight Management’s interests may conflict with those of its Clients.

Prosight Management has adopted and implemented a Code of Ethics in an effort to maintain a policy of compliance with high standards of ethical business conduct and the provisions of applicable laws. Our Code of Ethics is designed to, among other things, educate supervised persons about Prosight Management’s philosophy regarding ethics and professionalism, emphasize Prosight Management’s fiduciary duties to its Clients, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address material conflicts of interest that arise from personal trading by access persons.

Subject to the terms of the Code of Ethics, Prosight Management generally imposes restrictions on supervised persons relating to the purchase or sale of securities for their own personal accounts and the personal accounts of certain affiliated or related persons. Pursuant to the Code of Ethics, supervised persons generally (i) are permitted to trade in “exempt securities,” which includes (among others) money-market funds, open-end mutual funds, exchange traded funds, bankers’ acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, unit investment trusts, brokerage certificated of deposit, treasury securities, transactions through an established Automatic Investment Plan, and other accounts managed by third-party advisers, without receiving pre-clearance from the Chief Compliance Officer or portfolio manager, (ii) must obtain the pre-approval of the Chief Compliance Officer or portfolio manager prior to executing any transaction in any “reportable brokerage account” (which includes any personal securities account over which a supervised person has control or discretionary trading authority) by submitting a pre-clearance form, (iii) are prohibited from trading in any security or issuer that is currently on Prosight Management’s “Restricted List”, and (iv) are required to report their personal securities holdings and transactions via initial and annual holdings reports and quarterly transaction reports. The Code of Ethics also contains policies and procedures designed to prevent supervised persons from misusing material non-public information (or trading the same security ahead of or behind a Client) and to address certain actual and potential conflicts of interest that may arise when supervised persons engage in outside business activities or accept, provide, offer or give gifts or entertainment events. We will furnish a copy of the Code of Ethics to Clients or prospective clients upon request.

Neither Prosight Management nor any of its related persons recommends to Clients, or buys or sells for Client accounts, securities in which Prosight Management or any of its related persons has a material financial interest.

Prosight Management may cause its Clients to enter into transactions or arrangements involving actual or potential conflicts of interest. Prosight Management will review any such transactions or arrangements and take such actions as it deems to be necessary or appropriate under the circumstances (including, without limitation, obtaining Client consent with respect to such transactions or arrangement, the consent of a majority in interest of investors in a Fund Client, the consent of an independent third party or the consent of an advisory committee with respect to a Fund Client).

Prosight Management and the Fund Clients have engaged in, and may from time to time in the future engage in, cross trades with other Fund Clients for purposes of portfolio rebalancing or for other reasons.

For a further discussion of these and related items, see *Item 8* (Methods of Analysis, Investment Strategies and Risk of Loss), *Item 10* (Other Financial Industry Activities and Affiliations) and *Item 12* (Brokerage Practices).

Item 12 – Brokerage Practices

General

In placing portfolio transactions, we seek to obtain the best execution under the circumstances for our Clients by taking into account various factors, including without limitation: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, Clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Our application and the importance of the specific criteria vary depending upon the nature of the transaction, the asset class, the market in which it is affected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction. We allocate order flow in accordance with the trading protocol set forth in our policies and procedures. We have adopted policies and procedures that we believe are reasonably designed to ensure that Clients achieve best net execution and that brokers utilized have been selected based on our Clients best interests.

Soft Dollars

Prosight Management or its affiliates may receive from the Clients broker-dealers products and services in addition to brokerage services, including "soft dollars" arrangements. The term "soft dollars" refers to arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to investment advisers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities.

We have entered into, and may in the future enter into from time-to-time in our sole discretion, soft dollar arrangements with broker-dealers executing portfolio transactions for the Clients. Consistent with seeking best price and execution, we may place brokerage orders with brokers that may provide us and our affiliates with supplemental research, market and statistical information ("soft dollar items"), including advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The Management Fee is not reduced as a result of the receipt of this supplemental information, which may be useful to us or our affiliates in providing services to clients other than the Clients and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by us in performing our services for the Clients. Notwithstanding the foregoing, in the event we elect to use soft dollars, we may use soft dollars only for payment of (i) soft dollar items within the safe harbor afforded by Section 28(e), or (ii) Fund Client expenses.

We are authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide us with such soft dollar items or to pay higher commissions

to such firms if we determine such prices or commissions are reasonable in relation to the overall services provided. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

The use of brokerage commissions to obtain soft dollar items for us creates a conflict of interest between the Advisor and the Clients, because the Clients pay for such soft dollar items that are not exclusively for the benefit of such Clients. In certain cases, our use of soft dollars may tend to increase our profitability (where we are able to acquire them without expending our own resources) and may influence us to select one broker rather than another to perform services for the Clients.

From time to time, the Advisor may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to Clients or that recommend the Advisor or the Fund Clients. The Advisor may place portfolio transactions for Clients with firms who have made such recommendations or provided capital introduction opportunities, so long as the Advisor believes that it is otherwise consistent with seeking best execution. In no event will the Advisor select a broker-dealer as a means of remuneration or compensation for recommending the Advisor or any clients managed by the Advisor (or an affiliate) or affording the Advisor with the opportunity to participate in capital introduction programs.

Aggregation of Transactions

Prosight Management often purchases or sells the same security for many Clients contemporaneously and using the same executing broker. Such aggregation generally enables the Advisor to obtain for Clients a more favorable price or a better commission rate based upon the volume of a particular transaction. However, in cases where the Client has negotiated the commission rate directly with the broker, the Advisor is not able to obtain more favorable commission rates based on an aggregated trade. In such cases, the Client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a Client's account, the Advisor may be precluded from aggregating that Client's transaction with others. In such a case, the Client may pay a higher commission rate and/or receive less favorable prices than Clients who are able to participate in an aggregated order.

When an aggregated order is completely filled, the Advisor generally allocates the securities purchased or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding and market practice. If an aggregated order is only partially filled, the Advisor's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair and equitable to the participating Clients. Depending on the investment strategy pursued and the type of security, this may result in a *pro rata* allocation to all participating Clients.

Allocation of Investment Opportunities

Prosight Management's general policy is to allocate investment opportunities among applicable Clients in a fair and equitable manner under the circumstances based upon various factors deemed relevant by Prosight Management including, without limitation, the investment objectives, guidelines and restrictions applicable to the Client, Client risk profiles, financial condition and tax status. In general, investment opportunities are allocated to and among all of the Clients in a manner determined by Prosight Management to be fair and equitable and each Client generally participates to a certain extent in each investment opportunity (subject to the terms set forth in the applicable Offering Documents and/or Advisory Agreement). *See Item 6.*

We seek to detect and correct trading errors. Should a trading error occur and be detected before the trade has been settled in the Client account, we will reverse the trade or reallocate, as necessary or appropriate. In any event, the Client will be made whole (put in a position as if the error had not been made), with us absorbing any loss, in situations where our conduct does not meet the standard for exculpation set forth in the applicable account or governing documents for the relevant Client, and not in other cases.

Item 13 – Review of Accounts

We generally monitor all Client accounts on a daily basis. We perform various levels of review, including, without limitation, considering short and long-term rates of return, investment diversification and risk allocations. We may conduct more frequent or additional reviews in various instances such as important market, economic or global events or circumstances. Each Client account generally is monitored by our portfolio managers.

Fund Clients

With respect to accounting matters, RSM US LLP has been engaged to conduct annual audits of the financial statements of the Fund Clients. Investors in the Fund Clients receive audited annual reports and unaudited monthly reports on the performance of the Fund Clients. In addition, investors in the Fund Clients receive monthly individual account statements from our third-party administrator, as well as quarterly letters generally discussing Fund Client performance and events during the prior quarter. We may provide certain information and documentation to certain investors that are not distributed or otherwise made available to other investors. Such investors may make investment or withdrawal decisions based upon such information. All reports provided to investors in the Fund Clients are written.

Managed Account Clients

Prosight Management generally provides or causes one or more of its agents to provide each Managed Account Client with various monthly, quarterly and other periodic reports and statements pursuant to the terms set forth in the applicable Advisory Agreement. Among other things, Prosight Management provides or may provide a Managed Account Client with monthly performance estimates, monthly transparency reports, portfolio transparency information and account statements. With respect to certain Managed Account Clients, Prosight Management uses reasonable efforts to (i) report all transactions relating to their portfolios to the applicable custodians within time periods and in formats reasonably requested by such custodians, (ii) provide third-party administrators with respect to such portfolios with such information as may be reasonably requested thereby (including to perform valuations of the portfolios), and (iii) reconcile Prosight Management's records relating to the portfolios with account statements provided by the applicable custodians. Administrators and custodians with respect to Managed Account Clients provide various other reports and statements pursuant to arrangements between such custodians and clients. In general, we are not responsible for valuing any assets held in Managed Accounts.

Clients are urged to compare any reports that they receive from us or our agents with the statements or reports provided by their custodians.

Item 14 – Client Referrals and Other Compensation

Except as previously discussed in *Item 12*, no non-clients provide us with an economic benefit, including sales awards or prizes, for providing investment advice or other advisory services to Clients.

The Advisor may enter into agreements or arrangements with placement agents or solicitors who refer potential investors in the Fund Clients to the Advisor. For their referral services, these persons may receive compensation from the Advisor in the form of a percentage of the Management Fee and/or Performance Allocation that the Advisor and its affiliates receive from the Fund Clients with respect to the referred investors. Investors do not bear any such fees and will not be charged any higher or additional fees as a result of such arrangements.

For a discussion of these and related items, see *Item 10* (Other Financial Industry Activities and Affiliations) and *Item 12* (Brokerage Practices).

Item 15 – Custody

Fund Clients

Prosight Management is deemed to have custody of the Fund Clients' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. To the extent required by Rule 206(4)-2 under the Advisers Act, the Fund Clients' cash and securities are held with one or more qualified custodians selected by us from time to time. The current qualified custodians that hold cash and securities for each of the Fund Clients are disclosed in Section 7.B(1) of Schedule D of Form ADV Part 1A. An independent public accountant has been engaged to conduct annual audits of the Fund Clients, and annual audited financial statements (prepared in accordance with U.S. generally accepted accounting principles) are generally distributed to limited partners in the Fund Clients within 120 days after the end of each fiscal year. Qualified custodians do not provide statements directly to investors in the Fund Clients.

Managed Account Clients

Prosight Management does not have custody over the Managed Account Clients' cash or securities. All cash and securities owned by Managed Account Clients are held by one or more qualified custodians that are appointed and engaged by such Clients pursuant to separate custody or other arrangements.

Managed Account Clients receive account statements and reports directly from their applicable qualified custodians and should carefully review those statements and reports. We urge Managed Account Clients to compare the account statements and reports they receive from their custodians with any statements or reports they receive from us.

Item 16 – Investment Discretion

Discretionary Authority

We generally have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of each Client in accordance with the applicable governing, offering and/or account documents. In addition, we generally have authority to determine the broker-dealer or other counterparty to be used for Client transactions and the negotiation of commission rates and other consideration to be paid by the Clients (except as otherwise provided in the applicable Advisory Agreement).

Limited Power of Attorney

Each applicable investor in the Fund Clients grants Prosight Management, as general partner of the Fund Clients, a limited power of attorney to enable Prosight Management to execute the governing documents and take various other actions on its behalf (including to operate the Fund Client). Prosight Management also has the authority to conduct authorized trading on behalf of all Clients pursuant to a limited power of attorney included in the applicable account and governing documents.

For a further discussion of these and related items, see *Item 4* (Advisory Business).

Item 17 – Voting Client Securities

We vote proxies on behalf of the Clients. Such proxies are voted in accordance with the procedures set forth in our proxy voting policy and in a manner that seeks to serve the best interests of each Client (as determined in our discretion). Generally, we consider each proxy issue on a case-by-case basis; however, our proxy voting policy contains specific guidelines addressing how to vote proxies with regard to routine matters (which generally means that such matter will not measurably change the structure, management, control or operation of the company and are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company).

Depending on the applicable circumstances, we may vote one Client's securities differently than we vote those of another Client, or may vote differently on various proposals, even though the securities or proposals are similar (or identical). In some instances, we may determine that it is in the Client's best interest for us to "abstain" from voting or not to vote at all and will do so accordingly.

At times, conflicts may arise between the interest of a Client, on the one hand, and the interest of either another Client, us or their respective affiliates on the other hand in consideration of a proxy vote. For example, a vote could arise in relation to a single company that (i) has issued stock to a Client with a buyout investment mandate, and (ii) has issued bonds or other debt instruments that are owned, in part, by a Client that is permitted to invest in debt instruments. To address such potential conflicts, we follow the procedures outlined in our proxy voting policy. Our proxy voting policy requires that in all situations involving a potential conflict between two Clients, the vote will be made without regard to our actual or anticipated compensation. We or a Client may utilize a third-party service provider to assist us with the processing of proxy votes.

Proxy voting records, identifying how proxies were voted where we have been delegated proxy voting authority, and our proxy voting policy, are available upon written request to Prosgnit Management, L.P., 2301 Cedar Springs Road, Suite 355, Dallas, Texas, 75201, Attn: Chief Compliance Officer.

Item 18 – Financial Information

- A. Prosight Management does not require or solicit prepayment of more than \$1,200, six months or more in advance.
- B. Prosight Management does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Clients.
- C. Prosight Management has not been the subject of a bankruptcy petition at any time during the past ten years.

General Information – Privacy Policy

Prosight Management has adopted policies and procedures reasonably designed to protect various records and information of the Clients and investors. Except as set forth in the applicable offering materials or account documents and as otherwise authorized by a Client and/or investor, private information about the Clients and investors generally is disclosed only as permitted by applicable law to our affiliates and service providers, including our accountants, attorneys, brokers, custodians, transfer agents and any other parties whose services are necessary or convenient to the operation of the Fund Clients or the Managed Account Clients.