

# Form ADV Part 2: Firm “*Brochure*”

## Invus Financial Advisors, LLC

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This document dated March 28, 2024 (the “**Brochure**”) provides information about the qualifications and business practices of Invus Financial Advisors, LLC (“**IFA**” or the “**Firm**”) and its affiliated funds. If you have any questions about the contents of this Brochure, please contact us at (212) 616-2555. IFA is registered as an investment adviser with the United States Securities and Exchange Commission (“**SEC**”) under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Registration as an investment adviser does not imply that IFA or its employees possess a certain level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about IFA also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 28, 2024**

## **Item 2: Material Changes**

Item 2 discusses only material changes made since an adviser's last Annual Updating Amendment to its brochure. There have been no material changes made to this Brochure since the last version was filed on March 31, 2023.

Certain non-material changes were also made to this Brochure. Consequently, we encourage you to read the Brochure in its entirety.

The Firm will update this Brochure no less than annually.

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## Item 4: Advisory Business

IFA provides investment advisory services to private pooled investment vehicles, the “Funds,” that are offered exclusively to certain highly sophisticated investors, including high net worth individuals, families or institutions. IFA also provides advisory services to a family office.

For the purposes of this document, IFA’s “clients” are the Funds it manages and the family office to which it provides advisory services, and its “investors” are the underlying investors in those vehicles and the aforementioned family office.

IFA was formed in 2006, and its principal owners are Leslie Lake and Sacha Lainovic. A minority owner of IFA is Invus Alternative Assets Advisors, LLC.

IFA offers advisory services with the goal of generating capital appreciation. For some of its clients, including the “Funds of Hedge Funds” and the family office client, IFA recommends for investment exclusively securities of hedge funds.

For other clients, the “Private Equity Funds,” IFA recommends direct investments, primarily minority positions, in highly speculative private companies and investments in private equity funds. For a third group of clients, the “TMG Funds,” IFA monitors and provides investment advisory services related to exclusively investments in Brazil, primarily control positions in private companies. As described below, IFA co-sponsors the TMG Funds together with TMG Management Services, Ltd. (the “TMG Advisor”). The TMG Funds are no longer open to new investors and are not making any new investments. IFA’s clients’ investment strategies are described in more detail in each client’s governing documents, including advisory agreements, investment management agreements or limited partnership agreements (as applicable).

IFA tailors its recommendations to clients’ investment objectives and strategies as described in more detail in each client’s governing documents. IFA determines which recommendations are suitable for each client based on that client’s governing documents, which may include the Funds’ limited partnership agreements and offering memoranda or a client’s advisory agreement with the Firm, as applicable, which collectively set forth the investment objectives and suitable investments for that client. IFA does not personalize its investment recommendations to the specific needs of the investors in the Funds.

In accordance with common industry practice, IFA has in certain instances entered into “side letters” or side agreements with certain investors in a client whereby IFA grants individual investors specific rights, benefits, or privileges not set forth in the governing documents.

IFA does not participate in wrap fee programs.

As of December 31, 2023, IFA manages approximately \$2,913,819,000 on a sole discretionary basis. Together with the TMG Advisor, IFA has joint discretion and manages approximately \$37,671,000. Please refer to “Item 7: Types of Clients” for more information.

## Item 5: Fees and Compensation

IFA is compensated for advisory services with fees that are not based on capital appreciation (collectively, the “Management Fees” and each such fee a “Management Fee”).

For the Funds of Hedge Funds, the Management Fee is based on aggregate assets under management and is charged at a rate equivalent to between 0% to 1% of assets under management annually. For certain Private Equity Funds, the Management Fee is based on aggregated committed capital for the first several years of the Fund’s life (the “Investment Period”); and thereafter, on net remaining cost of the aggregate investments of the Fund after the Investment Period ends as described in each client’s governing documents. For other Private Equity Funds, the Management Fee is based on aggregated capital committed to separate classes of membership interests or segregated investment pools within such Funds. The fee is charged at a rate equivalent to between 0% and 2% annually. For the family office client, the Management Fee is a fixed fee negotiated separately with the client as described in the client’s governing documents. For each client, IFA is also compensated with a fee based on invested capital (the “Incentive Allocation,” see Item 6 below). For the Funds, the Management Fee and Incentive Allocation are not generally negotiated separately with each investor. However, IFA can negotiate, waive or agree to a reduction of amounts of the Management Fees, with individual investors at its discretion in consideration of the size of such investor’s capital commitment or other factors. The Managing Directors and employees of IFA and their related entities do not pay the Management Fee or Incentive Allocations. For a discussion of potential conflicts of interest, please see “Item 6. Performance-Based Fees and Side-by-Side Management.”

IFA allocates fees to its account directly from the assets of the Funds of Hedge Funds. IFA calls capital from investors in the Private Equity Funds for the Management Fee. As described in each client’s governing documents, in addition to the Management Fees, Incentive Allocation and carried interest payable to the general partner, clients generally bear all legal and organizational expenses incurred in their formation. Clients also pay all expenses directly related to their individual operations, including without limitation all costs and expenses with respect to the actual or proposed acquisition of investments, including research, monitoring, due diligence expenses, brokerage commissions, fees and expenses of custodians, consultants, outside counsel and accountants; litigation expenses; entity-level taxes and other governmental fees and charges; other legal, accounting, auditing, appraisal, administrative and accounting expenses and fees for other outside services; annual or special meetings of investors and periodic reports to investors; and printing, duplication, telephone and mailing expenses.

In accordance with a relevant Fund’s governing documents, the Fund bears all other costs and expenses of the Fund that are not reimbursed by portfolio companies, including, without limitation, legal, auditing, consulting, financing, accounting and custodian fees and expenses; out of pocket expenses incurred in connection with transactions not consummated; other expenses associated with the acquisition, holding and disposition of its investments, including extraordinary expenses (such as litigation, if any) and any taxes, fees or other governmental charges levied against the Fund. Expenses and liabilities incurred in connection with an

investment opportunity or potential investment opportunity, including without limitation due diligence and indemnity expenses, are allocated among the Funds pro rata according to the amount invested by each Fund in such investment opportunity or, in the case of an unconsummated portfolio investment, pro rata according to the amount to be invested by each Fund in such opportunity. Investors in certain Private Equity Funds structured to contain separate classes of membership interests or segregated investment pools generally only pay operational fees and expenses pertaining to the separate classes of membership interests or segregated investment pools to which such investors have contributed capital. IFA is responsible for certain of its overhead expenses, including salaries and employee benefits, rent, utilities and general office expenses.

The Funds incur other fees and expenses charged by brokers and other third parties, such as investment banking fees, underwriting fees, wire transfer fees, electronic fund fees, fund administration service provider fees, other fees and taxes on brokerage accounts and securities transactions, and costs otherwise authorized by the Fund's governing documents. See "Item 12. Brokerage Practices" below for further discussion of the factors that IFA considers in selecting or recommending broker-dealers for Fund transactions and determining the reasonableness of their compensation.

In connection with a portfolio company of Invus Opportunities Fund III US, LP and Invus Opportunities Fund III, LP, IFA is entitled to receive an advisory fee, comprised of a percentage of the operating income of the portfolio company, that reduces the Management Fee paid by Invus Opportunities Fund III US, LP and Invus Opportunities Fund III, LP investors.

IFA's clients also utilize a "fund-of-funds" investment strategy, pursuant to which their assets will be invested with other investment advisers. Investment management compensation is charged to clients both by the Firm and by the investment advisers with which assets are invested. As a result, clients will bear multiple investment management fees, which in certain cases include both fees based on assets under management (or committed capital) and fees based on capital appreciation, which in the aggregate can exceed the compensation which would typically be incurred by an investment with a single portfolio manager.

IFA does not charge fees to investors in the TMG Funds.

Private Equity Funds of IFA must pay the Management Fee in advance every quarter, not more than six months in advance. In the event that an advisory contract is terminated before the end of a billing period, IFA will refund a pro rata portion of the Management Fee based on the date of the contract's termination.

Neither IFA nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

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

IFA is entitled to receive the Incentive Allocation at comparable levels from each of its clients. Certain Investors in the Funds do not pay the Incentive Allocation. These Investors still participate pro rata in their applicable Fund's overall investment program. Investors in certain Private Equity Funds structured to contain separate classes of membership interests or segregated investment pools generally only pay Incentive Allocations pertaining to investments held by the separate classes of membership interests or segregated investment pools to which such Investors have contributed capital. The Incentive Allocation could lead IFA to make investments that are riskier or more speculative than would be the case if IFA did not receive the Incentive Allocation. However, the Firm is committed to fulfilling its fiduciary duty to the advisory clients to act at all times in their best interest. IFA subjects each investment to an extensive due diligence process, and IFA's Managing Directors have substantial investments in the Funds. Further, the Firm has adopted and implemented effective and adequate compliance policies and procedures addressing, among other things, allocation of investment opportunities, valuations as well as conflicts of interest.

## Item 7: Types of Clients

IFA provides investment advice to the Funds, which are private pooled investment vehicles that are exempt from registration under the Investment Company Act of 1940, as amended (the “Investment Company Act”). Investors in these vehicles may include high net worth individuals and institutions, high net worth families, pension plans, endowments and other Qualified Purchasers, as defined in the Investment Company Act. In general, IFA has full investment discretion to purchase and sell securities on behalf of the Funds.

IFA advises the TMG Funds pursuant to a sub-advisory arrangement with the TMG Advisor, a Brazilian private equity firm that was formed in 2007. An affiliate of IFA serves as co-general partner to the TMG Funds. IFA and the TMG Advisor have joint investment discretion over the TMG Funds. This means that both IFA and the TMG Advisor must approve all investments recommended for the TMG Funds.

Prospective investors in the Funds should refer to the applicable Fund’s governing documents for information on minimum investment requirements. Information on minimum investment requirements for the Funds is described, as appropriate, in the Form ADV, Part 1A. For each of IFA’s clients, the minimum initial commitment is subject to the discretion of the applicable Fund’s general partner.

IFA also provides non-discretionary advisory services to one family office entity. IFA does not have strict requirements in place for providing such advisory services and will evaluate such opportunities on a case-by-case basis in accordance with investment objectives and restrictions described in more detail in the family office governing documents.



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

### Methods of Analysis and Investment Strategies

#### ***Funds of Hedge Funds***

The Funds of Hedge Funds are managed pursuant to a “fund of hedge funds” strategy. IFA recommends that these clients invest substantially all of their respective assets in interests in hedge funds (such hedge funds are “*Underlying Funds*”). The Funds of Hedge Funds will place assets under the direction of the portfolio managers of the Underlying Funds (each, an “*Underlying Manager*”). IFA will attempt to diversify its holdings among investment strategies and attempt to achieve risk-adjusted returns.

IFA will evaluate Underlying Managers based on a variety of criteria. IFA will consider rate of return, correlation of return to general market indices, historical performance, volatility, liquidity and fee structure of the Underlying Funds. IFA will also evaluate Underlying Managers subjectively, based on criteria such as the manager’s experience, intelligence, market knowledge, integrity, reputation, coherency of strategy and operational infrastructure.

IFA will also do due diligence on investments in the Underlying Funds before committing to making an investment. Consideration will be given to, among other factors, the experience of the investment team of the Underlying Manager, the operational infrastructure of the Underlying Fund and its Underlying Manager, the Underlying Manager’s principals’ ability to manage a business, the investment strategy of an Underlying Fund, geography of investments, investment sector, historical performance and diversification of the applicable Fund of Hedge Funds’ other investments.

#### ***Private Equity Funds***

The Private Equity Funds have a very flexible investment mandate with the aim of creating a diversified portfolio with a disproportionate risk/return profile. For the Private Equity Funds, IFA generally attempts to deploy capital in one of the following investment strategies:

1. *Venture Capital and Growth Equity.* IFA seeks to identify minority investments in companies in attractive end markets and which possess a sustainable competitive advantage. IFA may identify opportunities both as a lead investor and as part of a consortium.
2. *Co-investment.* IFA seeks opportunities in co-investments or transactions originated by third parties, which may be independent sponsors or established private equity venture capital managers. These transactions may be special situations or complex in nature.
3. *Blind-pool funds.* IFA may also identify opportunities as passive limited partners in private equity or venture capital funds, also heretofore included in the definition of “*Underlying Funds*,” with strategies that IFA believes are well positioned to produce good capital appreciation. IFA evaluates these opportunities on a case-by-case basis based on the particular opportunities that are available to each potential Underlying Fund.

With respect to direct and indirect investments that it may make in private companies, IFA will perform operational and business analysis, including analysis of the company's financial statements and potential growth prospects with consideration of factors such as the geography of investments, investment sector, historical performance and diversification of the Funds' investments.

### ***Private Equity in Brazil***

IFA is a sub-advisor to the TMG Funds, which invest exclusively in private equity in Brazil. An affiliate of IFA serves as co-general partner to the TMG Funds. For these Funds, IFA and the TMG Advisor seek both control and minority investments in private companies.

### **Risk Factors**

#### ***General Risks***

IFA's investment strategy is speculative and entails substantial risks. There can be no assurance that a client's investment objective will be achieved. Accordingly, the Funds may incur substantial losses, including loss of a client's entire investment, which clients should be willing to bear. In addition, each client and investor should carefully read each risk set forth in this document and in all other governing documents and disclosure documents of a relevant Fund provided by the Firm.

There is no public market for many of the Funds' investments. As a consequence, clients' investments in securities are generally expected to be illiquid. As a consequence, the Funds could be prevented from liquidating securities promptly, which may in turn subject clients to substantial losses. Illiquidity could also impair the Funds' ability to distribute withdrawal proceeds to a withdrawing investor in a timely manner.

The Underlying Funds and portfolio companies may conduct their activities on a leveraged basis. Some of the Funds may also borrow at the fund level. While leverage presents opportunities for increasing clients' total return, it also has the effect of potentially increasing losses as well. Accordingly, any event that adversely affects the value of an investment may be magnified to the extent leverage is utilized. The cumulative effect of the use of leverage by the Funds, the Underlying Funds or portfolio companies in a market that moves adversely could result in losses that would be greater than if leverage were not utilized.

There can be no assurance that IFA will be able to identify or consummate investments satisfying the Funds' investment criteria. The success of the Funds' investment programs will depend on IFA's ability to identify suitable investments, and to negotiate and arrange the closing of appropriate transactions and to arrange the timely disposition of portfolio investments. Likewise, there can be no assurance that the Fund will be able to realize upon the values of its investments or that it will be able to invest its committed capital. To the extent that the Fund encounters competition for investments, returns to investors may decrease.

### ***Risks of Investing in Funds of Hedge Funds, Private Equity Funds and Venture Capital Funds***

IFA will recommend investments in private investment vehicles over which neither IFA nor any affiliate has any investment discretion, and which may themselves invest in highly speculative investments. The overall success of IFA's investment strategy depends in part upon the ability of the Underlying Managers to be successful in their own businesses employing their own investment strategies. The past performance of a particular strategy is not necessarily indicative of its future profitability, and no strategy is infallible. No assurance can be given that the strategies used by the Underlying Managers will be successful under all or any market conditions. The Underlying Managers may modify their strategies from time to time in an attempt to evaluate market movements more favorably. As a result of such periodic modifications, it is possible that the strategies used by an Underlying Manager in the future may be different from those in use when IFA recommends an investment.

Some of the Underlying Funds in which IFA will make an investment will be in the development stage, having little or no assets under management. These investments are anticipated to present greater opportunities for growth, but may also involve greater risks than customarily are associated with investments in more established investment funds run by seasoned portfolio managers. The Underlying Funds and/or Underlying Managers may have little or no operating history and the principals thereof may have limited track records. Further, the Underlying Managers may have limited financial resources and limited management other than the portfolio manager. The prior performance of the principal(s) of any Underlying Manager in any similar venture is not a guarantee of future results. There is no assurance that any Underlying Fund will achieve its investment objective.

IFA will request detailed information from each Underlying Manager regarding such Underlying Manager's methodology, investments and market views. IFA, however, may not always be provided with detailed information regarding all the investments made by the Underlying Manager because some of this information may be considered proprietary information by the Underlying Manager. This lack of access to information may make it more difficult for IFA to select, allocate among and evaluate the Underlying Managers and may prevent the Investment Manager from fully appreciating all the risks involved in a particular Underlying Manager's strategy.

IFA will generally attempt to reasonably diversify its investments when possible and will attempt to invest in Underlying Funds with exposure to diversified investments. However, each client's portfolio could directly or indirectly become significantly concentrated in any one issuer, industry, sector, strategy, country or geographic region, and such concentration of risk may increase the losses suffered by such client.

Although IFA intends to invest in multiple Underlying Funds on behalf of each of its clients, many of these multiple Underlying Funds may hold a particular investment in their portfolios. Therefore, if IFA's clients, through the Underlying Funds, have exposure to a limited number of positions or large exposure to certain positions, they could be exposed to losses disproportionate

to market declines in general if there are disproportionately greater adverse price movements in those positions.

The Underlying Managers may be limited in the amount of capital they can manage successfully by both the difficulty of executing substantially larger trades in order to accommodate greater assets under management and the restrictive effects of speculative position limits and possible market illiquidity. The rates of return recognized on the trading of a limited amount of assets may have little relationship to those an Underlying Manager reasonably can expect to achieve trading larger amounts of capital. The Underlying Managers will not be required to agree to limit the amount of additional assets they may manage. There can be no assurance that an Underlying Manager's strategies will not be adversely affected by the additional capital represented by additions made by IFA or others.

There is no assurance that each Underlying Manager will, as a result of capacity constraints, agree to manage as much of IFA's clients' assets as the Investment Manager determines to allocate to such Underlying Managers. There also is no assurance that an Underlying Manager will not terminate its relationship with the Partnership or return some assets under management.

Investment decisions made by each Underlying Manager will be based on the judgment of one or a limited number of key individuals (each, a "Key-Person"). If any Key-Person were to die or become incapacitated or otherwise terminate his or her relationship with an Underlying Manager or an Underlying Fund, such event could have a material adverse effect on the Partnership and its performance. While IFA will seek to negotiate terms whereby an investment in an Underlying Fund will be redeemable upon the death, incapacity, retirement or removal of one or more Key-Person, there is no guarantee that such terms will be secured in all cases. Moreover, there is no guarantee that having the ability to redeem from the Underlying Fund in such circumstances will mitigate potential adverse consequences.

The Underlying Managers are partially compensated based on the performance of their respective Underlying Funds. Consequently, a particular Underlying Manager may receive incentive compensation in respect of its Underlying Fund's performance during a period when client's overall capital depreciated.

The investment strategies of the Underlying Funds themselves are generally speculative and may involve significant risks. For example, the Underlying Funds that invest heavily in securities traded publicly on capital markets may be unsuccessful at analyzing these markets profitably, and the Underlying Funds that invest directly in more speculative opportunities may not successfully identify profitable opportunities. For a more complete description of the risks facing the Underlying Funds of IFA's clients, please refer to the applicable client's offering memorandum.

### ***Risks of Direct Investments in Private or Publicly-Traded Companies***

Portfolio companies in which a Fund invests could deteriorate as a result of, among other factors, an adverse development in their business, a change in their competitive environment, or an economic downturn. As a result, portfolio companies which IFA expected to be stable may

operate at a loss or have significant variations in operating results, may require substantial additional capital to support their operations or to maintain their competitive positions, or may otherwise experience weakness in their financial conditions. In some cases, the success of IFA's investment strategy will depend, in part, on the ability of IFA to affect improvements in the operations of a portfolio company and/or recapitalize its balance sheet. The activity of identifying and implementing operating improvements and/or recapitalization programs at portfolio companies entails a high degree of uncertainty. There can be no assurance that IFA will be able to successfully identify and implement such operating improvements and/or recapitalization programs.

IFA may recommend co-investments in a company with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of the Funds or may be in a position to take action contrary to the Funds' investment objectives.

IFA will be competing for investment opportunities with a significant number of individuals, financial institutions and other investment advisers to private funds, as well as various institutional investors. Some of these competitors may be larger and have greater financial, human and other resources than IFA and may in certain circumstances have a competitive advantage over IFA. Competition for appropriate investment opportunities may reduce the number of investment opportunities available to the Funds and adversely affect the terms upon which investments can be made.

A Fund may be called upon to provide follow-up funding for its portfolio companies or have the opportunity to increase its investment in such portfolio company. There can be no assurance that such Fund will wish to make follow-on investments or have sufficient funds to do so. Any decision by a Fund not to make follow-on investments or its inability to make them may have a substantial negative impact on a portfolio company in need of such an investment. Certain of the Funds' portfolio companies, especially those in a development phase, for example, may require additional financing to satisfy their working capital requirements. If the capital provided is not sufficient, a company may have to raise additional capital at a price unfavorable to its existing investors, including the Funds managed by IFA.

The availability of capital is generally a function of capital market conditions that are beyond the control of IFA, the Funds it manages or any portfolio company. There can be no assurance that the portfolio companies will be able to predict accurately future capital requirements necessary for success or that additional funds will be available from any source.

IFA may recommend investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by expiration of the Funds' term or otherwise (as described more fully in the Funds' offering memoranda). Although IFA expects that investments will either be disposed of prior to dissolution or be suitable for in-kind distribution at dissolution, the Fund may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

### ***Use of Alternative Data Risk***

The analysis and interpretation of alternative data involves a high degree of uncertainty and may entail significant expense which may be borne by the clients. The use of alternative data involves an inherent risk that IFA may rely on data outputs that reflect faulty system logic or that are based on inaccurate or incomplete data inputs. Moreover, there has been increased scrutiny from a variety of regulators regarding the use of alternative data for investment purposes, and its use or misuse under current or future laws and regulations could create liability for IFA or the clients in various jurisdictions. In addition, any future limitations on the use of alternative data could have an adverse impact on the performance of the clients.

### ***Market Downturn Risk***

Deterioration of the global equity and credit markets may adversely affect the clients' ability to make investments and to generate attractive investment returns. There can be no assurances that conditions in the U.S. economy and financial markets will not worsen. A worsening of general economic and market conditions would likely affect the level and volatility of securities or investments prices and the liquidity of the clients' investments, which could impair the clients' profitability, result in losses and impact the investors' investment returns. A recession, slowdown or sustained downturn in the United States or the global economy or a weakening of credit markets (including a perceived increase in counterparty default risk) could have a years of sustained low pronounced impact on the clients and the clients' investments and could adversely affect the clients' profitability and ability to execute on its business plans, satisfy existing obligations, make and realize investments successfully, originate or refinance credit or draw on existing financings and commitments (including, in the case of the clients, commitments from Partners). IFA believes that the global economy remains fragile and susceptible to significant potential price dislocations caused by political and macroeconomic shocks, including those caused by the end of quantitative easing programs, the return of inflation and rising interest rates.

### ***Illiquid and Long-Term Investments Risk***

Although portfolio investments by a Fund occasionally may generate some current income, the return of capital and the realization of gains, if any, from a portfolio investment generally will occur only upon the partial or complete disposition of such portfolio investment. While a portfolio investment may be sold at any time, it generally is not expected that this will occur for a number of years after the portfolio investment is made, and as a result there can be no assurance that a Fund will be able to dispose of portfolio companies through sale, public offering or otherwise on favorable terms, and there is a risk that disposition of such investments may require a lengthy time period or may result in distributions in-kind to investors. A Fund may not be able to dispose of certain portfolio investments prior to the date the Fund will be dissolved, either by expiration of the Fund's term or otherwise, and in such circumstances there can be no assurances with respect to the time frame in which the winding up and the final distribution of proceeds to the limited partners will occur.

### ***Contingent Liabilities Upon Disposition Risk***

In connection with the disposition of a portfolio investment, a Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business, and may be responsible for the content of disclosure documents under applicable securities laws. As a result, a Fund may also be required to indemnify the purchasers of such portfolio investment or underwriters to the extent that any such representations or disclosure documents turn out to be inaccurate. These arrangements may result in the incurrence of contingent liabilities, which would be borne by a Fund. In that regard, limited partners may be required to return amounts distributed to them to fund Fund obligations, including indemnity obligations. Furthermore, under the Delaware Revised Uniform Limited Partnership Act, each limited partner that receives a distribution from a Fund in violation of such Act will, under certain circumstances, be obligated to recontribute such distribution to the Fund. In addition, a Fund may sell portfolio investments in public offerings. Such offerings can give rise to liability if the disclosure relating to such sales proves to be inaccurate or incomplete.

### ***Indemnification Risk***

The Funds are required to indemnify IFA, its general partner, their affiliates and their members, partners, officers, directors, shareholders and employees for liabilities incurred in connection with the affairs of the Funds. Such liabilities may be material and have an adverse effect on the returns to the limited partners. The indemnification obligation of a Fund would be payable from the assets of the Fund, including the unpaid capital commitments of the limited partners. If the assets of the Fund are insufficient, the Fund may recall distributions previously made to the limited partners, subject to certain limitations set forth in the Fund's partnership agreement. IFA has purchased liability insurance to protect indemnified parties, the allocable cost of which is reimbursed by the Funds. Members of a Fund's limited partner advisory committee are also entitled to the benefit of certain indemnification and exculpation provisions, as set forth in the Fund's partnership agreement.

### ***Side Letters Risk***

Certain of the clients for which IFA or its related persons serve as investment manager has entered into and expects in the future enter into agreements, or "side letters," with certain prospective or existing investors whereby such investors, including in some cases investors that are affiliated with IFA or its related persons, are subject to terms and conditions that are more advantageous than those set forth in the governing documents for the particular client and which apply to other investors in the client. For example, a side letter could provide for special rights to make future investments in a client, other investment vehicles or managed accounts; offer special redemption rights, including those relating to frequency or notice; provide a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; include rights to receive reports from a client on a more timely or frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by IFA, on

behalf of the clients, with an investor. The determination of whether to enter into a side letter is solely at the discretion of IFA and could, among other things, be based on the size of the investor's investment in a client or affiliated investment entity, an agreement by an investor to maintain such investment in a client for a significant period of time, or other similar commitment by an investor to a client. Absent an agreement to the contrary or as required by applicable law, IFA is not obligated to inform other investors of the terms of any side letter or offer equally favorable terms to such other investors.

### ***Cybersecurity Breaches and Identity Theft Risk***

IFA and its affiliates and its portfolio companies' information and technology systems are subject to a number of different threats or risks that could adversely affect the Funds and their investors. Although IFA has implemented, and portfolio companies will likely implement, various measures to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Funds and its investors, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, IFA, the Funds and/or a portfolio company could be materially adversely affected. For example, these systems are subject to a variety of risks, including but not limited to damage or interruption from computer viruses, network failures, computer and telecommunication failures, security threats (including ongoing cyber security threats to and attacks on information technology infrastructure), infiltration by unauthorized persons and other security breaches, usage errors by their respective professionals, the increased threat arising from state sponsorship of cybersecurity attacks, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Third parties could also attempt to fraudulently induce employees, customers, third-party service providers or other users of the general partners' and the Firm's systems to disclose sensitive information, including non-public personal information related to investors (and their beneficial owners) and material non-public information in order to gain access to the general partners' or the Firm's data or that of the Funds' investors. If unauthorized parties gain access to such information and technology systems, they may be able to steal, publish, delete or modify private and sensitive information, including nonpublic personal information related to investors (and their beneficial owners of investors) and material nonpublic information. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in IFA's, its affiliates', the Funds' and/or a portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors), material non-public information and the intellectual property and trade secrets and other sensitive information of IFA, its affiliates and/or its portfolio companies. Breaches such as those involving covertly introduced malware, impersonation of authorized users and industrial or other espionage may not be identified even with sophisticated prevention and detection systems, potentially resulting in further harm and preventing them from being addressed appropriately. Any such failure or unauthorized disclosure of data could harm IFA's, the Funds' and/or a portfolio company's reputation and require a significant investment to remedy the effects of any such failures, subject any such entity and their respective affiliates to legal claims, increased costs, financial losses, reputational harm,



adverse publicity, regulatory intervention, and otherwise affect their business and financial performance. The costs related to cyber or other security threats or disruptions may not be fully insured or indemnified by other means.

The service providers of IFA and the Funds are subject to the same information security threats. If a service provider fails to adopt or adhere to adequate data security policies, or if the service provider's network is breached, information relating to the transactions of the Funds and personally identifiable information of the investors (and beneficial owners thereof) may be lost or improperly accessed, used, or disclosed.

### ***Business Continuity and Disaster Recovery Risk***

The Firm's, the Funds' and their portfolio companies' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), epidemics and pandemics, terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although the Firm has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Funds may be adversely affected.

### ***Material, Non-Public Information Risk***

By reason of their responsibilities in connection with their business activities (such as serving as a director of a portfolio company), employees of IFA may (i) acquire confidential or material non-public information that they will not be able to use for the benefit of the Funds or (ii) be restricted from initiating transactions in certain securities. Accordingly, the Funds may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell securities of a publicly-traded portfolio investment that they otherwise might have sold.

### ***Public Health Emergencies Risk***

Any public health emergency, including but not limited to any outbreak, re-outbreak or mutation of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, Ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the clients and their portfolio companies and could adversely affect the clients' ability to fulfill their investment objectives. The extent of the impact of any public health emergency on the clients' and their portfolio companies' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, in addition to restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, unemployment levels, consumer confidence and spending levels, and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and

performance of the clients' portfolio companies, the clients' ability to source, manage and divest investments and the clients' ability to achieve their investment objectives, all of which could result in significant losses to the Funds. In addition, the operations of the clients, their portfolio companies, and IFA could be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of the personnel of any such entity or the personnel of any such entity's key service providers.

### ***Counterparty Risk***

The Firm and/or its clients may be subject to credit risk with respect to the counterparties to instruments entered into directly by any one of its clients or held by such clients' underlying investments. The clients will also be subject to the risk that a counterparty may become unwilling or unable to meet its obligations prior to settlement. The clients may also be exposed to the credit risk of counterparties through a wide range of activities that occur in the normal course of the activities of the clients, including through service providers, banks, brokers, insurance providers, co-investors, portfolio companies, prospective portfolio companies, or other entities that each of the clients will have financial exposure to. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a contract due to financial difficulties, one or more clients may experience significant delays in obtaining any recovery under the contract in a bankruptcy or other reorganization proceeding. Moreover, any such client may obtain only a limited recovery or may obtain no recovery in such circumstances. The Firm is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with a single counterparty.

### ***Custody Risk***

As a registered investment adviser, the Firm is required to maintain certain client assets at a "qualified custodian," as defined under the Advisers Act. Clients may incur a loss on securities and funds held in custody in the event of a custodian's or sub-custodian's insolvency, negligence, fraud, poor administration or inadequate recordkeeping. Custodial assets maintained at a bank do not typically become part of a failed bank's estate, however, the Firm's operations could be impacted by the bank's insolvency in that there may be a delay in trade settlement, delivery of securities, or other similar circumstance.

### ***Bank Deposits Risk***

Deposits maintained at a Federal Deposit Insurance Corporation ("FDIC") insured bank are covered up to \$250,000 per depositor, per insured bank, for each account ownership category, in the event of a bank failure. Any deposits over \$250,000 in cash at a single bank may be lost in the event that the bank fails. In addition, valuation of companies may experience significant price declines, volatility, and liquidity concerns as a result of short- and long-term financing to continue operations at normal levels.

***Uncertainty in the U.S. and Global Financial Markets Risk***

Similar to the upheavals in the United States and global financial markets that began in 2008, the recent banking crisis has the possibility of extraordinary and unprecedented uncertainty and instability in such markets. There can be no assurances that conditions in the global financial markets will not adversely affect one or more of a client's portfolio companies or other investments, its access to capital or leverage, or its overall performance.

## **Item 9: Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of our company or the integrity of our management. IFA and its management persons have not been subject to any material legal or disciplinary events required to be discussed in this Brochure.

## Item 10: Other Financial Industry Activities and Affiliations

Neither IFA nor any of its management persons is registered, or has an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

Neither IFA nor any of its management persons is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities. IFA's Fund of Fund business is currently claiming an exemption from CFTC registration due to a no-action letter issued by the CFTC which extended the deadline for registration for Fund of Funds operators until the later of June 30, 2013 or six months from the date that the CFTC issues revised guidance on the application of the calculation of de minimis thresholds in the context of Regulations 4.5 and 4.13(a)(3), provided that Fund of Funds operators comply with the requisite requirements.<sup>1</sup> The CFTC has not issued further guidance on the subject since the release of the no-action letter as of the date of this Brochure. In addition, the general partners of the Private Equity Funds annually reaffirm an exemption with the CFTC under 4.13(a)(3).

IFA Alternative Assets Advisors, LLC ("*Invus AAA*") owns a minority equity interest in the Firm. Invus AAA is an affiliate of The Invus Group, LLC ("*The Invus Group*"), a family office. The Invus Group and the Firm do not share office space or personnel. The Invus Group and IFA are not under common control and generally do not consult with each other regarding advisory recommendations to IFA's clients.

As noted in Item 8, certain of the clients for which IFA or its related persons serve as investment manager has entered into and expects in the future enter into agreements, or "side letters," with certain prospective or existing investors whereby such investors, including in some cases investors that are affiliated with IFA or its related persons, are subject to terms and conditions that are more advantageous than those set forth in the Governing Documents for the particular client and which apply to other investors in the client. For example, a side letter could provide for special rights to make future investments in a client, other investment vehicles or managed accounts; offer special redemption rights, including those relating to frequency or notice; provide a waiver or rebate in fees or redemption penalties to be paid by the investor and/or other terms; include rights to receive reports from a client on a more timely or frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by IFA, on behalf of the clients, with an investor. The determination of whether to enter into a side letter is solely at the discretion of IFA and could, among other things, be based on the size of the investor's investment in a client or affiliated investment entity, an agreement by an investor to maintain such investment in a client for a significant period of time, or other similar commitment by an investor to a client. Absent an agreement to the contrary or as required by applicable law, IFA is not obligated to inform other investors of the terms of any side letter or offer equally favorable terms to such other investors.

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<sup>1</sup> See CFTC Letter No. 12-38.

IFA does not receive compensation from the Underlying Managers. IFA does not have any business relationships with such Underlying Managers other than in the course of selecting Underlying Funds for investment and the continual diligence it performs on such investments. However, IFA has entered into seeding agreements with certain strategic hedge fund managers from which, as set forth in the agreements, the Fund of Hedge Funds clients are entitled to receive portions of the incentive allocation which then are reinvested, resulting in IFA potentially receiving portion of these fees in the event of a market appreciation. These strategic hedge fund managers are not related persons of IFA. For a discussion of conflicts of interest, please see Item 6: Performance-Based Fees and Side-By-Side Management.

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

As an investment adviser, IFA stands in a position of trust and confidence with respect to its clients. IFA has a fiduciary duty to place the interests of the clients before its own interests and the interests of its employees. All of IFA's personnel must put the interests of its clients before their own personal interests and must act honestly and fairly in dealings with the clients. All of IFA's personnel must also comply with all federal and other applicable securities laws.

The Code of Ethics is predicated on the principle that IFA owes a fiduciary duty as interpreted under the Advisers Act to its clients. Accordingly, IFA must avoid activities, interests, and relationships that run contrary (or appear to run contrary) to the best interests of clients.

IFA's Code of Ethics contains policies and procedures regarding the control of non-public information, personal trading, outside business activities, certain reportable relationships, and gifts and entertainment with business associates. The Firm also maintains a restricted list of any companies about which a determination has been made that it is prudent to restrict trading activities. Access persons are prohibited from trading in securities of an issuer included on the restricted list. IFA also requires employees to pre-clear transactions in the securities of certain issuers that are not on the restricted list, as determined by the Firm from time to time and in accordance with the Firm's policies and procedures. IFA's Code of Ethics is designed to promote the ethical behavior of all of the Firm's personnel and to ensure compliance with applicable regulation and best practices. The Code of Ethics is available upon request to clients by contacting IFA at the address or telephone number listed on the first page of this Brochure.

IFA or its supervised persons have a stake over 25% in certain of the Funds (the "*Proprietary Funds*"). In general, IFA makes investments on an aggregated basis for the Proprietary Funds and certain other of its clients. These investments are allocated in accordance with each client's Governing Documents; generally *pro rata* between the Proprietary Funds and other participating clients based on portfolio size (except for legal, regulatory or tax reasons). IFA will make and dispose of such investments at the same time and on materially the same terms and conditions for the Proprietary Funds and its other clients that have participated in the investment.

IFA will have an interest in investments made by its clients only insofar as IFA's employees are themselves invested in the Funds. IFA believes that this investment properly aligns the interests of its investment professionals and clients.

## **Item 12: Brokerage Practices**

Due to the nature of investments recommended to IFA's clients, IFA generally does not expect to select or recommend broker-dealers for client transactions. However, in connection with the clients' publicly-traded investments, IFA will from time to time use a broker-dealer when placing trades for clients.

IFA does not currently expect to use soft dollars or maintain any soft dollar arrangements with broker-dealers. However, should the needs of the business change, IFA anticipates any soft dollar arrangements would fall within the safe harbor for soft dollars in accordance with Section 28(e) of the Securities Exchange Act of 1934.

The Firm is in a position to allocate investment opportunities among clients. IFA will allocate investments among clients in a manner that is fair and equitable and does not favor one client or group of clients. Allocations of investment opportunities among clients shall generally be based on the clients' specific investment strategy, investment objectives, portfolio and regulatory constraints, reserve positions and restrictions as described in more detail in each client's governing documents.



## Item 13: Review of Accounts

IFA manages the portfolio investments of the Funds. IFA does not manage individual advisory accounts or hold itself out as providing financial planning or similarly termed services. IFA employs professionals dedicated to monitoring and reviewing the Funds' investment portfolio on a regular basis. Because the investments made by the Funds are generally private, illiquid and long-term in nature, the review process is not directed toward a short-term decision to dispose of securities. IFA's professionals, including the relevant members of its investment team, hold regular meetings at which material developments at the portfolio companies are reviewed. In addition, certain of IFA's partners serve on the boards of one or more of the boards of directors of the Funds' portfolio companies or otherwise communicate formally and informally with the management teams of the Funds' investments. Further, certain of IFA's professionals serve as members of the advisory council of the portfolio companies. The relevant members of IFA's investment team review client holdings and investment performance on an ongoing basis. The relevant members of IFA's investment team review the performance of each Underlying Fund upon receiving communications regarding performance from such Fund. IFA monitors the progress of its private equity investments on an ongoing basis. IFA monitors a variety of factors to determine whether the Private Equity Funds should make additional investments or attempt to dispose of investments. While IFA has no set criteria that may trigger additional reviews, IFA monitors the performance of the Underlying Funds and its Funds' other investments continuously and may opt to review any portfolio holdings at any time if there is a material change that affects that investment.

Investors in the Funds of Hedge Funds receive monthly unaudited net asset values or account capital balances for their investments. Investors in the Private Equity Funds receive quarterly written reports. Investors in the TMG Funds receive quarterly written reports from the TMG Advisor. IFA distributes to each investor audited financial statements regarding his or her respective Funds annually.

## **Item 14: Client Referrals and Other Compensation**

No person other than the clients provides any compensation or material economic benefit (including sales awards or prizes) to IFA for providing investment advice or other advisory services to IFA's clients. IFA's employees are required to report gifts, favors, preferential treatment or other special arrangement having a value in excess of \$500 from any supplier of goods or services to IFA or the clients.

IFA entered into agreements with placement agents in connection with referrals of potential investors for certain Funds managed by IFA. IFA expects to enter into similar agreements or arrangements in connection with the marketing of future private investment funds. Placement agent fees are borne by investors in the Funds. Details of how the costs of any such placement agent arrangement are borne are set forth in a written agreement with the placement agent and disclosed to the investors through inclusion in the governing documents of the relevant client. Investors should be aware that the receipt of compensation by a placement agent or third-party solicitor could create a conflict of interest, and could affect the judgment of the placement agent or solicitor, when making a recommendation for an investment in the Funds advised by IFA. All payments to any person, including solicitors, for client or Fund investor referrals will be made in accordance with the Advisers Act and any other applicable laws.

## Item 15: Custody

Each Fund is a pooled investment vehicle, and custody of such Fund's assets is maintained in compliance with applicable rules and regulations set forth in the Advisers Act. Where required, cash and securities are maintained at a financial institution meeting the definition of qualified custodian under the Advisers Act. Most Fund investments are in uncertificated form. In addition, the financial statements of each Fund are audited by a nationally-recognized Public Company Accounting Oversight Board (PCAOB)-registered independent auditor and the governing documents of each Fund require the financial statements to be distributed to investors within 120 days of the applicable fiscal year-end of the respective Fund and within 180 days of the applicable fiscal year-end for Funds structured as fund of funds.

Investors in the TMG Funds will receive audited financial statements annually from the TMG Advisor.

IFA does not have custody of the family office client's assets.

Investors who fail to receive financial statements timely, or who have questions about them, should contact the Chief Compliance Officer at (212) 616-2555.

## **Item 16: Investment Discretion**

For the Private Equity Funds and the Funds of Hedge Funds, IFA or its affiliated general partner entity obtains full power to do business on behalf of the client, including power of attorney, power to purchase and sell investments, power to vote securities, and all other rights and responsibilities necessary to manage securities portfolios on a discretionary basis. These terms are set forth in the applicable Fund's investment management agreement, limited partnership agreement and/or investment advisory agreement.

For the TMG Funds, affiliates of both IFA and the TMG Advisor have joint investment discretion over client securities portfolios. For these Funds, affiliates of both IFA and the TMG Advisor jointly obtain full power to do business on behalf of the client, including power of attorney, power to purchase and sell investments, power to vote securities, and all other rights and responsibilities necessary to manage securities portfolios on a discretionary basis. The approval of both the affiliate of IFA and the affiliate of the TMG Advisor is required before purchasing or selling securities on behalf of the TMG Funds. These terms are set forth in the applicable Fund's investment management agreement, limited partnership agreement and/or investment advisory agreement.

## **Item 17: Voting Client Securities**

In accordance with Rule 206(4)-6 of the Advisers Act, IFA has adopted proxy voting policies and procedures to address how the Firm votes proxies, as applicable, for the securities held by the clients. The Firm's proxy voting policy seeks to ensure that the Firm votes proxies (or similar instruments) in the best interest of the clients, including when there may be material conflicts of interest in voting proxies.

IFA does not typically recommend securities with voting authority to the Funds of Hedge Funds. In the event that IFA obtains securities with voting authority, IFA has full authority to vote clients securities as it deems to be in the best interests of clients. In the event that IFA does receive proxies for these clients, it will record its vote and the rationale for its vote.

For the Private Equity Funds, IFA will seek to vote in the best interests of its clients whenever matters are put to a vote of the stockholders in a company. IFA will keep a record of all such votes cast on behalf of clients, including how IFA voted and a rationale for its vote. IFA may consider various factors, including the long-term value of its clients' holdings and whether the proposals properly align the interests of management with its clients' interests. IFA's clients may request IFA's detailed proxy voting policy and a record of its votes by contacting IFA at the address or telephone number listed on the first page of this Brochure.

IFA has authority to direct client participation in class actions and will determine whether clients will participate in a recovery achieved through a class action or opt out of the class action and separately pursue their own remedy.

## **Item 18: Financial Information**

IFA does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. IFA is not aware of having any financial condition that is reasonably likely to impair its ability to meet contractual requirements to the clients. IFA has never filed for bankruptcy protection.

## **Item 19: Requirements for State-Registered Advisers**

This item is not required as IFA is a federally registered investment adviser.