

Fairmount Funds Management LLC

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This “**Brochure**” provides information about the qualifications and business practices of Fairmount Funds Management LLC. If you have any questions about the contents of this Brochure, please contact us at 267-262-5303 or info@FairmountFunds.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Additional information about Fairmount Funds Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Fairmount Funds Management LLC has applied as a registered investment adviser with the SEC. However, registration with the SEC or a state securities authority does not imply any particular level of expertise, skill or training.

Item 2: Material Changes

This brochure is the initial Form ADV Part 2A of Fairmount Funds Management LLC ("**Fairmount**"), which has been submitted with Fairmount's application for registration with the SEC on May 24, 2019; therefore, there are no material changes to report.

If you have any questions about this brochure please contact us at 267-262-5303. We are happy to provide you with a current copy of our brochure at any time without charge.

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Item 4: Advisory Business

Fairmount Funds Management LLC ("**Fairmount**", "**we**", "**us**", "**our**" or the "**Firm**") is an investment adviser with its principal place of business in Philadelphia, PA. Fairmount was formed in June 2016 and registered as an investment adviser with the SEC in May 2019. Peter Harwin and Tomas Kiselak are the principal owners of the Firm.

Fairmount provides discretionary investment management services to qualified investors through the following private pooled investment vehicles:

- Fairmount Healthcare Fund LP ("**Fund I**");
- Fairmount Healthcare Feeder Fund Ltd ("**Feeder Fund I**");
- Fairmount Healthcare Fund II LP ("**Fund II**");
- Fairmount Healthcare Feeder Fund II Ltd. ("**Feeder Fund II**"); and
- Fairmount SPV II, LLC (the "**SPV**").

Each of the above Fund vehicles (not including the SPV) is referred to herein as a "**Fund**" and collectively as the "**Funds**." Additionally, Fairmount may in the future manage one or more managed accounts (such accounts, together with the Funds, may be referred to herein as the "**Accounts**"). Fairmount has full investment discretion over its client accounts subject to contractual limitations and restrictions and/or investment guidelines applicable to the Firm.

Fairmount manages investments primarily focused on healthcare and life science companies, including companies developing drugs, devices, diagnostics, services, and/or healthcare IT. The investments may be comprised of common stock, preferred shares, warrants, options, baskets of securities, exchange-traded funds and may occasionally include restricted shares or contingent value rights. Fairmount generally focuses on small and mid-size market capitalization companies and may invest long and/or short and may choose to hedge some or all of their positions.

As of March 31, 2019, Fairmount has regulatory assets under management of \$56.6M all managed on a discretionary basis.

Item 5: Fees and Compensation

Management Fee

Fairmount receives a management fee with respect to each investor in the Funds ranging from 0.5% to 1.5% per annum of the net asset value of each investor's account. Such management fees are accrued and deducted from clients' accounts in arrears at the end of each calendar month. Fairmount, in its sole discretion, may waive or modify the management fee for any Investor.

Fairmount does not receive a management fee with respect to the SPV.

The fees for any future managed accounts are negotiable and in some cases may be less than the fee ranges set forth above.

Other Types of Fees or Expenses

The Funds will bear (i) operating costs and expenses (including fees and expenses of professionals providing services to the Funds, including legal, audit, accounting, tax and administration, costs of any liability insurance obtained on behalf of the Funds; costs of reporting and providing information to investors); due diligence, research and travel expenses related to Funds' potential and actual investments (including Bloomberg and other data/subscription fees); and consulting, legal and other professional fees relating to potential and actual investments, and (ii) all other costs and expenses related to its operations and investments, including, without limitation, brokerage commissions and other transaction costs (*see also*, Item 12: Brokerage Practices); costs in connection with proxy contests (including fees and expenses of professionals relating thereto); clearing and settlement charges; custodial fees and prime brokerage fees; margin and interest expense and commitment fees on debit balances or borrowings; borrowing charges on securities sold short; management fees; costs of any litigation or investigation involving the Funds' activities; indemnification expenses; regulatory costs; any issue or transfer taxes chargeable in connection with any securities transactions; any entity level taxes; regulatory filing and license fees to the extent incurred with respect to the Funds and not in the ordinary course of business of the Firm; and any extraordinary expenses. A portion of each Fund or account's expenses may be shared by the other Funds and accounts managed by Fairmount on an equitable basis. A portion of expenses for certain research and research related products and services might be paid with "soft dollars" generated through the Funds' trading activities. It is anticipated that the use of commissions or "soft dollars" to pay for research products or services will fall within the safe harbor created by Section 28(e) of the Securities Exchange Act of 1934, as amended.

The SPV may reimburse Fairmount for certain limited costs and expenses related to the operation of the SPV.

Any future managed accounts will bear similar costs and expenses to those described above with respect to such accounts, unless otherwise agreed to by Fairmount and the investors in such accounts.

Organizational costs incurred in connection with the initial issuance of interests in each Fund or account, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses will be paid for by each Fund or account and, with respect to such costs and expenses related to the Funds, will be amortized by the Funds for financial reporting purposes over a period of up to sixty (60) months.

Neither Fairmount nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products, including the Funds.

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

The general partner of each Fund (each a "**General Partner**" and together the "**General Partners**"), each an affiliate of Fairmount, is entitled to be paid performance-based compensation by the applicable Fund, as set forth in each Fund's offering documents.

The SPV does not pay any performance-based compensation.

Any future managed accounts will pay performance-based compensation to Fairmount or an affiliate, as described in such account's operating documents.

The method for calculating such performance-based compensation may vary between the various Accounts. However, Fairmount believes that the basic incentives are essentially the same across all of its fee structures, and there are no incentives to favor one Fund or account over another.

Performance-based compensation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement.

Item 7: Types of Clients

The Firm's clients are the Funds, the SPV and any future managed accounts.

Investors in the Funds and the SPV must each be (i) an "accredited investor," as defined in Regulation D under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (ii) a "qualified purchaser," as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "**1940 Act**"). Investors in any future managed accounts must each be a "qualified client" as that term is defined in Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended.

The minimum initial investment in each Fund is \$1,000,000, although Fairmount may accept lesser amounts in its discretion.

There is no minimum investment in the SPV.

The minimum investment in any future managed accounts will be as negotiated with the investor in the applicable account.

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

Investment Process

Fairmount invests in healthcare and life science companies, including companies developing drugs, devices, diagnostics, services, and/or healthcare IT. Investments may be comprised of common stock, preferred shares, warrants, options, baskets of securities, exchange-traded funds and may occasionally include restricted shares or contingent value rights.

We will generally focus on small and mid-size market capitalization companies. Depending on a client's strategy, we may invest long and/or short and may choose to hedge some or all of an account's positions for any reason.

The Firm generally expects to utilize internal and third party tools for due diligence purposes including, but not limited to, interviews with management, consultations with key opinion leaders in medicine, drug development experts, datasets and analysis compiled by third party data and research providers, and sell sides research and analysis. At times, the Firm may commission new surveys or datasets, or hire consulting firms or other research firms to validate its investment theses. Where significant capital may be deployed, Fairmount's

employees and/or representatives may be nominated as board observers or directors to oversee the investment.

Drug development requires multi-year time horizons. The Accounts may invest in assets or instruments that may take a long period of time to reach valuations that merit selling the assets or instrument. Even though the strategy may not result in reduced trading liquidity, the Firm expects the strategy may result in low portfolio turnover.

The Firm intends to pursue an opportunistic strategy where entry into positions may be contingent on drug development or corporate events taking place at unknown times and causing material price moves in underlying securities.

Risk of Loss Factors

The Accounts may be deemed to be speculative investments and are not intended as a complete investment program. The Accounts are designed only for sophisticated persons who are able to bear the risk of an investment in an Account. The following does not purport to be a summary of all of the risks associated with an investment in the Accounts. Rather, the following describes certain specific risks to which the Accounts (and, therefore, the investors in each) are subject and with respect to which the Firm strongly encourages potential investors to carefully consider and to consult regarding the same with their professional advisors, as they deem necessary.

Investment and Trading Risks

An investment in the Accounts involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Accounts' investment program will be successful. We will be investing substantially all of the Accounts' assets in securities, some of which may be particularly sensitive to economic, market, industry, regulatory and other variable conditions. The markets in which the Firm expects to invest have recently experienced significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Accounts.

Concentration of Investments

The Accounts will invest primarily in publicly-traded healthcare and life sciences companies. Furthermore, it is expected that a majority of the Accounts' investments may be concentrated in a limited number of long investments (excluding temporary investments and securities used to hedge an Account's portfolio). Such portfolio companies may be concentrated in many other respects, including with respect to geographic location and industry. The result of such limited diversification and/or concentration of investments is that a loss in any category or position could have a material adverse impact on the Accounts capital.

Healthcare and Life Sciences Sector

We intend to focus generally on public investments in the healthcare and life sciences industries. Companies in these industries are subject to extensive government regulation, which may change in a way adverse to the industry. Research and development in these industries is costly and long in duration and the approval of new products is lengthy and

uncertain. As a result, investments in these sectors may be riskier than other market sectors. In addition, the investments the Accounts will make will generally be subject to certain risks inherent in the healthcare and life sciences area, including, but not limited to, the following:

1. **Rapid Changes.** The healthcare and life sciences sectors are characterized by significant and rapid change. A company's research, technologies, and/or products may quickly be rendered obsolete by the research and discoveries of competitors prior to revenue generation.
2. **Volatility.** The market value of healthcare and life sciences companies in general has been highly volatile, with significant price fluctuations that are often unrelated to the operating performance of particular companies.
3. **Product Failure.** The success of healthcare and life sciences companies often hinges upon the success of one product or potential products (or a small number of products or potential products). It is possible that potential products may fail to produce intended results, produce results that were unexpected or unintended, and/or fail to obtain necessary regulatory approvals including Food and Drug Administration ("FDA") approval. In addition, the cost of obtaining such regulatory approvals could be substantial.
4. **Product Liability Risks.** Healthcare companies, and drug companies in particular, face inherent risks of product liability exposure related to the testing and/or selling of products. Product liability claims may result in, among other things: (a) injury to reputation; (b) withdrawal of clinical trial volunteers; (c) litigation costs; (d) decreased demand for products; and (e) substantial monetary awards to third parties.
5. **Key Personnel.** Healthcare and life sciences companies often depend on key scientific, research, and/or management personnel. Such companies' abilities to pursue the development of current and future potential products depends largely on retaining the services of existing personnel and hiring additional qualified personnel to perform research and developments. Such companies may not be able to attract and retain personnel on acceptable terms given the competition for such personnel among life sciences companies. Any such failure to attract and retain personnel might delay the development of products and result in harm to the companies' business.
6. **Proprietary Rights.** The success of healthcare and life sciences companies depends, in part, on the ability to maintain protection for products and/or technologies under the patent laws of the United States and other countries, and on the ability to avoid infringing the proprietary rights of others. The patent positions of healthcare and life sciences companies can be highly uncertain and involve complex legal and factual questions. In addition, such companies often rely upon unpatented technology, trade secrets, and other confidential information that may be difficult to protect.
7. **Government Regulations and Regulatory Approvals.** Certain product candidates of life sciences companies likely will be subject to extensive and rigorous government regulations. The FDA regulates the development, testing, manufacture, safety and record keeping, labelling, distribution and promotion of, among other things, certain medical devices and pharmaceutical products. If a company fails to comply with the FDA's requirements it may face a number of consequences, including, but not limited to: (a) fines; (b) injunctions; (c) civil penalties; (d) recall or seizure of products; (e) total or partial suspension of production; (f) failure of the FDA to grant pre-market clearance or approval of devices or products; (g) withdrawal of

- marketing approvals; (h) limited indicated uses for which potential products may be marketed; (i) costly requirements imposed on activities; and (j) criminal prosecution.
8. Third Party Reimbursement; Healthcare Reform. The ability of certain life sciences companies to commercialize certain of their products and potential products depends, in part, upon the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers, and other organizations. Government and other third-payors increasingly attempt to contain healthcare costs by limiting both coverage and level of reimbursement for certain products. If government and third-party payors do not provide adequate coverage and reimbursement levels for certain products the market acceptance of those products may be drastically limited, with such limitation resulting in harm to the companies' business.

Use of Leverage

We expect to use leverage in the Accounts' portfolios. An Account's leverage will be derived through margin and by using options, short sales, swaps, forwards, futures contracts and other derivative instruments. Although leverage increases returns to investors if the Accounts earn a greater return on the incremental investments purchased with borrowed funds than it pays for such funds, the use of leverage decreases returns to the investors if the Accounts fail to earn as much on such incremental investments as it pays for such funds. In the event that an Account leverages its portfolio, fluctuations in the market value of such Account's portfolio will have a significant effect in relation to such Account's capital and the risk of loss and the possibility of gain will be increased. In addition, when an account utilizes leverage, the level of interest rates generally, and the rates at which such Account can borrow in particular, will be an expense of such Account and therefore affect the operating results of such Account. Leverage increases the risk of substantial losses (including the risk of a total loss of capital) and leverage can significantly magnify the volatility of an Account's portfolio.

Undervalued Securities

One of the core philosophy of the Accounts is to invest in securities that are undervalued, based on our due diligence and analysis. Opportunities in undervalued securities arise from market inefficiencies, or because of faulty analysis by market participants of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of trading opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investing in undervalued securities offer the opportunities for above-average returns, these investments involve a high degree of financial risk and can result in substantial losses.

Event Driven Transactions

We may trade securities whose market value is expected to be meaningfully affected by future events. These outcomes may be uncertain and the trading decisions may be based on whether the Firm believes the market price does not accurately reflect the probability of particular outcomes. We will need to forecast the likelihood of the events on which investment decisions are based and analyze the likely impact of the event if it occurs. If the proposed event does not occur or is delayed, the market price of the security may decline and result in losses to an Account if at the time such Account is invested net long in the

security. In certain transactions, the Accounts may not be hedged against market fluctuations unrelated to the anticipated event but that may affect the value of the consideration to be received. This may result in losses even if the event occurred and the outcome of the anticipated event was beneficial to the position. It is also possible that the short run market reaction to a particular outcome may be unfavorable even if the long-run result is favorable.

Hedging Transactions

We will seek to hedge the Accounts' foreign currency exposures in their entirety. We expect to engage in other hedging transactions for the Accounts, but there is no guarantee such hedging transactions will succeed in reducing risk. Accordingly, an Account's portfolio may not be protected in a variety of circumstances, including, (i) to protect against possible changes in the market value of such Account's investment portfolio resulting from fluctuations in the securities markets and/or changes in interest rates, (ii) to protect such Account's unrealized gains in the value of such Account's investment portfolio, (iii) to facilitate the sale of any such investments, (iv) to enhance or preserve returns, spreads or gains on any investment in such Account's portfolio, (v) to protect against any increase in the price of any securities such Account anticipates purchasing at a later date. We have no obligation to hedge all or any portion of any Account's portfolio and may engage (or not engage) in hedging transactions in our sole discretion. The success of an Account's hedging strategy will be subject to the Firm'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 investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of an Account's hedging strategy will also be subject to the Firm's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While an Account may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for such Account than if it had not engaged in any such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Accounts from achieving the intended hedge or expose the Accounts to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Accounts' portfolio holdings. In certain transactions, the Accounts may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. We may not hedge a position in an Account's portfolio because a hedge may not be available; it may be too costly in light of the likelihood of the possible risk actually occurring or the risk simply could not be reasonably anticipated.

Portfolio Liquidity

As a result of the Accounts' investment strategies, certain investments (especially those involving financially distressed companies) may have to be held for a substantial period of time before they can be liquidated to the Accounts' greatest advantage or, in some cases, at all. Certain investments that become illiquid, restricted or difficult to value may be segregated as designated investments, and may represent capital not available for withdrawal by investors.

Short Sales

We may short securities as part of an Account's hedging strategy. Short sales are sales of securities an Account borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease and such Account will be able to make a profit by purchasing the securities at a later date at the lower prices. The Accounts will incur a loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a "long" position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss. Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. An Account's ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Accounts. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods. Regulatory authorities may impose restrictions that adversely affect the Accounts' ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Accounts may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. An Account may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Accounts are subject to strict delivery requirements. The inability of the Accounts to deliver securities within the required time frame may subject the Accounts' to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Accounts' to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Accounts' ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Accounts.

General Economic and Market Conditions

The success of the Accounts' activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Accounts' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of the Accounts' investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Accounts' profitability or result in losses. The Accounts may maintain substantial trading positions that can be materially adversely

affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

Risks of Investments in Options

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Accounts may use in its investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the counter market for options is relatively illiquid, particularly for relatively small transactions.

Derivative Investments

Derivative instruments, or "derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may not only result in the loss of the entire investment, but may also expose the Accounts to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows measured by different interest rates, exchange rates, or prices, with payments calculated by reference to a principal amount or quantity, and may involve interest rates, currencies, securities, commodities, and other items. Transactions in these markets present certain risks similar to those in the futures, forward, and options markets, including: (i) the swap markets generally are not regulated by any governmental authorities; (ii) there generally are no limitations on daily price moves in swap transactions; (iii) speculative position limits are not applicable to swap transactions, although the counterparties may limit the size or duration of positions available as a consequence of credit considerations; (iv) participants in the swap markets are not required to make continuous markets in swaps contracts; and (v) the swap markets are "principals" markets, in which performance with respect to a swap contract is the responsibility only of the counterparty, including with which the trader has entered into a contract (or its guarantor, if any), and not of any

exchange or clearing corporation. As a result, the Accounts will be subject to the risk of the inability of or refusal to perform with respect to such contracts on the part of the counterparties trading with it, as well as risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the exposure of the Accounts to long-term or short-term interest rates, non-U.S. currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. No Account is precluded from any particular form of swap agreement if such investment is consistent with the investment objective and policies of such Account. Swap agreements tend to shift investment exposure from one type of investment to another. For example, if an Account agrees to exchange payments in U.S. dollars for payments in non-U.S. currency, the swap agreement would tend to decrease such Account's exposure to U.S. interest rates and increase its exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the portfolio of an Account. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Accounts. If a swap agreement calls for payments by an Account, such Account must be prepared to make such payments when due. In addition, if a counterpart's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by an Account.

Forward Trading

Forward trading involves contracting for the purchase or sale of a specific quantity of, among other things, a financial instrument at the current price thereof, with delivery and settlement at a specified future date. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward trading is mostly unregulated and therefore there are no requirements with respect to record-keeping, segregation of funds or financial responsibility. The principal risks relating to the use of forwards are: (a) when used for hedging purposes, the possible imperfect correlation between the prices of the forwards and the market value of the securities or currencies in an Account's portfolio intended to be hedged by the forwards; (b) possible lack of a liquid secondary market for closing out a forwards position; (c) losses on forwards resulting from interest rate or currency movements not anticipated by an Account; and (d) the risk of counterparty defaults.

Counterparty Risk

Some of the markets in which the Accounts may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes the Accounts to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Accounts to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where an

Account has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Accounts are not restricted from concentrating any or all of its transactions with one counterparty. The ability of the Accounts to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Accounts. Pursuant to the Dodd-Frank Act, some derivatives transactions will be subject to mandatory clearing and will also be subject to the margin requirements set forth by the clearinghouse. The additional margin, capital and collateral obligations may increase the cost of derivatives transactions and thereby potentially decrease the profitability of certain positions.

Loans of Portfolio Securities

An Account may lend its portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of such Account's assets. By doing so, an Account attempts to increase its income through the receipt of fees and interest on the loan. In the event of a default or the bankruptcy of the other party to a securities loan, an Account could experience delays in recovering the securities it lent and there is no assurance that the securities will be recovered. To the extent that the value of the securities an Account lent has increased, such Account could experience a loss if such securities are not recovered.

"New Issues" Trading

The Accounts may engage in "new issues" trading. Investing in "new issues" poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. In the event that an Account elects to trade in "new issues" investors in such Account that are "restricted persons: under applicable FINRA rules may not be permitted to participate fully in the turns generated by those traders.

Item 9: Disciplinary Information

This Item is not applicable.

Item 10: Other Financial Industry Activities and Affiliations

Fairmount, the General Partners, and their affiliates, and their respective members, partners, principals, managers, affiliates and employees (collectively, the "**Management Affiliates**") may engage in other activities, including providing investment management and advisory services to other funds and accounts, and shall not be required to refrain from any activity, to disgorge profits from any such activity or to devote all or any particular amount of time or effort to the Accounts. The Management Affiliates are not restricted from forming managed accounts or other investment partnerships or funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the Accounts. These activities could be viewed as creating a conflict of interest in that the time and effort of the Management Affiliates will not be devoted exclusively to the business of the Accounts, but will be allocated between the business of the Accounts and other business activities of the Management Affiliates.

Each General Partner, with respect to its applicable Fund has filed or will file with the National Futures Association a claim for exemption from commodity pool operator registration with the Commodity Futures Trading Commission ("**CFTC**") pursuant to CFTC Rule 4.13(a)(3). Fairmount is exempt from registration as a commodity trading adviser.

Because the General Partners and Fairmount are affiliated, there exists a potential disincentive for Fairmount to be replaced as investment manager, even if such an action is in the best interests of a Fund. Moreover, the fees paid by a Fund to Fairmount and expenses to be reimbursed by a Fund are paid pursuant to agreements negotiated between affiliated parties and therefore have not been established in an arm's length transaction.

Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Code of Ethics and Personal Trading

Fairmount has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Accounts first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

All of our employees are required to direct their brokers to send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Fairmount employee personal trading policies. Employees must also obtain pre-approval from the CCO before: (i) purchasing or selling securities; (ii) engaging in any outside business activities; (iii) making any private investments, or (iv) receiving an allocation of an initial public offering.

We will provide a copy of our Code of Ethics to our investors, or any prospective investor or client, upon request.

Participation or Interest in Client Transactions

The Firm shall not cause any of the Accounts to make investments in any privately held company in which the Principals, the General Partners, the Investment Manager or their respective affiliates are invested; provided that, an Account may invest in companies that the General Partners, the Investment Manager, the Principals or their respective affiliates have invested in alongside investors in an Account through special purpose vehicles, co-investment vehicles or other similar alternative investment vehicles (each a "**Permitted Vehicle**"). Additionally, the Investment Manager, the General Partners and their respective

affiliates shall not invest in the securities of companies invested in by an Account, other than through their indirect interests in the Funds or any Permitted Vehicle.

Item 12: Brokerage Practices

Fairmount is authorized to determine the broker-dealer to be used for executing securities transaction for the Accounts. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and, subject to our duty to obtain Best Execution (as described below), do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; therefore, the Accounts may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate (see "Soft Dollars" below).

We shall also have the authority to select and appoint custodians of the assets of the Accounts. The Firm's authority is limited by its own internal policies and procedures and each Account's investment guidelines.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Soft Dollars

The Firm may use "**Soft Dollars**" generated by the Accounts' trading activities to purchase research services or products that would otherwise have been the Firm's expense. The Firm intends to keep any such arrangements within the parameters of the safe harbor of Section 28(e) of the Securities Exchange Act of 1934.

Item 13: Review of Accounts

Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' offering documents or a managed account's management agreement. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels. Fairmount engages in active management for the Funds and the Firm reviews transactions, positions and cash balances on a daily basis.

Account Reporting

We will distribute an audited financial report with respect to the previous fiscal year to all investors in the Funds within 120 days of fiscal year end. We may also distribute monthly unaudited net asset value statements, month-end performance reports, and a quarterly investor letter to all investors. The content and frequency of reports sent to investors in any future managed accounts shall be as set forth in the management agreement with respect to such investor and may include annual, quarterly and/or monthly reporting obligations.

Item 14: Client Referrals and Other Compensation

This Item is not applicable.

Item 15: Custody

We will comply with Rule 206(4)-4 of the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision. Annually, upon completion of the Funds' annual audits, we will distribute the audited financials to investors within 120 days of the Funds' fiscal year end.

Assets of any managed accounts will be held by a qualified custodian, selected by the investor in such account.

Item 16: Investment Discretion

We will have full discretionary authority over the Funds, the SPV and any future managed accounts including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Prior to assuming full discretion in managing an Account's assets, Fairmount has or will enter into an investment management agreement that sets forth the scope of its discretion. Additionally, the Firm has full discretion over the broker-dealers to be used for transactions and the commissions to be paid to those broker-dealers.

Item 17: Voting Client Securities

To the extent that we are delegated proxy voting authority on behalf of the Accounts, we will comply with our proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interest of the Accounts. We vote proxies in respect of securities held by the Funds, and investors in the Funds may not direct the voting of proxies.

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

Item 18: Financial Information

Because Fairmount follows the custody procedures described in Item 15, above, and does not require prepayment of fees, Fairmount is not required to include a balance sheet with this Form ADV.

Item 19: Requirements for State Registered Advisers

This Item is not applicable.