

ROCK SPRINGS CAPITAL

Form ADV Part 2A: Firm Brochure **Rock Springs Capital Management LP**

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This brochure provides information about the qualifications and business practices of Rock Springs Capital Management LP (“Rock Springs”). If you have any questions about the contents of this brochure, please contact Rock Springs at (410) 220-0130 or by email at ops@rockspringscapital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Rock Springs is also available on the SEC’s website at: www.adviserinfo.sec.gov.

Rock Springs is registered as an investment adviser with the United States Securities and Exchange Commission (the “SEC”) under the Investment Advisers Act of 1940 (as amended, the “Advisers Act”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training.

Item 2: Material Changes

There have been no material changes since the last filed version of this brochure. Certain non-material changes were made to this brochure. Consequently, we encourage you to read the brochure in its entirety.

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Item 4: Advisory Business

Rock Springs is organized as a limited partnership under the laws of the State of Delaware. Rock Springs is owned and controlled by Graham McPhail, Kris Jenner, and Gordon Margraf (“Mark”) Bussard (collectively, the “Principals”). The Principals own and control the general partners of the Funds (defined below) (collectively and as applicable in each case, the “General Partner”); unless and only to the extent that the context otherwise requires, references to “Rock Springs” include the General Partner. The investment activities of Rock Springs are led by the Principals along with a number of other investment professionals who work with the Principals to execute Rock Springs’ investment strategies.

The Funds and the General Partner

Rock Springs provides discretionary investment advice to private investment funds organized as domestic or foreign private pooled investment vehicles (the “Funds”). The Funds are organized as master-feeder structures whereby each domestic fund (“Domestic Fund”) and offshore fund (“Offshore Fund”) and together with the applicable Domestic Fund, the “Feeder Funds”) invests substantially all of its assets in a master fund (“Master Fund”). All trading occurs at the Master Fund level. Rock Springs began providing investment advisory services in October 2013.

The Funds have been established to pursue investment strategies that focus primarily on investing in companies in healthcare and healthcare-related industries, with an emphasis on companies and/or products that Rock Springs believes serve critical unmet needs. The Funds’ investment objective is to generate capital appreciation, primarily through investments in publicly traded and privately placed securities of companies in these industries. Rock Springs manages the Funds in accordance with the investment strategies, objectives, restrictions and guidelines set forth in their respective confidential offering documents, limited partnership agreements and/or investment management agreements (the “Governing Fund Documents”), as applicable, and does not provide investment advice individually to the limited partners of the Funds (each, an “Investor” and together, “Investors”).

Rock Springs does not require, and does not seek, approval from the Funds or the Investors in the Funds with respect to its trading. Rock Springs generally does not permit Investors to impose restrictions on investments made by the Funds.

Client Assets Under Management

As of the close of business on December 31, 2021, Rock Springs managed approximately \$5.88 billion of client assets on a discretionary basis. Rock Springs does not currently manage any assets on a non-discretionary basis.

Item 5: Fees and Compensation

Compensation Payable to Rock Springs

Rock Springs’ compensation for the investment advisory services it provides to the Funds is comprised of, in each case, an asset-based management fee (which is calculated as of the first day of each calendar quarter) and incentive compensation (which is allocated/paid annually in arrears and upon withdrawals and distributions) that is based on the performance achieved for the account of each Investor, subject to a benchmark or a hurdle and high water mark (as applicable), which amounts are deducted from the

Funds. The fees and expenses applicable to each Fund are set forth in detail in each of the Fund's Governing Fund Documents.

Rock Springs' fee schedule is omitted because this brochure is only being delivered to qualified purchasers as defined in the Investment Company Act of 1940, as amended (the "Investment Company Act").

Rock Springs' compensation is negotiable and Rock Springs may, in its sole discretion, elect to waive, reduce or calculate differently any compensation with respect to any person, including partners or employees of Rock Springs or its affiliates, such persons' family members and trusts or other entities established for the benefit of such persons or their family members (collectively, and together with Rock Springs and its affiliates, "Related Persons").

Organizational, Operating and Other Expenses

As a general matter, Expenses borne by the Feeder Funds are set forth in the relevant Governing Fund Documents. The Feeder Funds bear all of their organizational, operating and other costs and expenses, as well as indirectly bear their *pro rata* share of the applicable Master Fund's organizational, operating and other costs and expenses, including investment-related expenses (e.g., costs and expenses associated with the investigation of investment opportunities (whether or not consummated) (which also includes expenses relating to attendance at broker-sponsored, industry- or sector-specific or other conferences and expenses incurred in relation to meetings with industry or corporate spokespersons, physicians, government representatives and/or other key opinion leaders), research, negotiating, financing, sourcing, acquiring, holding, hedging, settling and disposing of investments) and other transaction costs, including travel expenses (including, for the avoidance of doubt, research- and investigation-related travel), transaction fees, consulting fees (e.g., expert network fees and expenses), fees and reasonable out-of-pocket expenses incurred by an independent investor representative, advisory, investment banking, legal and other professional fees relating to investments or contemplated investments, the Master Fund's brokerage commissions, information-related expenses (including costs and expenses associated with Bloomberg, FactSet, market data and market data feeds, vendors of portfolio analytics software and tools and other similar costs and expenses), best execution analytical software, clearing and settlement charges, custodial fees, interest expenses and fees, appraisal fees and expenses, expenses incurred in collection of monies owed to the applicable Fund, legal, auditing and accounting expenses (including expenses associated with the preparation of the applicable Fund's financial statements, any tax returns and with respect to the Domestic Funds' and the Master Funds' Schedules K-1 and the fees and expenses of the partnership representative of the Domestic Funds and the Master Funds), out-of-pocket costs of preparing regulatory filings related to the Funds or Rock Springs with respect to the Funds (including, but not limited to, Schedules D, F, G and/or 13H filings and Form PF filings), insurance expenses (including directors' and officers' insurance, errors and omissions insurance, cybersecurity insurance and other similar policies), fees and expenses of the Funds' administrators, organizational expenses, expenses relating to the ongoing offer and sale of interests and withdrawals and transfers thereof, including, but not limited to, legal expenses incurred by the Feeder Funds and Rock Springs in amending the Feeder Funds' confidential offering documents, printing and mailing costs, management fees, incentive fees (if any), any entity-level taxes, fees or other governmental charges levied against the Funds or any special purpose vehicle, all litigation-related and indemnification expenses, wind-up and liquidation expenses, extraordinary expenses and expenses comparable to any of the foregoing. The Feeder Funds also bear their *pro rata* share of the third-party expenses incurred by the applicable Master Fund in relation to its compliance obligations with respect to applicable anti-money laundering laws or the laws, regulations, and executive orders administered by

the Treasury Department's Office of Foreign Assets Control or other laws or regulations by any person in any relevant jurisdiction, including expenses incurred with respect to the preparation of compliance manuals and ongoing training.

The Feeder Funds share all items of profit, loss, income and expense of the applicable Master Fund on a *pro rata* basis in accordance with their respective capital account balances in the Master Fund, unless, in the judgment of Rock Springs, tax, regulatory, legal or other considerations make such *pro rata* arrangements inappropriate; *provided* that costs, fees and expenses incurred for the benefit of only a Domestic Fund or an Offshore Fund will be allocated solely to such Domestic Fund or Offshore Fund, respectively.

Allocation of Expenses

Costs and expenses borne by more than one Fund will be allocated in accordance with Rock Springs' expense allocation policy, which seeks to allocate expenses *pro rata* based on respective net asset values (which may be based on single investments or overall net asset value of the relevant Funds) and/or based on other equitable considerations that may be appropriate under the circumstances as determined by Rock Springs. As such, Rock Springs has determined that the Funds will share equally (i.e., 50/50) in certain expenses. Rock Springs will allocate all research- and investigation-related costs and expenses (including, but not limited to, attendance at or participation in broker-sponsored, industry- or sector-specific or other conferences, expenses incurred in relation to meetings with industry or corporate spokespersons, physicians, government representatives and/or other key opinion leaders, expert network fees and expenses, and travel, lodging and other incidental costs, fees and expenses related to any of the foregoing) (collectively, "Research Expenses") *pro rata* to the Funds based on their respective net asset values at the time such allocation is made; *provided*, however, that Research Expenses that relate directly to investment opportunities which are exclusive to a strategy implemented by one or more Funds will be allocated solely to such Fund(s), as applicable, based on its/their respective net asset value(s) at the time such allocation is made; and *provided further* that the allocation of Research Expenses to any special investment accounts of the Funds will be as provided in the expense allocation policy and the applicable Governing Fund Documents.

The allocation of expenses involves subjective determinations by Rock Springs which may involve conflicts of interest. For example, although some expenses may be allocated *pro rata* among the Funds (e.g., based on respective net asset values or another methodology determined by Rock Springs to be appropriate), other expenses may be allocated on a non-*pro rata* basis. In some instances, allocations may result in one or more Funds paying a disproportionate portion of an expense relative to the benefits actually received. Moreover, allocations of expenses will generally be based on information available at the time such allocations are made, on estimates (rather than exact figures) and on assumptions which Rock Springs believes are reasonable and appropriate but which may be imprecise. While Rock Springs believes that its expense allocation policy is reasonably designed, other reasonably designed allocation methodologies exist that may yield different results.

To the extent that expenses of the Funds are paid by Rock Springs or its affiliates (in excess of its ratable share), the Funds will reimburse such party for such expenses.

For more information regarding Rock Springs' brokerage expenses, please see Item 12 herein entitled "Brokerage Practices."

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

As referenced in Item 5 above, Rock Springs may receive annual performance-based compensation in the form of incentive allocations/fees from the Funds. These performance-based compensation arrangements may create an incentive for Rock Springs to make more speculative investments than would otherwise be made, or make decisions regarding the timing and manner of realization of investments differently than if such allocations were not received.

In measuring a Fund's net profits for the purpose of calculating performance-based compensation, Rock Springs includes unrealized capital gains and losses and, as a result, the performance-based compensation may be based on gains that Investors never ultimately realize. In addition, as the Funds are subject to different performance-based compensation structures, Rock Springs may have an incentive to favor certain Funds over others. Please see Item 11 and Item 12 for additional information about the Allocation Procedures (as defined below), which are reasonably designed to mitigate such conflicts of interest.

Item 7: Types of Clients

Rock Springs provides investment advisory services to the Funds. Investment advice is provided directly to the Funds, subject to the direction and control of the General Partner, and not individually to the Investors. Investors in the Funds may include, but are not limited to, high net worth individuals, family offices, funds of hedge funds, endowments, foundations, trusts, charitable organizations, pension plans, and corporate or business entities.

Details concerning applicable Investor suitability criteria are set forth in the respective Fund's Governing Fund Documents. The minimum commitment for an Investor is outlined in the respective Fund's Governing Fund Documents, but is generally \$10 million. However, Rock Springs and/or its affiliates maintain discretion to accept less than the minimum investment threshold. Each Investor is required to meet certain suitability qualifications, such as being an "accredited investor" within the meaning set forth in Regulation D under the Securities Act of 1933, as amended, and a "qualified purchaser" as defined in Section 2(a)(51) of the Investment Company Act.

Rock Springs has adopted a code of ethics to enforce a standard of conduct for its employees and to address potential conflicts of interest, including conflicts of interest between Rock Springs and its clients that may arise as a result of performance-based compensation arrangements. Please see Item 11 below for a discussion of Rock Springs' code of ethics.

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

The investment objective of the Funds is to generate capital appreciation through investments in a combination of public and private securities of companies in healthcare and healthcare-related industries. The Funds focus mostly on public equities, utilizing a long-term, research-intensive approach to investing in healthcare and healthcare-related industries, with a particular emphasis on those companies and/or products that Rock Springs believes serve critical unmet needs. The Funds may invest in private companies and may make investments in companies outside of healthcare-related industries, as Rock Springs determines to be appropriate for the given Fund's long-term investment strategy. In addition, the Funds may invest in securities which are illiquid, have limited liquidity or for which there is no ready market, including without limitation securities issued by private companies, restricted

securities and privately-placed debt. There can be no assurance that the Funds will achieve their investment objectives.

The Funds seek to achieve the compounding of gains in long term, secular winners in an industry prone to extreme outcomes and/or in companies that are innovative in discovering and developing therapeutic solutions to critical unmet healthcare needs. Rock Springs' investment process leverages a long-term horizon, seeking to take advantage of the healthcare sector's inherent volatility to increase position sizes over time.

There can be no assurance that Rock Springs will achieve the objectives of the Funds. Investors may lose all or substantially all of their investment in the Funds.

Summary of Principal Investment Risks

Investing involves substantial risks, including the risk of total loss of capital, and may not be suitable for all Investors. No guarantee or representation is made that the Funds' investment programs, including, without limitation, the Funds' investment objectives, diversification strategies or risk monitoring goals, are or will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will be avoided. Past results of investments made by the investment professionals of Rock Springs are not necessarily indicative of the Funds' or Rock Springs' future performance.

The following are certain of the principal risks associated with the investment activities of the Funds, the structure of the Funds, and investing in the Funds in general. Some of the below risks apply to some but not all of the Funds. Investors should refer to the applicable confidential private placement memorandum for a more comprehensive description of the various risks applicable to each Fund.

General Investment Risk. Investments in securities are subject to the general risks associated with the underlying businesses, including general economic and market conditions, changes in regulatory requirements and laws (including laws relating to taxation of the Funds' investments), reliance on management at the company level, interest rate and currency fluctuations, general economic downturns, domestic and foreign political situations, and other factors. All of the Funds' investments risk the loss of capital. The Funds could incur material losses even if Rock Springs reacts quickly to difficult market conditions, and there can be no assurance that the Funds will not suffer material losses and other adverse effects from broad and rapid changes in market conditions in the future. Thus, there can be no assurance that the Funds' program will be successful or that an Investor will not lose some or all of its investment in the Funds.

Cybersecurity Breaches. The Funds are subject to risks associated with a breach in their cybersecurity. Cybersecurity is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from "hacking" by other computer users, other unauthorized access and the resulting damage and disruption of hardware and software systems, loss or corruption of data as well as misappropriation of confidential information. In recent years, cybersecurity attacks on companies, including companies in the financial services industry, have become increasingly prevalent. If a cybersecurity breach occurs, the Funds may incur substantial costs, including those associated with: forensic analysis of the origin and scope of the breach; increased and upgraded cybersecurity; investment losses from sabotaged trading systems; identity theft; unauthorized use of proprietary information; litigation; adverse investor reaction; the dissemination of confidential and

proprietary information; and reputational damage. Any such breach could expose Rock Springs and/or the Funds to civil liability as well as regulatory inquiry and/or action.

Leverage and Borrowing Risks. The Funds will have the power to borrow funds and may do so when deemed appropriate, including enhancing the Funds' returns and satisfying withdrawal requests that would otherwise result in the premature liquidation of investments. The Funds may borrow funds from broker-dealers, banks and other lenders to finance trading operations, which borrowings may be secured by assets of the Funds. The use of such leverage can, in certain circumstances, increase the losses to which the Funds' investment portfolios may be subject. Any event that adversely affects the value of an investment would be magnified to the extent that an asset or the Funds are leveraged. The cumulative effect of the use of leverage by the Funds in a market that moves adversely to the Funds' investments could result in a substantial loss to the Funds, which would be greater than if the Funds were not leveraged. Leverage may be achieved through, among other methods, direct borrowing, purchases of securities on margin and the use of options, futures, forward contracts, repurchase and reverse repurchase agreements, swaps and other derivative instruments. The access to capital could be impaired by many factors, including market forces or regulatory changes.

Illiquid Investments. The Funds invest in securities that are illiquid, that are not publicly traded and/or for which no market is currently available. The General Partner reserves the authority (but is not required) to designate investments in such securities as special investments. Such non-publicly traded securities and financial instruments may not be readily disposable and, in some cases, may be subject to contractual, statutory or regulatory prohibitions on disposition for a specified period of time. The market value of the Funds' investments may fluctuate with, among other things, changes in prevailing interest rates, general economic conditions, the condition of financial markets, developments or trends in any particular industry and the financial condition of the issuers of the securities in which the Funds invest. During periods of limited liquidity and higher price volatility, the Funds' ability to acquire or dispose of investments at a price and time that is advantageous may be impaired. As a result, in periods of rising market prices, the Funds may be unable to participate in price increases fully to the extent that the Funds are unable to acquire desired positions quickly. Conversely, the Funds' inability to dispose fully and promptly of positions in declining markets will cause net asset value to decline as the value of unsold positions is marked to lower prices.

Special Investments. The Funds may commit capital to special investments in which only Investors at the time of designation will participate. These special investments may be highly illiquid, and the assets, liabilities, profits and losses attributable to such special investments will be reflected only in Investors' special investment accounts, and Investors will not receive any proceeds from special investments until they are undesignated. Investors may, however, be subject to tax on their participation in special investments prior to their undesignation. Any capital allocated to a special investment will not be available for withdrawal until such special investment is undesignated, if at all. Thus, each Investor is likely to encounter a substantial delay after its requested withdrawal date in receiving withdrawal proceeds relating to special investments, and the risk of loss associated with such special investments will remain with the Investor.

Although only a subset of the Investors may participate economically in a particular special investment—*i.e.*, only those who were Investors in the Fund at the time of designation—for state law purposes all the assets of the Fund will be subject to any losses or liabilities, such as those resulting from litigation, relating to any such special investment.

Once a Fund has committed capital to a special investment, it may have little, if any, ability to reduce the Fund's exposure to such special investment for a substantial period of time, even if the Fund's overall portfolio has become over-concentrated in the applicable market sector.

Trading and Allocation Risks. The Allocation Procedures described in Item 12 under "Allocation of Investment Opportunities" involve complex and sometimes subjective judgments; although Rock Springs seeks to make such judgments in good faith and consistent with its obligations to the Funds, no assurance can be provided that Rock Springs' judgments will prove correct or that trading and allocation decisions will result in the Funds achieving their investment objectives. Furthermore, while Rock Springs seeks to invest according to each Fund's target weightings in specified sub-sectors (*i.e.*, the desired investment in a particular security, in relation to total assets, that Rock Springs determines to be appropriate), the ultimate allocation to each security is subject to adjustment pursuant to the Allocation Procedures. Accordingly, on any particular day, an investment in a security could be allocated to a Fund such that, after the allocation on that day, such Fund's holdings of the security would fall above or below such Fund's target weighting for that security.

When making trading and allocation decisions, Rock Springs relies on its available resources, which in some cases could be limited, particularly in challenging or uncertain markets. While Rock Springs performs trading and allocation functions consistent with the Allocation Procedures and its agreements with the Funds, there can be no assurance that Rock Springs' available resources or its personnel responsible for allocation and trading decisions will ultimately result in the most favorable trades, allocations or returns to the Funds or Investors therein.

Investments in Undervalued Assets. The Funds may seek to invest in undervalued securities. The identification of investment opportunities in undervalued assets is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. Returns generated from the Funds' investments may not adequately compensate Investors for the business and financial risks assumed. An Investor should be aware that it may lose all or part of its investment in the applicable Feeder Fund. The Funds may be forced to sell, at a substantial loss, assets believed to be undervalued, if they are not in fact undervalued. In addition, the Funds may be required to hold such assets for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' funds would be committed to the assets purchased, thus possibly preventing the Funds from investing in other opportunities. In addition, the Funds may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period.

Short Selling. The Funds' investment portfolios generally include short positions. Short selling involves selling securities which are usually not owned and borrowing the same securities for delivery to the purchaser, with an obligation to replace the borrowed securities at a later date. Short selling allows the investor to profit from a decline in the price of a particular security to the extent that such decline exceeds the transaction costs and the costs of borrowing the securities. A short sale creates the risk of a theoretically unlimited loss, in that the price of the underlying security could theoretically increase without limit, thus increasing the cost to the Funds of buying those securities to cover the short position. There can be no assurance that the securities necessary to cover a short position will be available for purchase. Purchasing securities to close out the short position can itself cause the price of the securities to rise further, thereby exacerbating the loss.

Call Options. There are risks associated with the sale and purchase of call options. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security

less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

Put Options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (e.g., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

Derivatives. The Funds may use derivative financial instruments, including, without limitation, warrants, options, swaps, convertible securities, notional principal contracts, contracts for differences, forward contracts, futures contracts and options thereon, and may use derivative techniques for hedging and for other trading purposes. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage often embedded in such instruments and the possibility of counterparty non-performance as well as of material and prolonged deviations between the actual and the theoretical value of a derivative, due to, e.g., nonconformance to anticipated or historical correlation patterns. In addition, the markets for certain derivatives are frequently characterized by limited liquidity, which can make it difficult and costly to the Funds to close out positions in order either to realize gains or to limit losses.

Equity Securities. The Funds invest in equity securities. Numerous inter-related and difficult-to-quantify economic factors, as well as market sentiment, subjective and extraneous political, climate-related and terrorist factors, influence the performance of equities. There can be no assurance that Rock Springs will be able to anticipate future performance correctly. The Funds' equity positions may be leveraged, and even comparatively minor adverse market movements can result in substantial losses. The value of a stock in which the Funds invest may decline due to general weakness in the stock market or because of factors that affect a company or a particular industry.

The Small Capitalization Biotechnology Sector. The speculative nature of small capitalization biotechnology companies creates a high degree of risk. The Funds invest in small biotechnology issuers which are subject to significant scientific, financial, regulatory and marketing risks, among others. In addition, the prices of small capitalization biotechnology securities are subject to significant fluctuation and are often more volatile than the prices of the securities of larger capitalization companies. Although Rock Springs may succeed in identifying undervalued securities, there can be no assurance that stock prices will reflect the actual value identified by Rock Springs over the time frame during which the Funds hold investments.

Binary Events. The Funds invest in therapeutics, biotechnology and other companies that may be subject to anticipated "binary events" in the form of anticipated clinical trial results or regulatory agency news or decisions. The market value of the securities of certain of these companies may be particularly

sensitive to such binary events. Often, the success or failure of a therapeutics, biotechnology or other company in which the Funds invest will be dependent on the outcome of a binary event such as the approval of the company's single major drug.

Benchmark Could Decline Substantially. The markets or groups of securities that are included in the benchmark index used by some of the Funds with respect to calculating performance-based compensation may experience declines in values and remain subject to such reduced values for a substantial period. Because, with respect to such Funds, Rock Springs is compensated for outperformance relative to such benchmark, an Investor may be subject to performance-based compensation in periods where both the Investor and the benchmark have suffered losses because the Investor's capital account has outperformed the benchmark by suffering a lower amount of losses.

Investments May Be Volatile. The prices of the Funds' investments can be highly volatile. Price movements of the instruments in which the Funds' assets may be invested may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. In addition, governments from time to time intervene, directly and by regulation, in certain markets, particularly those in currencies, financial instruments, futures and options. Such intervention often is intended directly to influence prices and may, together with other factors, cause all of such markets to move rapidly in the same direction because of, among other things, interest rate fluctuations. The Funds also will be subject to the risk of the failure of any exchanges on which their respective positions trade or of the clearinghouses of such exchanges.

Industry Risk. A fund that focuses its investments in specific industries or sectors is more susceptible to developments affecting those industries and sectors than a more broadly diversified fund. Because the Funds invest significantly in healthcare companies, the Funds may perform poorly during a downturn in that industry. Healthcare companies can be adversely affected by, among other things, legislative or regulatory changes, competitive challenges, government approval of products and services, and product obsolescence.

The securities of companies in the healthcare sector, especially those of smaller, research-oriented companies, tend to be more volatile than the overall market. The success of investments in the healthcare sector is often based upon expectations about future products, research progress, and/or new product filings and approval with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no revenue or profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their business.

Political, Social and Economic Uncertainty Creates and Exacerbates Risks. Social, political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) will occur that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which the Funds and their investments are exposed. As global systems, economies and financial markets are increasingly interconnected, events that once had only local impact are now more likely to have regional or even global effects. Events that occur in one country, region or financial market will, more frequently, adversely impact issuers in other countries, regions or markets, including in established markets such as the United States. These impacts can be exacerbated by failures of governments and societies to adequately respond to an emerging event or threat, or by the response.

Uncertainty can result in or coincide with, among other things: increased volatility in the financial markets for securities, derivatives, loans, credit and currency; a decrease in the reliability of market prices and difficulty in valuing assets (including the Funds' assets); greater fluctuations in bid/ask spreads on equity investments and currency exchange rates; increased risk of bankruptcy or capital restructurings; further social, economic and political instability; nationalization of private enterprise; greater governmental involvement in the economy or in social factors that impact the economy; changes to governmental regulation and supervision of issuers, securities, derivatives and currency markets and market participants and decreased or revised monitoring of such markets by governments or self-regulatory organizations and reduced enforcement of regulations; limitations on the activities of investors in such markets; controls or restrictions on foreign investment, capital controls and limitations on repatriation of invested capital; the significant loss of liquidity and the inability to purchase, sell and otherwise fund investments or settle transactions (including, but not limited to, a market freeze); unavailability of currency hedging techniques; substantial, and in some periods extremely high, rates of inflation, which can last many years and have substantial negative effects on securities markets as well as the economy as a whole; recessions; and difficulties in obtaining and/or enforcing legal judgments.

For example, in 2020, the global outbreak of a novel coronavirus (SARS-CoV-2) and related respiratory disease (COVID-19) (collectively, the "Coronavirus") created enormous and unprecedented economic and social uncertainty throughout the world. The ultimate impact of the Coronavirus outbreak (or of any future pandemic, epidemic or outbreak of a contagious disease) is difficult to predict, but the Coronavirus and the reactions to it have already had a dramatic adverse effect on global, national and local economies and on financial markets, and there is a significant likelihood that such negative impact will persist for some time. In particular, disruptions to commercial activity across economies due to the imposition of quarantines, remote working policies, "social distancing" practices and travel restrictions, and/or failures to contain the outbreak despite these measures, could materially and adversely impact the Funds' investments, both in the near- and long-term, in a variety of industries and regions or globally. The imposition of such restrictions (including "shelter in place" or "lock-down" directives) could materially disrupt Rock Springs's business activities, in turn negatively affecting its abilities to effectively identify, monitor and dispose of the Funds' investments and operate the Funds in general. Similar disruptions have occurred and may continue to occur in respect of service providers and counterparties (including providers of financing). In addition, the outbreak of the Coronavirus has contributed to, and may continue to contribute to, volatility in financial markets, which may disrupt historical pricing relationships or trends, causing positions to become illiquid, disrupt the availability of financing or negatively impact the performance of the Funds. Governmental responses to the Coronavirus outbreak may be inadequate to limit the outbreak's spread or to mitigate its impact on any nation's economy or the global economy, and these responses could have adverse effects, intended and unintended, on market structures and the overall long-term performance of markets. The extent to which the Coronavirus affects the Funds will depend on a variety of factors and developments, which can occur extremely rapidly but cannot be predicted, including emerging new information about the severity of the Coronavirus, the actions taken to contain the Coronavirus and actions proposed or taken to mitigate its impact. As of the date of this brochure, it is impossible to determine the scope of this outbreak, or any future outbreaks, how long any such outbreak, market disruption or uncertainties will last, the effect any governmental actions will have or the full potential impact on Rock Springs, issuers and the Funds.

Although it is impossible to predict the precise nature and consequences of these events, or of any political or policy decisions and regulatory changes occasioned by emerging events or uncertainty on applicable laws or regulations that impact Rock Springs, the Funds and their investments, it is clear that these types of events are impacting and will, for at least some time, continue to impact the Funds and borrowers and in many instances the impact will be adverse and profound. For example, smaller and

middle market companies in which the Funds invest are being significantly impacted by these emerging events and the uncertainty caused by these events. There can be no assurance that emerging events will not cause a Fund to suffer a loss of any or all of its investments or interest thereon. The Funds will also be negatively affected if the operations and effectiveness of Rock Springs, the Funds or an issuer (or any of the key personnel or service providers of the foregoing) is compromised or if necessary or beneficial systems and processes are disrupted.

In addition, Rock Springs expects that there will be cases where Rock Springs will need to adjust its operations, including the operations of personnel responsible for trading and allocation functions, as appropriate to meet evolving business needs and the needs of the Funds. Rock Springs expects to make adjustments to operations in response to disruptions, including but not limited to political, economic and other conditions and events (such as natural disasters, epidemics and pandemics, terrorism, conflicts and social unrest) that create uncertainty and have significant impacts on issuers, industries, governments and other systems, including the financial markets, to which the Funds are exposed.

Each of the risks discussed in Item 8 of this brochure (as well as similar discussions in the Governing Fund Documents) is subject to these *Political, Social and Economic Uncertainty Risks*, and should be reviewed and analyzed in light of these risks and uncertainties.

Risks Specific to the Healthcare Industry

A fund that focuses its investments in specific industries or sectors is more susceptible to developments affecting those industries and sectors than a more broadly diversified fund. Because the Funds invest in the securities of companies in the healthcare, life sciences and related industries (including biotechnology companies), the Funds may perform poorly during a downturn in such industries. Such industries can be adversely affected by, among other things, uncertainty with respect to legal and regulatory requirements, legislative or regulatory changes, government enforcement activity (including lawsuits initiated by whistleblowers), competitive challenges, requirements for government approval and ongoing marketing of products and services, coverage of and/or reimbursement for products and services by third-party payors (including, for example, government healthcare programs), consumer demand for products and services, and product obsolescence.

The securities of companies in the healthcare and life sciences sectors, especially those of smaller, research-oriented companies, tend to be more volatile than the overall market. The success of investments in the healthcare and life sciences sectors is often based upon expectations about future products and services, research progress, and/or new product filings, product approval by regulatory authorities, and adequate coverage and reimbursement by third-party payors (including, for example, government healthcare programs). In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products or services, have no revenue or profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses, with high risks of not being able to launch their products or services and of not becoming profitable.

The healthcare and life sciences sectors are subject to extensive government regulation and enforcement by federal and state governments that may constrain companies' financial arrangements and relationships through which they research, develop, sell, market, and distribute products or provide

services. Some of the healthcare laws and regulations to which companies operating in these sectors may be subject include, for example:

- The federal Anti-Kickback Statute, an intent-based criminal statute that prohibits, among other activities, persons and entities from knowingly and willfully soliciting, offering, paying, receiving, or providing any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order, or recommendation of, any item or service for which payment may be made, in whole or in part, under a federal healthcare program, such as Medicare or Medicaid.
- The federal Stark law, which prohibits a physician who has a financial relationship, or who has an immediate family member who has a financial relationship, with entities providing “designated health services” or “DHS” from referring Medicare and Medicaid patients to such entities for the furnishing of DHS, unless an exception applies. The types of financial arrangements between a physician and a DHS entity that trigger the Stark law are broad and include direct and indirect ownership and investment interests and compensation arrangements. The Stark law also prohibits the DHS entity receiving a prohibited referral from presenting, or causing to be presented, a claim or billing for the services arising out of the prohibited referral. The prohibition applies regardless of the reasons for the financial relationship and the referral; unlike the federal Anti-Kickback Statute, intent to induce referrals is not required.
- The federal civil and criminal false claims laws, including the civil False Claims Act (the “FCA”), which prohibit individuals or entities from, among other activities, knowingly presenting, or causing to be presented, to the federal government claims for payment or approval that are false, fictitious, or fraudulent; knowingly making, using, or causing to be made or used, a false statement or record material to a false or fraudulent claim or obligation to pay or transmit money or property to the federal government; or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay money to the federal government. In addition, the government may assert that a claim that includes items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the FCA. The FCA also permits a private individual acting as a “whistleblower” to bring qui tam actions on behalf of the federal government alleging violations of the FCA and to share in any monetary recovery or settlement.
- The federal civil monetary penalties laws, which prohibit, among other activities (1) arranging for or contracting with an individual or entity that is excluded from participation in federal healthcare programs to provide items or services reimbursable by a federal healthcare program, (2) failing to report and return a known overpayment, or (3) offering or transferring any remuneration to a Medicare or Medicaid beneficiary if the person knows or should know it is likely to influence the beneficiary’s selection of a particular provider, practitioner, or supplier of items or services reimbursable by Medicare or Medicaid, unless an exception applies.
- The federal Physician Payments Sunshine Act (the “Sunshine Act”) which requires manufacturers of drugs, biologics, devices, and medical supplies for which payment is available under Medicare, Medicaid, or the Children’s Health Insurance Program, to report and disclose to the Centers for Medicare and Medicaid Services (the “CMS”) certain payments and transfers of value to covered recipients, which include U.S.-licensed physicians and teaching hospitals, as well as ownership and investment interests held by such physicians and their immediate

family members. For reports submitted to CMS on or after January 1, 2022, manufacturers must report payments and transfers of value provided in the previous year to certain other healthcare professionals, including physician assistants, nurse practitioners, clinical nurse specialists, certified registered nurse anesthetists, anesthesiologist assistants, and certified nurse midwives. Similar reporting requirements have also been enacted in several states and an increasing number of countries worldwide either have adopted or are considering similar laws requiring transparency of interactions with healthcare professionals. Particularly, some states such as Massachusetts and Vermont impose an outright ban on certain gifts to physicians. Failure to report appropriate data may result in civil or criminal fines and/or penalties.

- Medicare and Medicaid statutes, regulations, and guidance, which govern, for example, coverage and reimbursement of products and services and certification and enrollment of providers and suppliers.
- State laws and regulations, such as analogous state anti-kickback and false claims laws, which may apply with respect to healthcare items or services reimbursed by non-governmental third party-payors and may be broader than their federal equivalents; state laws requiring pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and/or the relevant compliance guidance promulgated by the federal government or otherwise restricting payments that may be made to healthcare providers; state laws and regulations requiring drug manufacturer disclosures to state agencies and/or commercial purchasers with respect to certain price increases and restricting such manufacturers' marketing practices or requiring disclosure of marketing expenditures and pricing information; state and local laws requiring registration of pharmaceutical sales representatives; and state laws and regulations governing healthcare professional fee splitting, the corporate practice of medicine, and healthcare professional and facility licensure.

Violations of any of these laws or any other applicable laws or regulations could potentially result in significant penalties, including, without limitation, administrative, civil, and criminal penalties, damages, fines, disgorgement, the curtailment or restructuring of operations, integrity oversight and reporting obligations to resolve allegations of noncompliance, exclusion from participation in federal and state healthcare programs, such as Medicare and Medicaid, and imprisonment. Ensuring business arrangements comply with applicable healthcare laws, as well as responding to possible investigations by government authorities, can be time- and resource-consuming and can divert a company's attention from its business.

Affordable Care Act Risks; Health Care Reform. In March 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the "ACA") became federal law in the United States. This law substantially changed the way healthcare is financed by both governmental and private third-party payors, and significantly affected the healthcare industry. The ACA included provisions that, among other things, changed numerous aspects of the federal healthcare programs, reduced and/or limited Medicare reimbursement to healthcare providers, required all individuals to have health insurance (with limited exceptions) and imposed new and/or increased taxes. For example, the ACA:

- increased the minimum level of Medicaid rebates payable by manufacturers of brand name drugs under the Medicaid Drug Rebate Program (the “MDRP”) from 15.1% to 23.1% of the average manufacturer price, or AMP;
- extended pharmaceutical manufacturers’ MDRP rebate liability to covered drugs dispensed to individuals who are enrolled in Medicaid managed care organizations;
- expanded beneficiary eligibility criteria for Medicaid programs by, among other things, allowing states to offer Medicaid coverage to certain individuals with income at or below 138% of the federal poverty level, thereby potentially increasing pharmaceutical manufacturers’ MDRP rebate liability;
- established a new methodology by which rebates owed by pharmaceutical manufacturers under the MDRP are calculated for drugs that are inhaled, infused, instilled, implanted or injected;
- expanded the types of entities eligible for discounted pricing on certain pharmaceutical products through the 340B Drug Pricing Program;
- required pharmaceutical manufacturers to participate in a coverage gap discount program, under which they must agree to offer 70% point-of-sale discounts off negotiated prices of applicable branded drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturers’ outpatient drugs to be covered under Medicare Part D;
- imposed a non-deductible annual fee on pharmaceutical manufacturers or importers who sell “branded prescription drugs” and biologic agents apportioned among these entities according to their market share in certain federal government programs;
- required reporting of certain financial arrangements between manufacturers of drugs, biologics, devices, and medical supplies and U.S.-licensed physicians and teaching hospitals under the Sunshine Act; and
- included numerous provisions aimed at limiting Medicare spending through reductions in various provider payments and by instituting more sweeping payment reforms, such as bundled payments for episodes of care and the establishment of “accountable care organizations” under which hospitals and physicians will be able to share savings that result from cost control and quality improvement efforts.

There is substantial uncertainty regarding the ACA’s future in light of recent and potential future judicial challenges and legislative amendments. On June 17, 2021, the U.S. Supreme Court dismissed the most recent judicial challenge brought by several states arguing that the entire ACA was unconstitutional as a result of Congress eliminating the individual mandate penalties as of January 1, 2019. The Supreme Court dismissed the lawsuit without ruling on the states’ constitutionality arguments. Additionally, Congress has not passed legislation to repeal or replace the ACA to date; however, the ACA has been subject to legislative amendments. For example, the Bipartisan Budget Act of 2018, among other changes, further amended provisions enacted as part of the ACA to, effective January 1, 2019, increase from 50% to 70% the point-of-sale discount that pharmaceutical manufacturers participating in the Medicare Coverage Gap Discount Program must provide to eligible Medicare Part D beneficiaries during the coverage gap phase of the Part D benefit and to reduce standard beneficiary cost sharing in the coverage gap from 30% to 25% in most Medicare drug plans. Additionally, the Further Consolidated

Appropriations Act of 2020 fully repealed the ACA's "Cadillac" tax on certain high-cost employer-sponsored health coverage (for tax years beginning after December 31, 2019), the annual fee imposed on certain health insurance providers based on market share (for calendar year 2021), and the medical device excise tax on non-exempt medical devices (for sales after December 31, 2019). Most recently, in the American Rescue Plan Act of 2021, Congress eliminated the statutory cap on drug manufacturers' MDRP rebate liability effective January 1, 2024. Under current law enacted as part of the ACA, drug manufacturers' MDRP rebate liability is capped at 100% of the average manufacturer price for a covered outpatient drug.

Other legislative changes have been proposed and adopted in the U.S. since the ACA was enacted. These changes include the Budget Control Act of 2011, which, among other changes, led to aggregate reductions in Medicare payments to providers of up to 2% per fiscal year that started in April 2013 and, due to subsequent legislation, will continue into 2031, with the exception of a temporary suspension of the payment reduction from May 1, 2020 through December 31, 2021 due to the COVID-19 pandemic, unless additional Congressional action is taken. Future federal healthcare reform measures have been proposed and may be adopted, in some form, in the future. Congress and the current Biden Administration have advocated for potential healthcare reforms with a purported focus on reducing prescription drug prices. Moreover, certain elected U.S. officials have proposed and are advocating for broader reform measures that would expand the role of government in providing healthcare coverage, including, for example, proposals for a single-payer system commonly referred to as "Medicare for All."

It is difficult to predict the impact of the ACA and any future healthcare reform measures on the Funds and the healthcare and life sciences industries in which it invests. Certain of these proposals, if enacted, could have far-reaching implications for the healthcare and life sciences industries and the portfolio companies in which a Fund invests, including without limitation placing downward pressure on prices and potentially reducing revenues. Moreover, even if broader healthcare reform legislation is not enacted in the near term, continued advocacy for an expanded government role in healthcare and continued introduction of legislation promoting such changes by members of Congress could result in increasing uncertainty regarding the future direction of the healthcare and life sciences industries, which uncertainty could itself have material adverse effects on portfolio companies and, thereby, the Funds.

Various healthcare reform proposals have also emerged at the state level. Rock Springs cannot predict the impact that these federal and state healthcare reforms will have on the Funds or the companies in which a Fund invests. The ACA and other reforms may lower reimbursements for the products approved for sale or services provided in the United States, reduce medical procedure volumes relating to approved products, impact demand for products and services or the prices at which they may be sold, which could have a material adverse effect on a portfolio company's business, financial condition and results of operations, which may, in turn, negatively impact the Funds' returns.

Technological Obsolescence. Certain healthcare and medical technology-related businesses are characterized by single-product focus and rapidly changing technologies. Success in a business with a single-product focus is particularly sensitive to technological changes and the development of alternative competing products. These changes and developments may render existing products and technologies obsolete.

Volatility in Market Value. The market value of healthcare-related companies in general has been highly volatile, with significant price fluctuations that are often unrelated to the operating performance of particular companies.

Unanticipated Delays and Uncertainty of Product Development. Unanticipated problems may arise in connection with the development of new products or technologies, and many of such efforts could ultimately be unsuccessful. For example, in the United States, the FDA is responsible for the approval of new drugs, the licensure of biological products, and the clearance or approval of medical devices (including some health-related software), under the Federal Food, Drug, and Cosmetic Act, the Public Health Service Act, and implementing FDA regulations. The FDA also regulates, and in some cases must grant prior approval for, clinical use in human subjects of investigational products. The FDA's clearance, licensure, and approval processes are inherently unpredictable and in many cases the success or failure of the companies in which the Funds invest will depend on the outcome of these processes. The approval process for obtaining marketing authorization typically takes many years, and is extremely expensive and uncertain. In addition, as part of the process for obtaining marketing authorization, companies may need to conduct in vitro and in vivo preclinical studies involving animals, and may need to obtain FDA approval for, and conduct, clinical trials involving humans. Clinical trials may require submission, and FDA approval, of an investigational new drug application or an investigational device exemption prior to commencement of any clinical trials. In addition, clinical trials are subject to continuing oversight, including by the FDA, institutional review boards, and data safety monitoring boards. At any time, the FDA may place a clinical trial on partial or full clinical hold if, among other things, it believes that a clinical trial either is not being conducted in accordance with FDA requirements or presents an unacceptable and significant risk to clinical trial patients, including as a result of a serious adverse event, concerns with a class of product candidates or after an inspection of the clinical trial operations, trial sites or manufacturing facilities. Even if results from preclinical studies are favorable, the results in clinical trials on humans may differ, and results from initial clinical trials may not reflect those obtained in later stage trials. Preclinical studies and clinical trials are costly and lengthy and the results of these studies and trials are highly uncertain.

Notifications or applications to market a drug, biological product, or medical device may require different types of scientific data, which may include performance testing, in vitro and in vivo preclinical studies, and clinical studies. Even if a sponsor conducts all required scientific investigations to support a notification or application to market a drug, biological product, or device, the sponsor may nonetheless be unable to obtain marketing authorization for a candidate drug, biological product, or medical device for a number of reasons. If a company in which a Fund invests is unable to obtain these approvals in a timely fashion, or if after approval for marketing, a product is later determined to be ineffective or to have unacceptable side effects not discovered during testing, the company may experience significant adverse effects, which in turn, could negatively affect the performance of the Fund.

Delays in commercializing products may therefore result in the need to seek additional capital, potentially diluting the interests of investors. These various factors may result in abrupt advances and declines in the securities prices and/or valuation of particular companies in the healthcare industry and, in some cases, may have a broad effect on the prices of securities of companies in particular segments of the healthcare industry generally.

Investing in Pharmaceutical and Medical Device Manufacturers; Regulatory Approval Over Products. The development, testing, manufacturing and marketing of products by pharmaceutical and medical device manufacturers are subject to extensive regulation by numerous governmental authorities in the United States and other countries. The process of obtaining FDA approval of products is typically costly and time consuming for pharmaceutical and medical device companies. New products must undergo rigorous preclinical and clinical testing and an extensive regulatory approval process mandated by the FDA. Even if the regulatory approval of a product is granted, the approval may be subject to limitations on the uses for which the product may be marketed, or the conditions of approval may require

costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. Any adverse effects observed after the approval and marketing of the product could cause the withdrawal of the product from the marketplace.

Dependence on Single Products. Certain companies in which the Funds invest may only have one product under development. There can be no assurance that any such product will be approved, cleared, or licensed for marketing by the FDA or any other U.S. or non-U.S. regulatory agency. Further, competition to such product may develop from other new and existing products. In either case, if a company is dependent on one product, the consequences of such failure could be devastating to the prospects of such company, which in turn could negatively affect the performance of the Funds.

Third Party Coverage and Reimbursement. The ability of certain companies in the healthcare and life sciences industries to commercialize certain of their products and product candidates and/or provide services depends, in part, upon the availability of reimbursement from third-party payors, such as federal and state government healthcare programs, private health insurers, managed care organizations, and other payors. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a payor-by-payor basis. Private third-party payors often rely upon Medicare coverage policy and payment limitations in setting reimbursement policies, but also have their own methods and approval processes apart from Medicare coverage and reimbursement determinations. However, one payor's determination to provide coverage for a product or service does not assure that other payors will also provide coverage and reimbursement. Payors consider a number of factors when determining whether to cover a new product or service, including, for example, whether the product or service is a covered benefit under its health plan; safe, effective and medically necessary; appropriate for the specific patient; cost-effective; and neither experimental nor investigational. Third-party payors may also limit coverage to specific products on an approved list, or formulary, which might not include all of the FDA-approved products for a particular indication. Moreover, a payor's decision to provide coverage for a product or service does not imply that an adequate reimbursement rate will be approved. The process for determining whether a payor will provide coverage for a product or service may be separate from the process for setting the reimbursement rate that the payor will pay for the product or service. Government and other third-party payors increasingly attempt to contain costs by limiting both coverage and level of reimbursement for certain products and services. If government and third-party payors do not provide adequate coverage and reimbursement levels for certain products and services, the market acceptance of those products and services may be drastically limited, with such limitation resulting in harm to the companies' businesses. For example, inadequate third-party reimbursement for any product or service or a decision by a third-party payor not to cover a product or service could reduce provider usage and patient demand and have a material adverse effect on a healthcare or life sciences company's revenue. Moreover, as a condition of participating in, and having their products covered under, certain federal healthcare programs, such as Medicare and Medicaid, pharmaceutical manufacturers may become subject to federal laws and regulations that require them to calculate and report certain pricing metrics to the government, such as Medicaid, including the average manufacturer price and best price under the MDRP, the Medicare average sales price, the 340B ceiling price, and the non-federal average manufacturer price reported to the Department of Veteran Affairs, and with respect to Medicaid, pay statutory rebates on utilization of the manufacturers' products by Medicaid beneficiaries. Compliance with these laws and regulations requires significant resources and could have a material adverse effect on such companies' financial performance.

Investment in Companies Dependent Upon Scientific Developments and Technologies. The Funds may invest in biopharmaceutical companies. Biopharmaceutical companies are subject to a unique set

of risks, including: (i) rapidly changing science and technologies; (ii) new competing products and improvements in existing products which may quickly render existing products or technologies obsolete; (iii) exposure, in certain circumstances, to a high degree of government regulation, making these companies susceptible to changes in government policy and failures to secure, or unanticipated delays in securing, regulatory approvals, licensures, or clearances; (iv) exposure related to the outcome of clinical trials; (v) scarcity of management, technical, scientific, research and marketing personnel with appropriate training; (vi) actual or perceived safety and efficacy issues of their products; (vii) the possibility of lawsuits related to intellectual property rights; and (viii) rapidly changing investor sentiments and preferences with regard to healthcare sector investments (which are generally perceived as risky).

Risks Related to the Funds

Past Performance. The past investment performance of the Funds and the Principals should not be construed as an indication of the future results of an investment in any Fund. The Funds' investment programs should be evaluated on the basis that there can be no assurance that Rock Springs' assessment of the short-term or long-term prospects of investments will prove accurate or that the Funds will achieve their investment objectives. No assurance can be given with respect to the performance of any investment recommendations made by Rock Springs.

"Master-Feeder" Structure. The Feeder Funds generally will invest through a "master-feeder" structure. Although a common hedge fund structure, the "master-feeder" fund structure presents certain unique risks to Investors. For example, a smaller Feeder Fund investing in a Master Fund may be materially affected by the actions of a larger Feeder Fund investing in the Master Fund. If a larger Feeder Fund withdraws from a Master Fund, the remaining Feeder Funds may experience higher *pro rata* operating expenses, thereby producing lower returns. A Master Fund may become less diverse due to a redemption by a larger Feeder Fund, resulting in increased portfolio risk. The "master-feeder" fund structure and in particular the existence of multiple investment vehicles investing in the same portfolio may result in increased costs associated specifically with investing through a Master Fund (which are generally borne on a *pro rata* basis by the various entities investing in the Master Fund). In addition, to the extent the Feeder Funds' assets are invested in a Master Fund, certain conflicts of interest may exist due to different tax considerations applicable to the various Feeder Funds.

Limited Liability; Obligation to Contribute. Subject to applicable law, an Investor will be liable for debts and obligations of the applicable Feeder Fund only to the extent of its capital account to which such debts and obligations are attributable. An Investor who receives a payment representing a return of any part of its capital contribution to the applicable Feeder Fund within six months before an insolvency of the applicable Feeder Fund will be liable to repay such payment to the extent that such capital contribution or part thereof is necessary to discharge a debt or obligation of the applicable Feeder Fund incurred during the period that the capital contribution represented an asset of the applicable Feeder Fund.

Risk Mitigation

Rock Springs seeks to mitigate these risks through a variety of mechanisms, including, diversification, disciplined capital allocation, and limits on individual positions. The descriptions of risk factors contained above are a brief overview of different risks related to Rock Springs investment strategies; however, they are not intended to serve as an exhaustive list or a comprehensive description of all risks and conflicts that may arise in connection with the management and operations of the Funds. In addition,

key risk areas inherent to investing also include risks related to the operations and investment activities of the Funds, risks related to specific investments, and risks related to investing in non-U.S. jurisdictions.

In addition, certain of the Feeder Funds' terms possess inherent conflicts of interest for Rock Springs, including without limitation in respect of incentive compensation (which may incentivize Rock Springs to take greater risks in investing the Funds' assets due to its potential to share in the increased profits that might result) and the withdrawal provisions (which may incentivize Rock Springs to delay withdrawals to maximize the net asset value of the Funds in order to increase the amount of management fees or potential for incentive compensation). In addition, Funds and Investors may have conflicting tax and other interests with respect to their investments. As a consequence, conflicts of interest may arise in connection with decisions made by Rock Springs with respect to the nature or structuring of investments, that may be more beneficial for one Investor than for another, especially with respect to Investors' individual tax situations.

It is recommended that Investors review the applicable Governing Fund Documents for a more complete discussion of the risk factors associated with the Funds.

Item 9: Disciplinary Information

Neither Rock Springs nor any of its officers, directors, or employees or other management persons, has been involved in any legal or disciplinary events that would require disclosure in response to this Item 9.

Item 10: Other Financial Industry Activities and Affiliations

The General Partner is the general partner of the Funds. While the General Partner is not separately registered as an investment adviser with the SEC, all of its investment advisory activities are subject to the Advisers Act and the rules thereunder. In addition, employees and persons acting on behalf of the General Partner, if any, are subject to the supervision and control of Rock Springs. The General Partner is also an "exempt commodity pool operator" under the rules of the Commodity Futures Trading Commission.

Rock Springs and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

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

Code of Ethics

Rock Springs has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Among other things, the Code requires Rock Springs and its employees to act in the clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading, and pre-clear and report on many types of personal securities transactions. Rock Springs' restrictions on personal securities trading apply to employees, as well as employees' family members living in the same household and are designed to prevent personnel who have information regarding Rock Springs' transactions or proposed transactions on behalf of the Funds from trading for their own accounts on the basis of such information.

Participation or Interest in Client Transactions

Related Persons have investments in the Funds and/or other accounts managed by Rock Springs. In addition, Rock Springs directs the Feeder Funds' investments into the applicable Master Fund, for which the General Partner serves as general partner. As a result, Related Persons have interests in investments that may also be recommended to clients.

Personal Trading

Except for investment in the Funds or accounts (including any proprietary accounts) managed by Rock Springs, employees must pre-clear certain personal securities transactions, including listed equity transactions and securities obtained through a private placement, before completing the transactions. Rock Springs may deny any proposed transaction, particularly if the transaction poses a conflict of interest or if Rock Springs is planning on transacting in the same security at or about the same time on behalf of the Funds or any other account managed by Rock Springs. Employees are generally prohibited from trading healthcare-related securities (as determined by Rock Springs) in their personal accounts (other than accounts managed by Rock Springs); *provided*, however, any healthcare-related securities held by a Related Person at the time he or she became a Related Person may be sold pursuant to the pre-approval procedures set forth in the Code.

Employees are also required to provide annual reports of holdings and quarterly reports of securities transactions in "Reportable Securities" as defined in the Advisers Act. Employees must disclose all personal trading accounts initially upon commencement of employment and annually thereafter.

Rock Springs will provide a copy of the Code to any client, Investor or qualified prospective client or Investor upon request. To review a copy of the Code, please contact Rock Springs by telephone at (410) 220-0130.

Item 12: Brokerage Practices**Selection of Brokers and Dealers**

Rock Springs has complete discretion in deciding which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and commissions or markups and markdowns paid.

In selecting broker-dealers to effect portfolio transactions for the Funds, Rock Springs considers such factors as: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected and the speed of error resolution, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker-dealer; the quality, comprehensiveness and frequency of research and other related services considered to be of value; the state of the broker-dealer's facilities and computer trading systems; the quality of a broker-dealer's confidentiality program; and the competitiveness of commission rates in comparison with other broker-dealers satisfying Rock Springs' selection criteria. Accordingly, if Rock Springs determines in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the brokerage and products or services provided by such broker-dealer, the Funds may pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might

charge for effecting the same transaction. Rock Springs has a “best execution” committee which meets to evaluate the Funds’ brokerage arrangements.

It should be noted that when Rock Springs uses client brokerage commissions to obtain research and related services, Rock Springs receives a benefit because it does not need to produce or pay for the research or other products or services. In addition, Rock Springs has an incentive to select or recommend a broker or dealer based on its interest in receiving the research or other products and services, rather than on the Funds’ interests in receiving best execution.

Soft Dollar Benefits

Section 28(e) of the U.S. Securities Exchange Act of 1934 (as amended, the “Exchange Act”) provides a safe harbor that allows an investment adviser to pay more than the lowest available commission in order to obtain brokerage and research services (commonly referred to as a “soft dollar” arrangement). This practice involves a conflict of interest, but Section 28(e) of the Exchange Act provides that it will not constitute a breach of Rock Springs’ fiduciary duty to the Funds if the services and products consist of “research” and “brokerage” services and products and certain other conditions are met. Rock Springs will only use soft dollars to obtain products and services that fall within the safe harbor provided by Section 28(e) of the Exchange Act (provided, that from time to time, broker-dealers may provide without being requested to do so, research or other products or services to most or all of their customers and Rock Springs may accept such products or services rather than producing or paying for the same from another provider). Where a product or service provided has both “eligible” uses under Section 28(e) (*i.e.*, uses related to Rock Springs’ investment decision-making process) and other uses, Rock Springs will allocate the cost of any such product or service between the eligible and non-eligible uses in good faith. Only the percentage of the product/service that is used for brokerage/research may be paid with soft dollars.

Research and brokerage services obtained by the use of commissions arising from the Funds’ portfolio transactions may be used by Rock Springs in its other investment activities. The Funds may not necessarily, in any particular instance, be the direct or indirect beneficiaries of such research or brokerage services. Because the Feeder Funds invest in Master Funds and all trading occurs at the Master Fund level, any soft dollar benefits that arise from client brokerage commissions paid by a Master Fund will benefit the Master Fund as the trading entity. To the extent that Rock Springs advises more than one entity that generates soft dollar benefits, Rock Springs will not necessarily allocate such benefits to the entities in proportion to the soft dollar benefits each entity generates. Rock Springs will allocate soft dollar benefits in a fair and equitable manner.

The types of products and services that Rock Springs received with client brokerage commissions in the past year included: research reports on companies, industries and securities; economic, market and financial data; access to broker-dealer analysts and corporate executives; and attendance at industry seminars and broker-dealer organized conferences.

Investor Introductions

Rock Springs may receive introductions to Investors through broker-dealers that execute trades on behalf of Rock Springs. Rock Springs does not believe that it pays any additional fees or higher commissions as a result of these introductions. Rock Springs seeks best execution on all transactions. However, Rock Springs has an incentive to select or use a broker-dealer based on receiving Investor referrals from that counterparty, rather than the Funds’ interest in receiving best execution. Rock

Springs will only utilize a broker-dealer if the “best execution committee” has determined that the arrangement would be in the Funds’ best interest, including considering the factors set forth above in this Item 12.

Allocation of Investment Opportunities

Rock Springs has established and maintains policies and procedures, which it will amend from time to time, that it believes are reasonably designed to assure that investment opportunities which are suitable and determined by Rock Springs to be appropriate for more than one Fund are allocated among such Funds fairly and equitably over time and in a manner that is consistent with applicable law and contractual obligations (the “Allocation Procedures”). The Allocation Procedures do not guarantee that any Fund will invest in each opportunity that would be permissible or that it will invest any particular amount of its assets in an opportunity. Rather, Rock Springs evaluates the appropriateness of each investment opportunity that is potentially suitable for more than one Fund (including the relative amount to be allocated among participating Funds) based on Funds’ objectives, policies and restrictions, as well as a number of other factors specified in the Allocation Procedures.

Allocation decisions sometimes involve subjective determinations by Rock Springs.

Trade Aggregation

If Rock Springs determines to buy or sell the same security using the same trading parameters (i.e., market vs. limit order, price, etc.) on behalf of more than one Fund at the same time, Rock Springs will generally, but is not obligated to, place an aggregated order for such accounts consistent with the duty to seek best execution. Where Rock Springs determines to implement a new investment or trading decision for a Fund on a contemporaneous basis, it expects to place such orders on an aggregated basis. Aggregated orders that result in partial fills will be allocated between participating Funds according to the Allocation Procedures.

Trade Errors

Trade errors may occur as a result of mistakes made on the part of broker-dealers, or mistakes on the part of Rock Springs’ personnel including portfolio managers and traders. Trade errors are an intrinsic factor in any complex investment process, and will occur notwithstanding the exercise of due care and special procedures designed to prevent trade errors. Trade errors are, therefore, distinguishable from errors in judgment, due diligence or other factors leading to a specific trading instruction being generated, as well as from unauthorized trading or other improper conduct by personnel. Trade errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system, failures of oral communication between the portfolio managers and traders or typographical or drafting errors related to derivatives contracts or similar agreements. Rock Springs maintains trade error policies and procedures. In accordance with such policies and procedures, to the extent any trade errors occur, they will be (i) corrected by Rock Springs as soon as practicable after their discovery and (ii) corrected in a manner such that any profit and loss as a result of such trade errors are minimized. Rock Springs will strive to correct all trade errors prior to settlement. Trade errors are considered to be one of the costs of the Funds doing business. Thus, any profit that results from a trade error is left in the account of the applicable Fund. Broker-dealers that cause trade errors as a result of their own mistakes may be responsible for any losses that result from such errors. The applicable Fund shall be responsible for any losses resulting from trade errors and similar human errors (to the extent not borne by the relevant broker-dealer), subject to Rock Springs meeting its standard of care.

Item 13: Review of Accounts

The Funds' portfolios are reviewed on a continuous basis. Rock Springs' investment personnel under the supervision of the Principals hold regular investment discussions regarding investment ideas, investment strategies, economic developments, current events, and other issues related to current portfolio holdings and potential investment opportunities.

In addition, Rock Springs reviews the accounts of the Funds on a monthly basis. During the month-end reconciliation process with the administrator, the Finance Team is primarily responsible for reviewing the accounts of the Funds. As part of that process, the Finance Team and the administrator reconcile the portfolios and profits and losses prior to the distribution of net asset value statements to Investors.

Subject to a Fund's Governing Fund Documents, Investors generally receive (i) monthly performance summaries; (ii) annual audited financial reports; and (iii) annual tax information necessary to complete any applicable U.S. tax returns. Investors in certain Funds may be provided commentary on such Funds' quarterly performance in quarterly investor letters.

Item 14: Client Referrals and Other Compensation

Rock Springs does not receive any economic benefits from non-clients in connection with the provision of investment advice to clients. Rock Springs may enter into arrangements with placement agents providing for payments to such agents of a one-time or ongoing fee, including fees based on a percentage of the management fee and/or the incentive compensation. If an Investor is introduced to the Funds through a placement agent, the arrangement, if any, with such placement agent will be disclosed to the Investor prior to any investment by such Investor.

Item 15: Custody

Rock Springs is deemed to have custody of the Funds' assets because of the authority that Rock Springs and/or its affiliated entities have over those assets. The Funds' financial statements are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles and distributed within 120 days of the Funds' fiscal year end.

Item 16: Investment Discretion

Rock Springs generally has discretionary authority to determine, without obtaining specific consent from the Funds or its Investors, the securities and the amounts to be bought or sold on behalf of the Funds. Any limitations on such authority are included in the respective Fund's Governing Fund Documents.

Item 17: Voting Client Securities

Rock Springs has voting authority and responsibility with respect to securities held by the Funds. The Rock Springs' proxy voting policy is overseen and implemented by the Chief Compliance Officer and such other persons as may be appointed from time to time. Institutional Shareholder Services, Inc. ("ISS") has been retained to assist in the proxy voting process. Specifically, ISS (1) populates each vote

based either on ISS' recommendation or on Rock Springs' voting instructions and/or (2) automatically submits Fund votes to be counted. Rock Springs has determined that in light of the resources necessary in connection with proxy voting, it is in the Funds' best interests to rely on the analysis and recommendations of ISS. Accordingly, ISS will generally vote proxies on behalf of the Funds in favor of management proposals, in accordance with ISS' Proxy Voting Guidelines, available at <https://www.issgovernance.com/>. In cases where ISS recommends a vote against a management proposal, ISS will notify Rock Springs of the upcoming vote and of the proposal(s) for which ISS is recommending a vote against management. Rock Springs will then request ISS' research report detailing the reasons for such recommendation(s). Rock Springs evaluates the report to determine whether to accept ISS' recommendation(s). In the event that Rock Springs decides to vote a proxy (or particular proposals within a proxy) in a manner different from ISS' recommendation, Rock Springs will document the reasons supporting the decision.

Rock Springs retains ultimate authority with regard to voting client securities and may over-ride ISS' recommendation or choose to abstain from voting if it determines, in its discretion, that the vote is not in the best interests of the Funds. Rock Springs retains all required documentation associated with proxy voting. Rock Springs has the authority to vote a proxy (or particular proposals within a proxy) contrary to ISS' recommendation, including in the event of a material conflict of interest. In the event of a material conflict of interest where Rock Springs does not intend to accept ISS' recommendation with regard to a proxy vote (or one or more proposals within a proxy), Rock Springs' Proxy Committee (as defined in Rock Springs' proxy voting policy) will review the particular proxy to determine whether a particular intended vote is in the Funds' best interests. In addition, Rock Springs requires ISS to notify it if ISS experiences a material conflict of interest in the voting of the Funds' proxies. If such material conflict of interest occurs, ISS procures independent research relating to such proxy vote and Rock Springs determines the appropriate vote.

Rock Springs may abstain from voting client securities if exercising voting authority would impose costs on the Funds, including opportunity costs resulting from restricting the use of securities for lending in order to preserve the right to vote. In general, Rock Springs believes it is in the Funds' best interests to abstain from voting client securities that have been lent to third parties, rather than to incur the cost of recalling those securities in order to vote the accompanying proxy.

A copy of Rock Springs' proxy voting policies and procedures and information about how Rock Springs voted proxies may be obtained by contacting Rock Springs at (410) 220-0130.

Item 18: Financial Information

Not applicable.