

ITEM 1: COVER PAGE



PERCEPTIVE ADVISORS

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This brochure provides information about the qualifications and business practices of Perceptive Advisors LLC. If you have any questions about the contents of this brochure, please contact us at the phone number above.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. Registration of an investment adviser does not imply that Perceptive Advisors LLC or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

Additional information about Perceptive Advisors LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

ITEM 2: MATERIAL CHANGES

Perceptive Advisors LLC is required to provide a summary of changes made to this Form ADV, Part 2A in connection with its annual updating amendment. Since its last annual updating amendment dated March 29, 2018, Perceptive Advisors LLC has added an affiliated entity to Item 4, Perceptive Venture Advisors, LP, along with information related to the newly developed private fund, Perceptive Xontogeny Venture Fund, LP, described in greater detail throughout this brochure. In addition, Perceptive Advisors LLC updated information regarding an affiliate in Item 10.

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ITEM 4: ADVISORY BUSINESS

Perceptive Advisors LLC, a Delaware limited liability company, along with its affiliated entities, including but not limited to Perceptive Credit Advisors LLC and Perceptive Venture Advisors, LP (collectively referred to herein as the “Advisor”), is an investment firm established in 1999. The Advisor focuses on investment opportunities in healthcare, with an emphasis on biotechnology. The Advisor believes that significant opportunities exist in biotechnology due to pervasive underlying market inefficiencies and volatility. Joseph Edelman is the founder, sole managing member, and sole owner of Perceptive Advisors.

As discussed in further detail in Item 7 herein, the Advisor advises the “Perceptive Life Sciences Funds,” which is a master-feeder private fund structure that has historically invested primarily in publicly-traded securities. In addition, the Advisor advises the “Credit Opportunities Funds” which includes several master-feeder structures that invest primarily in private securities and loans. As referenced herein, the Credit Opportunities Funds includes the PCOF Phoenix II Fund, LP and its related entities. Lastly, the Advisor advises a stand-alone private venture capital fund, Perceptive Xontogeny Venture Fund, LP (the “Venture Fund”), principally investing in seed and early stage life science companies. The Perceptive Life Sciences Funds, the Credit Opportunities Funds, and Venture Fund collectively are referred to as the “Funds.” The Advisor also advises a separately-managed account client and may in the future manage additional accounts (the “Separate Accounts” and together with the Funds, the “Client Accounts”). The Separate Account is an affiliated account owned by Joseph Edelman. As of December 31, 2018, the Advisor had regulatory assets under management of \$5,041,667,000, all of which were managed on a discretionary basis.

The Advisor invests the Funds’ assets in accordance with the investment objectives and strategy set forth by the Advisor in the relevant Fund’s confidential private placement memorandum, limited partnership agreements and other related offering documents, as amended from time to time (collectively, the “Governing Documents”). Investors in a Fund cannot place investment restrictions on the Fund’s investment strategy, or on the Advisor’s trading of Fund assets pursuant to such strategy.

The Advisor invests the Separate Accounts assets in accordance with the relevant managed account agreement when applicable, which is tailored to the individual needs of the Separate Account. Separate Account clients may place investment restrictions on the Advisor’s trading for the Separate Account pursuant to such managed account agreement.

ITEM 5: FEES AND COMPENSATION

The Perceptive Life Sciences Funds

The Advisor receives a management fee (the “Management Fee”), payable at the feeder fund level, equal to 2% per annum, based on the net asset value of each Fund. The Management Fee is payable monthly at the beginning of each month.

The Advisor, in its discretion, may waive all or any portion of the Management Fee for any investor and may agree that a portion of its Management Fee be paid to third parties.

Each feeder fund also reimburses and/or advances to the Advisor a maximum of 1% per annum of the average month-end net asset value of each feeder fund for certain of the Advisor’s administrative and management costs and expenses, including without limitation computer equipment and services, office space and utilities, salaries and bonuses, and other overhead expenses of the Advisor, except to the extent such costs and expenses are provided through “soft dollars” as described in Item 12 herein. Certain

investors in their respective feeder funds hold shares or limited partnership interests with reduced redemption rights. These investors are not subject to this 1% fee.

Please see Item 6 for a discussion of the Advisor's performance-based compensation.

The Credit Opportunities Funds

During the investment period, the Advisor receives a Management Fee, generally equal to 1.5% per annum, based on the Credit Opportunities Funds' net invested capital. After the investment period, the Advisor receives a Management Fee equal to 1.5% of the sum of the net asset value of the Fund plus any unfunded capital commitments to portfolio companies. The Management Fee is payable quarterly in advance.

The Advisor, in its discretion, may waive all or any portion of the Management Fee for any investor and may agree that a portion of its Management Fee be paid to third parties (including a party who introduces an investor to the Credit Opportunities Funds).

Please see Item 6 for a discussion of the Advisor's performance-based compensation.

The Venture Fund

During the investment period, the Advisor receives a Management Fee equal to 2% per annum, based on each investor's capital commitment. After the investment period, the Advisor receives a Management Fee equal to 2% of the aggregate cost basis of investments held by the Venture Fund. The Management Fee is payable quarterly in advance.

The Advisor, in its discretion, may waive all or any portion of the Management Fee for any investor. 100% of the Venture Fund's pro rata share of any amount of director's fees, consulting fees, commitment fees, break-up fees, monitoring fees, success fees or other remuneration paid to the general partner of the Venture Fund, the Advisor or any of the Advisors principals by or on behalf of portfolio companies, net of expenses, will be treated as an offset against future Management Fees; provided, however, that the Management Fee will not be reduced below zero. The Management Fee shall also be reduced by 100% of the Venture Fund's pro rata share of any placement fees borne by the Venture Fund and any parallel investment entities thereof (if any).

Please see Item 6 for a discussion of the Advisor's performance-based compensation.

Separate Account

The Separate Account is not charged any fees by the Advisor.

Expenses

Except as otherwise agreed with any particular Client Account in the related Governing Documents, generally each Client Account is responsible for, among other things, all third-party costs and expenses related to their investments and operations, including all expenses and costs incurred in investigating, developing, negotiating, structuring, acquiring, trading, settling, monitoring and holding portfolio investments and prospective portfolio investments (whether or not consummated); travel, legal, tax and accounting expenses in connection therewith; broken deal expenses; costs and expenses related to a potential start-up business idea, including expenses including expenses related thereto which may consist of reimbursement to the Advisor for a portion of the compensation paid to an employee or consultant of the Advisor including an entrepreneur-in-residence and an applicable portion of the overhead of the Advisor;

expenses related to the registration, qualification or exemption of any Fund under any applicable laws; brokerage fees and commissions and prime brokerage fees, custodial expenses, agent bank and other bank service fees and other investment costs; payments to legal counsel, tax advisors, auditors, accountants, administrators, directors, appraisers, custodians, consultants and other outside advisors; expenses of the advisory boards attributable to any of the Funds; insurance; market data costs; research-related expenses, including, without limitation, news and quotation equipment, software and services; other expenses related to the purchase, monitoring, sale, settlement, custody or transmittal of Fund assets; costs of any regulatory filings related to Client Accounts (such as Schedules 13D and G); expenses of any lenders and other financing sources and interest and fees and expenses arising out of all borrowings made by the Funds; taxes, fees or government charges that may be assessed against the Funds; any extraordinary expense of the Funds, including fees and expenses associated with any tax or other audit, investigation, settlement or review of the Funds; legal fees and costs arising in connection with any litigation or regulatory investigation instituted against the Advisor or the Funds; expenses incurred in connection with complying with provisions of side letter agreements; liquidation expenses of the Funds and their affiliates; expenses of annual and special meetings of the investors in the Funds; costs of preparing financial statements and reports to investors as well as tax returns and Schedule K-1s and other accounting or similar administrative functions; and all other expenses properly chargeable to the activities of the Funds or otherwise approved by the advisory board and, to the extent any such costs or expenses are paid by the Advisor, the general partners or their affiliates, as the case may be, shall be reimbursed by the Funds.

Except as otherwise agreed with any particular Fund's related Governing Documents, the Funds will generally bear organizational expenses, including without limitation all of the costs and expenses attributable to the organization of the Funds and their affiliates; the offer and/or sale of interests in the Funds and its affiliates, including without limitation any fees, costs and expenses relating to marketing the Funds and/or meetings with prospective investors; legal fees and expenses (including, without limitation, legal expenses relating to organizational and governing documents, offering memoranda, diligence responses, disclosure documents, legal opinions, and side letters and similar agreements); accounting fees and expenses; commercial transportation costs (including business-class and/or first-class travel), accommodations and meals; third party expenses incurred in connection with secure communications to prospective investors; fees and expenses of consultants retained in connection with fundraising; costs pertaining to initial compliance with the European Union Alternative Investment Fund Managers Directive (as implemented in any jurisdiction, together with all amendments thereto, and including any rules, regulations or legislative measures made in connection therewith whether at the European or member state jurisdictional level) and similar laws of other jurisdictions; the preparation and administration of any initial disclosures, filings or notifications prepared in accordance with the foregoing; printing costs; filing fees; and other similar expenses described more fully in each Fund's Governing Documents.

Certain expenses incurred in managing the Client Accounts may be charged to the Funds but may benefit all Client Accounts. The Advisor believes that these expenses, which will include the cost of certain filings with the SEC, will be de minimis. All other expenses are generally allocated among participating Client Accounts in proportion to their respective participation in a specific investment, in proportion to their respective net asset values, or on such other basis as the Advisor may determine to be equitable. For additional information about brokerage expenses, see Item 12 below.

ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The Perceptive Life Sciences Funds

An affiliate of the Advisor is entitled to receive performance-based compensation in the form of an incentive allocation equal to 25% of the appreciation in the net asset value of an investor's capital account. This

performance fee is subject to a high-water mark. The Advisor or its affiliate, in its sole discretion, may waive or reduce the performance fee for any investor.

The Credit Opportunities Funds

An affiliate of the Advisor is entitled to receive incentive distributions (also known as carried interest) from the Credit Opportunities Funds based on the net cash proceeds distributed to investors by the Funds. The calculation of the incentive distributions to the Advisor's affiliates is described in the Credit Opportunities Fund's Governing Documents. The incentive distribution is generally equal to 20% of the capital distributed after certain threshold returns to other investors are met. The Advisor or its affiliate, in its sole discretion, may waive or reduce the incentive distributions for any investor.

The Venture Fund

An affiliate of the Advisor is entitled to receive incentive distributions (also known as carried interest) from the Venture Fund based on the net cash proceeds distributed to investors by the Fund. The calculation of the incentive distributions to the Advisor's affiliates is described in the Venture Fund's Governing Documents. The incentive distribution is generally equal to 20% of the capital distributed after certain threshold returns to other investors are met. The Advisor or its affiliate, in its sole discretion, may waive or reduce the incentive distributions for any investor.

Separate Account

The Separate Account is not charged any incentive-based compensation.

ITEM 7: TYPES OF CLIENTS

The Advisor's clients are the Funds and the Separate Account. Each Fund's Governing Documents specify the eligibility criteria and minimum investment requirements. Although the Advisor has the authority to accept subscriptions of a lesser amount, the required minimum initial investment in the Funds is generally \$1,000,000. For certain of the Funds, the required minimum initial investment in the Funds is \$5,000,000.

Investors in the Funds consist primarily of institutional investors, financial institutions, other investment funds, and high-net-worth individuals. The Advisor requires Fund investors to make representations concerning their financial sophistication and ability to bear the risk of loss of their entire investment.

ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

The Perceptive Life Sciences Funds

The Advisor's strategy is to invest in the equities of growth healthcare companies and value plays, with an emphasis on biotechnology. The Advisor's philosophy is that the most critical element in achieving superior investment returns is to maintain an unbiased view of fundamental company news without regard to our current or past investment position in the stock, or its price history. By acknowledging inherent uncertainty, only then can we make objective real-time investment decisions. In the Advisor's view, investment decision biases are the single greatest impediment to generating positive investment returns. The Advisor's portfolio manager, Joseph Edelman, and his team of analysts use their substantial scientific, technical and investment expertise to identify opportunities to exploit relative value disparities and inefficiencies that exist on both the long and short side of the market. While most other Wall Street biotechnology analysts typically cover only the largest 20-30 companies in this industry, the Advisor's analysts also focus on the remaining smaller, more inefficiently priced 300 or more companies. In addition, an active risk management style, a

low amount of leverage, and the team's focus on original investment ideas and research, primarily sourced in-house, contribute significantly to the Client Accounts' unique value. Hedging strategies using long and short equity positions, equity options, and index options are used in an attempt to reduce and control risk.

The Credit Opportunities Funds

The investment objective of the Credit Opportunities Funds will be to achieve superior risk-adjusted returns by investing in senior secured loans and other debt and debt-related instruments issued by small and mid-cap publicly traded companies and privately-held emerging growth companies primarily in the healthcare and related industries. The Credit Opportunities Funds' investments may be originated by the Credit Opportunities Fund or in collaboration with a syndicate of other credit investors, and it is expected that a majority of the Credit Opportunities Funds' investments will be structured as directly originated loans to healthcare companies.

The Venture Fund

The investment objective of the Venture Fund will be to achieve attractive returns by investing principally in equity investments in seed and early stage privately held life sciences companies. The Venture Fund's investments will generally be in companies that have partnered with Xontogeny, LLC ("Xontogeny"), an accelerator that will incubate new biotechnology companies through hands-on operational and strategic early, preclinical and clinical design support. Xontogeny will provide experienced management and oversight to ensure the optimal development strategy and execution across a portfolio of companies. The Venture Fund seeks to make 8-10 investments, sourced globally but principally located in North America, including in companies with a lead-optimized compound/technology in preclinical stages. The Fund will focus on validated technology areas, excluding new frontiers such as CRISPR that are perceived as higher risk.

Separate Accounts

The investment strategies of the Separate Account are substantially similar to those of the Perceptive Life Sciences Fund, though the Separate Account may take more concentrated positions and use a higher degree of leverage than the Perceptive Life Sciences Fund.

Investment Risks

Investing in securities and other early-stage investing involves risk of loss that all investors should be prepared to bear. The following does not purport to be a comprehensive summary of all of the risks associated with the Client Accounts' investment strategy. Rather, the following are only certain risks to which certain of the Client Accounts' strategies are subject. For a detailed list of each Client Account's investment risks, see the related Governing Documents associated to the specific Client Account.

Certain of the Client Accounts will invest their assets in securities, some of which are traded over the counter and some of which may be illiquid. There are several risks inherent in such investments, some of which are specifically referenced below. Such investments are subject to investment-specific price fluctuations as well as to macro-economic, market and industry-specific conditions, including, but not limited to, national and international economic conditions, domestic and international financial policies and performance, conditions affecting particular investments such as the financial viability, sales and product lines of corporate issuers, national and international politics and governmental events, and changes in income tax laws. Moreover, the Client Accounts may have only limited ability to vary their investment portfolios in response to changing economic, financial and investment conditions.

Specifically, with any venture capital strategies employed by the Advisor, traditional exit opportunities for venture capital funds have consisted primarily of initial public offerings and acquisitions of portfolio companies by publicly-traded companies, often for stock. The ability of the Advisor to sell or distribute securities and to realize investment gains will depend, in large part, upon favorable market conditions, including receptiveness to initial public offerings for the types of companies in which it invests and an active mergers and acquisitions market. Initial public offering and merger and acquisition opportunities may be limited or non-existent for extended periods of time, whether due to economic, regulatory or other factors.

Risks Associated with Investments in Life Sciences and Healthcare Companies. The success of certain investments be dependent upon obtaining certain government approvals. The research, development, preclinical and clinical trials, manufacturing, labeling, and marketing related to a biotechnology or medical technology company's products are subject to an extensive regulatory approval process by the U.S. Food and Drug Administration (the "FDA") and other regulatory agencies in the U.S. and abroad. The process for obtaining FDA and other required regulatory approvals, including the required preclinical and clinical testing is very lengthy, costly, and uncertain. There can be no guarantee that, even after such time and expenditures, a portfolio company will be able to obtain the necessary regulatory approvals for clinical testing or for the manufacturing or marketing of any products or that the approved labeling will be sufficient for favorable marketing and promotional activities. If an investment is unable to obtain these approvals in a timely fashion, or if after approval for marketing, a product is later shown to be ineffective or to have unacceptable side effects not discovered during testing, the portfolio company may experience significant adverse effects, which in turn, could negatively affect the performance of the Client Accounts.

The Advisor may invest in companies that will need to obtain patent protection for products, both in the U.S. and in other countries. The patent position of life sciences companies in many countries is highly uncertain and involves complex legal, scientific and factual questions. There is no consistent policy regarding the permissible breadth of coverage of claims allowed in life sciences patents.

The Client Accounts' Investments may be Volatile. A principal risk in speculative securities investing and trading is the traditional volatility in the market prices of securities. The profitability of certain Client Accounts depends greatly on predicting market prices. If the Advisor incorrectly predicts price movements, large losses could result.

Certain of the Client Accounts will invest in small, emerging companies, which are unseasoned, unprofitable and/or have no established operating history or earnings. These companies may also lack technical, marketing, financial and other resources or may be dependent upon the success of one product or service or the effectiveness of a manager or management team. Many of these companies will operate at a loss, or with substantial variations in operating results from period to period. The failure of this one product or service, or the loss or ineffectiveness of a key executive or executives within the management team, may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities.

The Client Accounts' Investments may be Leveraged. Certain of the Client Accounts intend to invest and trade on a leveraged basis (*i.e.*, where the security can be purchased by putting up only a portion of the instrument's face value and borrowing the remainder (margin)). Although the use of borrowed money to purchase securities will permit the Client Accounts to make investments in an amount in excess of the Client Accounts' capital, it also will increase the Client Accounts' exposure to losses. Thus, a relatively small price movement in such an investment may result in immediate and substantial loss to the Client Accounts. Like other leveraged investments, the Client Accounts' transactions may result in losses in excess of the amount invested. Moreover, the Client Accounts will incur interest charges in servicing the leverage, which charges may be substantial.

Short Sales. Certain of the Client Accounts intend to engage in significant short selling activities (*i.e.*, the sale of a security which the Client Accounts do not own for the purpose of taking advantage of an anticipated decline in price by purchasing the same security at a later date) in which there is no limit to the amount of potential loss. The extent to which the Client Accounts will engage in short sales will depend upon the Advisor's investment strategy and perception of market direction. The Client Accounts will incur a loss as a result of a short sale if the price of the security increases between the date of the short sale and the date on which the Client Accounts cover their short positions (*i.e.*, purchase the security to replace the borrowed security). The Client Accounts will realize a gain if the security declines in price between these dates. A short sale involves the theoretically unlimited risk of an increase in the market price of the security.

Although the use of short sales can substantially improve the return on invested capital, their use also may increase any adverse impact to which the investment portfolio of the Client Accounts may be subject. Gains and losses on short sales generally are treated as short-term capital gains and losses for tax purposes.

Concentration of Investments. Subject to the Client Accounts' investment policies described above, there is no limit on the amount of the Client Accounts' assets that can be invested in any particular position or strategy. In fact, the Advisor's approach will emphasize securities of the companies in the biotechnology industry and may at times emphasize particular sectors of the healthcare industry. Accordingly, a loss in any single position or strategy could materially reduce the Client Accounts' assets. In addition, the value of the Client Accounts' investment positions may be subject to decreases as a result of general economic conditions and/or the adverse effect upon the companies of which the Client Accounts own stock.

Trading in Small Capitalization Markets. Certain of the Client Accounts may invest a portion of their assets in securities of companies with small market capitalizations that may not be well known to the general public and have limited trading volumes. Some of these companies will have been in operation for fewer than three years. This trading may entail more risk than investments in companies with higher market capitalizations, because of increased volatility and trading liquidity.

Options Trading. An option on a security gives the purchaser of the option the right but not the obligation to take a position at a specified price (the "striking," "strike" or "exercise" price) in a security. A "call" option gives the purchaser the right to buy the underlying security, and the purchaser of a "put" option acquires the right to take a sell position in the underlying security. The purchase price of an option is referred to as its "premium." The seller (or "writer") of an option is obligated to take a position at a specified price opposite to the option buyer if the option is exercised. Thus, in the case of a call option, the seller must be prepared to sell the underlying security at the strike price if the buyer should exercise the option. A seller of a put option, on the other hand, stands ready to buy the underlying security at the strike price. Both the purchasing and selling of call and put options entail risks. Although an option buyer's risk is limited to the amount of the original investment for the purchase of the option, an investment in an option may be subject to greater fluctuation than is an investment in the underlying securities. In theory, an uncovered call writer's loss is potentially unlimited, but in practice the loss is limited by the term of existence of the call. The risk for a writer of a put option is that the price of the underlying security may fall below the exercise price.

Over-the-Counter Trading. Securities that may be purchased or sold by the Client Accounts will include instruments not traded on an exchange. Over-the-counter options, unlike exchanged-traded options, are two party contracts with price and other terms negotiated by the buyer and seller. The risk of nonperformance by the obligor on such an instrument may be greater and the ease with which the Client Accounts can dispose of or enter into closing transactions with respect to such an instrument may be less than in the case of an exchange-traded instrument. In addition, significant disparities may exist between "bid" and "asked" prices for securities that are not traded on an exchange. Securities not traded on exchanges are also not subject to the same type of government regulation as exchange-traded instruments,

and many of the protections afforded to participants in a regulated environment may not be available in connection with such transactions. To the extent that the Client Accounts engage in these transactions, the Client Accounts must rely on the creditworthiness of their counterparty.

The Markets and Securities Traded by the Client Accounts May Be Illiquid. At various times, the markets for securities purchased or sold by the Client Accounts may be “thin” or illiquid, making purchase or sale of securities at desired prices or in desired quantities difficult or impossible. It may not always be possible to execute a buy or sell at the desired price or to close out an open position, either due to market conditions, daily price fluctuation limits or speculative position limits. Particularly, there is a very limited market for, and substantial restrictions on, the resale of privately-traded securities. In addition, investors in privately-traded securities typically have certain registration rights with respect to the registration of such securities at a later date, but the exercise of these registration rights is dependent upon various conditions. There is no assurance that these conditions will occur or that these registration rights will otherwise be exercisable. Illiquid securities may have to be held for a substantial period of time because of market or industry conditions, the development stage at which they were purchased, or legal restrictions on resale. The valuation of illiquid securities will be in the Advisor’s discretion.

Turnover; Excessive Trading Risk. Certain of the Client Accounts’ capital will primarily be invested and traded on the basis of short-term market considerations. The portfolio turnover rate of those investments may be significant, potentially involving substantial brokerage commissions and fees. These commissions and fees will, of course, reduce the Client Accounts’ profits.

Trading on Non-United States Exchanges. Certain of the Client Accounts may invest and trade on exchanges and with counterparties located outside the United States, where the protections provided by SEC regulations do not apply. In the case of trading or investing by the Client Accounts in non-U.S. markets or with non-U.S. counterparties, the Client Accounts will be subject to the risk of the inability of or refusal by their counterparties to perform with respect to their contracts with the Client Accounts and the difficulties of enforcing contractual obligations subject to non-U.S. law. The Client Accounts also may not have the same access to certain investments and opportunities as do various other participants in non-U.S. markets.

As the Client Accounts price their assets in United States Dollars, with respect to trading on non-U.S. markets, these assets will be subject to the risk of fluctuation in the exchange rate between the local currency and dollars and to the possibility of exchange controls.

Special Risks of Non-U.S. Investments. Non-U.S. investments made by certain of the Client Accounts could be adversely affected by political, legal, tax or economic developments in non-U.S. markets in which the Client Accounts may invest. In addition, non-U.S. investments by the Client Accounts will be subject to the risks of adverse market conditions due to changes in national or local economic conditions, changes in interest rates and changing governmental rules and policies.

Currency and Exchange Rate Risks. Since certain of the Client Accounts may invest in securities denominated or quoted in currencies other than the U.S. Dollar, changes in currency exchange rates may affect the value of the Client Accounts’ portfolios and the unrealized appreciation or depreciation of investments. The Client Accounts may seek to protect the value of some portion or all of their portfolio holdings against currency risks by engaging in hedging transactions, if available, cost-effective and practicable. The Client Accounts may enter into forward contracts on currencies as well as purchase put and call options on currencies. There is no certainty that instruments suitable for hedging currency shifts will be available at the time when the Client Accounts wish to use them or that, even if available, the Client Accounts will elect to utilize a hedging strategy.

Risk Arbitrage Transactions. Certain of the Client Accounts may engage in risk arbitrage transactions where they will purchase securities at prices that may be only slightly below the anticipated value of the cash, securities or other consideration to be paid or exchanged for such securities at the time of a proposed merger, exchange offer, tender offer or other similar transaction. Such purchase prices may be substantially in excess of the market price of the securities prior to such time. If the proposed merger, exchange offer, tender offer or other similar transaction later appears likely not to be consummated or in fact is not consummated or is delayed, the market price of the security purchased by the Client Accounts may decline sharply and result in losses to the Client Accounts.

Special Situations. Certain of the Client Accounts may invest in securities of an issuer based upon, or in anticipation of, an extraordinary corporate event, such as a spin-off, merger, or other reorganization, or which may be highly leveraged or operating in an out-of-favor industry. In special situation investing there are risks that the anticipated special situation will not occur or the anticipated benefit of the special situation will not be realized.

Private Company Investing Conflicts. The investment activities of one or more Client Accounts of the Advisor may result in the imposition of restrictions on the flexibility of other Client Accounts. For example, if the Advisor obtains material non-public information concerning a company on behalf of an advisory client in connection with a privately negotiated transaction, other advisory clients may be unable to trade in the securities of the same company in the public markets.

Derivative Instruments. Certain of the Client Accounts may invest in complex derivative instruments which seek to modify or replace the investment performance of particular securities, commodity interests, other property, interest rates, indices or markets on a leveraged or unleveraged basis. Derivative instruments are subject to additional risks that include interest rate and credit risk volatility, world and local market price and demand, and general economic factors and activity. Derivative instruments also have counterparty risk and may not perform in the manner expected by the Client Accounts or the counterparties, thereby resulting in greater loss or gain to the Client Accounts.

Risks from Hedging Activities. If the Advisor analyzes market conditions incorrectly or employs a risk reduction strategy that does not correlate well with the Client Accounts' investments, the Client Accounts' risk reduction techniques could result in a loss, regardless of whether the intent was to reduce risk or increase return. These risk reduction techniques may also increase the volatility of the Client Accounts and/or result in a loss if the counterparty to the transaction does not perform as promised.

The Markets in Which the Client Accounts Invest are Highly Competitive. The securities industry in general, and the biotechnology/healthcare industry markets in which the Client Accounts intend to invest and trade, are extremely competitive. In pursuing their investment and trading methods and strategies, certain of the Client Accounts will compete with securities firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and brokers. In relative terms, the Client Accounts have little capital and may have difficulty in competing in markets in which their competitors have substantially greater financial resources, larger research staffs, and more securities professionals than the Client Accounts have or expect to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which a security may be purchased by the Client Accounts and the price they expect to receive upon consummation of the transaction.

Investments in Xontogeny Companies. The Advisor intends to invest principally in Xontogeny-related companies in the Venture Fund. The Advisor and/or certain partners, members, officers, employees and/or affiliates of the foregoing have, directly or indirectly, made investments in and, directly or indirectly, own securities issued by Xontogeny (and, as a result, may hold an indirect interest in one or more Xontogeny

companies prior to any investment by the Venture Fund therein). In addition, certain partners, members, officers and/or affiliates serve as executives, officers, directors, members or employees of Xontogeny.

Cybersecurity. The Advisor and other related entities/partners depend on complex information technology and communications systems to conduct business functions. These systems are subject to a number of different threats or risks that could adversely affect the Client Accounts and investors, despite the efforts of the Advisor and other related entities/partners to adopt technologies, processes and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Client Accounts and investors. For example, unauthorized third parties may attempt to improperly access, modify, disrupt the operations of, or prevent access to these systems of the Advisor and other related entities/partners. Third parties may also attempt to fraudulently induce employees, customers, third-party service providers or other users of the Advisor and other related entities/partners' systems to disclose sensitive information in order to gain access to the Advisor's data, or that of the investors. A successful penetration or circumvention of the security of the Advisor's systems could result in the loss or theft of an investor's data or funds, the inability to access electronic systems, loss or theft of proprietary information or corporate data, physical damage to a computer or network system or costs associated with system repairs. Such incidents could the Advisor and other related entities/partners to incur regulatory penalties, reputational damage, additional compliance costs or financial loss. Similar types of operational and technology risks are also present for related portfolio company investments, which could have material adverse consequences for such portfolio companies, and may cause such investments to lose value.

ITEM 9: DISCIPLINARY INFORMATION

Certain inquiries were conducted by the SEC and FINRA regarding various short sales that were placed by Joseph Edelman and others associated with the Advisor in 2005 and 2006 on behalf of a prior broker-dealer with which Mr. Edelman had been associated. Mr. Edelman and such other parties cooperated fully with regulatory authorities.

FINRA Matter No. 20050007960 was formally resolved on or about December 18, 2008 pursuant to the terms of a Letter of Acceptance, Waiver and Consent ("AWC") entered into by Joseph Edelman and other persons, including certain persons associated with the Advisor. By the AWC, Mr. Edelman and such other persons associated with the Advisor accepted and consented, without admitting or denying, to the entry of findings that they violated Rule 105 of Regulation M under the Securities Exchange Act of 1934, as amended which rule was subsequently amended in October 2007). Pursuant to the AWC, Mr. Edelman agreed to the payment of a fine of \$50,000. This fine has been duly paid by Mr. Edelman out of the Advisor's assets. Fines in lesser amounts were also imposed against some of the other parties associated with the Advisor. None of these fines were paid by the Client Accounts.

On October 20, 2009, SEC Matter No. NY-0793, an inquiry conducted by the SEC's New York Regional Office concerning primarily the same secondary offerings that were the subject of the AWC, was formally resolved pursuant to the terms of an Order Instituting Administrative Cease and Desist Proceedings Pursuant to Section 21C of the Exchange Act and Section 203(e) of the Advisers Act (the "Order").

By the terms of the Order, the Advisor accepted and consented, without admitting or denying, to the entry of findings that it violated then Rule 105 of Regulation M under the Exchange Act (which rule was subsequently amended in October 2007). Pursuant to the Order, the Advisor was censured and agreed to disgorge profits and pay pre-judgment interest in the aggregate amount of \$314,755.26, and to pay a fine of \$125,000. These amounts have been paid by the Advisor. None of these amounts were paid by the Client Accounts.

ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Perceptive Life Sciences Onshore Funds' general partner is Perceptive Capital LLC, a Delaware limited liability company. Perceptive Capital LLC is an affiliate of the Advisor. Joseph Edelman is the managing member of Perceptive Capital LLC. This relationship may create an incentive for the Advisor to make investments that are riskier or more speculative than would be the case if Perceptive Capital LLC did not receive incentive compensation from the Perceptive Life Sciences Onshore Funds.

The Credit Opportunities Fund's general partner is Perceptive Credit Opportunities GP, LLC, a Delaware limited liability company. Perceptive Credit Opportunities GP, LLC is an affiliate of the Advisor. Joseph Edelman is the managing member of Perceptive Credit Opportunities GP, LLC. This relationship may create an incentive for the Advisor to make investments that are riskier or more speculative than would be the case if Perceptive Credit Opportunities GP, LLC did not receive incentive compensation from the Credit Opportunities Funds. Perceptive Credit Advisors LLC, an affiliated investment advisor relying on the SEC registration of the Advisor, provides investment advisory services to Perceptive Credit Opportunities Fund II, LP and PCOF Phoenix II Fund, LP.

The Venture Fund's general partner is Perceptive Xontogeny Venture GP, LLC, a Delaware limited liability company. Perceptive Xontogeny Venture GP, LLC is an affiliate of the Advisor. Joseph Edelman is the managing member of Perceptive Xontogeny Venture GP, LLC. This relationship may create an incentive for the Advisor to make investments that are riskier or more speculative than would be the case if Perceptive Xontogeny Venture GP, LLC did not receive incentive compensation from the Venture Fund. Perceptive Venture Advisors, LP, an affiliated investment advisor relying on the SEC registration of the Advisor, provides investment advisory services to the Venture Fund.

The Advisor provides investment management services to more than one Client Account and such Client Accounts may have overlapping or conflicting investment objectives. Related persons of the Advisor may co-invest alongside clients under certain circumstances. Participation in a specific investment opportunity could be appropriate for more than one Client Account, in which event the Advisor will allocate the opportunity, which may not result in a pro rata allocation to all Client Accounts. Accordingly, even Client Accounts sharing similar strategies may not hold the same securities or instruments or achieve the same performance. However, the Advisor will always endeavor to allocate investments in a fair and equitable manner. Additionally, the Advisor has developed certain internal policies to address such conflicts.

The Advisor may give advice or take action for one Client Account that differs from, conflicts with, or is adverse to, advice given or action taken on behalf of another Client Account. There may be circumstances in which some Client Accounts, principals, related persons or employees hold interests in an investment that are structured differently, have different seniority, and/or have different terms than the investment made by a Client Account in the same or a related investment. Therefore, the interests of the Client Account and the Advisor (or its principals or employees) may not always be aligned, which may give rise to actual or potential conflicts of interest, and actions taken for one Client Account may be adverse to the interests of another Client Account or the Advisor (or its principals or employees), or vice versa.

The Venture Fund's investments are expected to be predominantly in companies that Xontogeny provides services and/or holds founders' equity, as further described in Item 8 and the related Governing Documents. Because one or more partners, members, officers, employees, investment committee members and/or affiliates related to the Advisor will hold an investment in such companies, conflicts of interest will arise related to the terms and valuation of such companies in connection with the related investments made by the Advisor on behalf of the Venture Fund. As such, the Advisor will always endeavor to act in the best interests of the Venture Fund.

An affiliate of the Advisor is a blank check company incorporated as a Cayman Islands exempted company (the “Blank Check Company”) and formed for the purpose of effecting a merger, share exchange, asset acquisition, share repurchase, reorganization or similar business combination with one or more businesses. The Blank Check Company’s sponsor and management include certain of the Advisors’ principals and employees that stand to benefit from their direct and/or indirect ownership in the Blank Check Company and, accordingly, may have a conflict of interest in determining whether a particular target business is an appropriate business with which to effectuate a business combination. In accordance with any fiduciary and contractual duties to which the Advisor and its principals and employees are subject, presently and in the future, any conflicts of interest that arise between the Blank Check Company and a Client Account or Client Accounts, in connection with a business combination proposed to be effectuated by the Blank Check Company, will be resolved in favor of the Client Account or Client Accounts.

From time to time, the Advisor and its employees may come into possession of material, non-public information, which, if disclosed, might affect an investor’s decision to buy, sell or hold a security. This may occur, for example, where an affiliated person is a director or officer of a company, the stock of which may be held by a client. In the event that the Advisor does come into possession of material non-public information, it may be unable to use this information for the benefit of clients. Thus, the possession of this information may cause a client account to be frozen in a security position or be unable to engage in a transaction in that position until such time as the information is made public.

For additional conflicts, please review the related Governing Documents for each Client Account.

ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics. The Advisor has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act for the purpose of instructing employees about their fiduciary obligations to clients and to provide rules for, among other things, their personal securities transactions. Clients or prospective clients may obtain a copy of the Code of Ethics by contacting the Advisor’s Chief Compliance Officer (“CCO”).

Participation or Interest in Client Transactions and Personal Trading. A related person may from time to time have an interest, direct or indirect, in a security, the purchase or sale of which is recommended, or which in fact is purchased or sold by or otherwise traded for a client. To the extent a related person invests in a security that is held by or recommended to a client, a conflict of interest arises as the reason for making such recommendation to a client could be to benefit the related person (i.e. by increasing the value of the security) rather than it being in the best interest of the client. Policies and procedures are in place to ensure that clients’ interests are not disadvantaged by a trade made by a related person and that a related person does not benefit personally from trades undertaken for clients. In particular, the Advisor’s related persons must make necessary arrangements so that the Advisor will receive copies of the account statements and brokerage confirmation for holdings and transactions in the employees’ accounts and disclose the reportable securities in which they have a direct or indirect beneficial ownership and must submit periodic reports that show all trades and holdings of accounts in which the related person has a beneficial interest. These reports are periodically reviewed by the CCO.

Although the Advisor does not currently do so, subject to compliance with applicable law, the Advisor or its related person as principal may buy securities for, or sell securities to, an advisory Client Account. The Advisor may also cause Client Accounts to engage in cross transactions. The Advisor will not engage in cross transactions between the separate account owned by Joseph Edelman and another Client Account.

ITEM 12 BROKERAGE PRACTICES

The Advisor is authorized to determine the executing broker to be used for each securities transaction for the Client Accounts. Brokers will be selected by the Advisor generally on the basis of best execution services, which will be determined by taking into account, among other things, the broker's ability to commit capital, stability and responsibility, reputation, financial strength, reliability, responsiveness to the Advisor and accuracy of recommendations on particular securities, commission rates, ability to execute trades, block trading and block positioning capabilities, nature and frequency of sales coverage, securities price, depth of available services, arbitrage operations, bond capability and option operations, liquidity of market, access to various market venues, access to direct access trading, access to new issues and/or PIPES, expertise in certain securities or derivatives, the availability of stocks to borrow for short trades, willingness to execute related or unrelated difficult transactions in the future, the ability to execute larger transactions confidentially or anonymously or in a manner that avoids disclosing trading interest to the market, order of call, back office, processing and special execution capabilities, efficiency of execution and error resolution.

In selecting brokers to execute transactions, the Advisor need not solicit competitive bids and does not have an obligation to negotiate brokerage commission costs. Thus, the Client Accounts may be deemed to be paying for other products and services provided by the broker which are included in the transaction charges. In exchange for the direction of portfolio transaction dollars to certain brokers, credits are generated which may be used by the Advisor to pay for the products and services provided, or paid for, by such brokers. To the extent the Client Accounts' portfolio transactions generate such credits or products and services are provided, the Advisor or the Client Accounts will be receiving a benefit by reason of the direction of commissions.

The Advisor uses "soft dollars". When engaging in soft dollar transactions, the Advisor will comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended. Under this provision, in exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for Client Accounts, and, subject to its duty to obtain best execution, the Advisor may consider the value of research and brokerage products and services (collectively, "Research") provided by such brokers. "Research" may include, among other things, proprietary research from brokers, which may be written or oral. "Research products" may include, among other things, databases and quotation services. "Research services" may include, among other things, research concerning market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Accordingly, if the Advisor determines 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, a Client Account may pay commissions to such broker in an amount greater than the amount another broker might charge. The Advisor will allocate the costs of any "mixed use" products or services, so that only the portion of such products or services that relate to research or execution will be paid for with soft dollars, and the remainder will be paid for by the Advisor.

The Advisor may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Advisor or recommend these private funds as an investment to Client Accounts. The Advisor may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Advisor determines that it is otherwise consistent with seeking best execution. In no event will the Advisor select a broker-dealer as a means of remuneration for recommending the Advisor or any other product managed by the Advisor (or an affiliate) or affording the Advisor with the opportunity to participate in capital introduction programs.

Securities trades for the accounts managed by the Advisor may, but are not required to be aggregated. Where, because of prevailing market conditions, it is not possible to obtain the same price or time of execution for all of the securities or other investments purchased or sold for Client Accounts, the Advisor may average the various prices and transaction costs and charge or credit the accounts with the average price. Aggregation may operate on some occasions to the advantage, and on other occasions to the disadvantage, of the relevant Client Accounts.

In the course of carrying out trading and investing responsibilities for our clients, “trade errors” may occur — i.e., errors in executing specific trading instructions. Examples of trade errors include: (i) buying or selling an asset at a price or quantity that is inconsistent with the specific trading instructions generated by a particular strategy; or (ii) buying rather than selling a particular asset (and vice versa). In accordance with the agreements with each client, the Advisor treats all trade errors (whether they result in gains or losses) as for the account of the client, unless they are the result of conduct by the Advisor that is inconsistent with the standard of care set forth in the relevant Governing Documents of the relevant Client Account. Accordingly, the Advisor will generally not be required to reimburse any client for the results of any trade errors.

ITEM 13: REVIEW OF ACCOUNTS

The Client Accounts are reviewed on an ongoing basis by the Advisor to assure conformity with investment objectives and guidelines. The Advisor engages in active management for the Client Accounts and accordingly reviews transactions, positions and cash balances on a daily basis.

The Advisor has engaged an independent administrator to send monthly unaudited reports reviewing each Fund’s performance to investors. Additionally, investors in the Funds receive financial statements audited by an independent accounting firm registered with and subject to inspection by the Public Company Accounting Oversight Board, and in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the Fund’s fiscal year end.

Reporting requirements for the Separate Account clients are negotiated on a case-by-case basis and vary by client.

ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

Please refer to discussion in Item 12 above regarding the use of soft dollars and benefits that may be received by the Advisor from brokers in connection with execution of the Client Accounts’ securities transactions.

The Advisor and/or one or more of the Funds have entered into third party marketing arrangements with respect to the sale of interests or shares in the Funds. Such third party placement agents are compensated with a portion of the Advisor’s Management Fee and performance-based compensation payable with respect to the relevant Fund, at no cost to the investors in the Fund.

ITEM 15: CUSTODY

Based on the fact that the Advisor’s affiliated entities serve as general partners of the Funds, the Advisor will have constructive custody of client assets. The Advisor will comply with the requirements of the Rule 206(4)-2 of the Advisers Act with regards to the Advisor’s custody of the Funds’ assets by meeting the conditions of the pooled vehicle annual audit provision.

The Advisor will provide all investors with audited financial statements for the Funds in which they are invested within 120 days of such Fund's fiscal year end. In addition, the audited financial statements will be prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles. Investors should carefully review the audited financial statements of the Funds.

ITEM 16: INVESTMENT DISCRETION

The Advisor has discretionary authority to manage securities accounts with respect to the Client Accounts and to determine which securities and what amounts are to be bought or sold, which broker or dealer to be used and commission rates paid.

The Advisor invests the assets of each Fund pursuant to the investment strategy set forth in the related Governing Documents and are generally not able to place restrictions on investing in certain securities or types of securities. However, the Funds may place restrictions in the investment management agreement.

With respect to the Separate Account, the Advisor invests the Separate Account's assets in accordance with the relevant managed account agreement (if applicable), which is tailored to the individual needs of the Separate Account. Separate Accounts may place investment restrictions on the Advisor's trading for the Separate Account pursuant to such managed account agreement.

ITEM 17: VOTING CLIENT SECURITIES

The Advisor has established proxy voting policies and procedures designed to ensure that proxies are voted in the best interest of the related Client Accounts. When voting proxies, the Advisor must identify and address material conflicts that may arise between the Advisor's interests and those of the Client Accounts. Specifically, the Advisor monitors the potential for conflicts of interest that might arise from personal relationships that the Advisor or its employees may have with parties involved in the vote, and other special circumstances.

If the Advisor determines that a conflict of interest exists as to a particular issuer, the CCO will determine whether the conflict is material to the vote. If it is determined not to be material, the Advisor will vote without further procedures. If it is determined to be material, the Advisor will resolve the conflict in one of several possible ways, such as by engaging a third party to recommend a vote.

A copy of the Advisor's proxy voting policies and procedures and information on how the Advisor has voted proxies are available upon request from the Advisor's CCO.

ITEM 18: FINANCIAL INFORMATION

Registered investment advisers are required in this Item to provide investors with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet our contractual and fiduciary commitments to clients, and have not been the subject of a bankruptcy proceeding.