

**FIRM BROCHURE**

**AVIDITY PARTNERS MANAGEMENT LP**

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**This brochure provides information about the qualifications and business practices of Avidity Partners Management LP. If you have any questions about the contents of this brochure, please contact us at 214-550-1822. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.**

**This brochure does not constitute an offer, solicitation or recommendation to sell or an offer to buy any securities, investment products or investment advisory services. Such an offer may only be made to eligible persons by means of delivery of an offering memorandum and governing documents that contain the material terms relating to such investment, products or services.**

**Additional information about Avidity Partners Management, LP is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

March 28, 2024

## **Item 2: Material Changes**

The date of the last filing of this brochure was March 31, 2023. Since that filing, the following material changes have been made to the brochure:

Item 4, Advisory Business – This item was revised to update regulatory assets under management.

Item 8, Methods of Analysis, Investment Strategies, and Risk of Loss – We updated disclosures regarding Epidemics, Pandemics, and Public Health Issues.

Please note that the above summary does not reflect all the changes that have been made to this brochure since its last update. We encourage all recipients to carefully review this brochure in its entirety.

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

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## **Item 4: Advisory Business**

### **FIRM DESCRIPTION**

Avidity Partners Management LP (“Avidity” or “Adviser” or “We”), a Delaware limited partnership and private investment advisory firm, was formed in April 2019 and commenced operations as an investment adviser in October 2019. Avidity’s principal place of business is Dallas, TX. Avidity currently provides investment management and other services solely with respect to affiliated private pooled investment vehicles, Avidity Master Fund LP, a Cayman Islands exempted limited partnership (the “Master Fund”), Avidity Capital Fund LP, a Delaware limited partnership (the “Onshore Fund”), Avidity Capital Offshore Fund Ltd., a Cayman Islands exempted company (the “Offshore Fund”)(collectively the “Avidity Master Fund”); Avidity Capital Fund II LP, a Delaware limited partnership (“Fund II”), Avidity Master Fund III LP, a Cayman Islands exempted limited partnership (“Master Fund III”), Avidity Capital Fund III LP, a Delaware limited partnership (“Onshore Fund III”), Avidity Capital Offshore Fund III LP, a Cayman Islands exempted limited partnership (“Offshore Fund III”)(collectively “Fund III”); Avidity Private Master Fund I LP, a Cayman Islands exempted limited partnership (“Private Master Fund”), Avidity Private Fund I LP, a Delaware limited partnership (“Private Onshore Fund”), and Avidity Private Offshore Fund I LP, a Cayman Islands exempted limited partnership (“Private Offshore Fund”)(collectively the “Private Fund”). Together, the Master Fund, Onshore Fund, Offshore Fund, Fund II, Master Fund III, Onshore Fund III, Offshore Fund III, Private Master Fund, Private Onshore Fund and Private Offshore Fund are known as the “Funds”. Interests in the Onshore Fund, Offshore Fund, Private Onshore Fund and Private Offshore Fund are offered to eligible investors on a private placement basis. Fund II and Fund III are fund of one structures and not offered to third-party investors. We have full discretionary authority with respect to the investment decisions of the Funds. Our investment advisory services are provided in accordance with the investment objectives and guidelines set forth in the Funds’ offering and governing documents. The information set forth in this brochure is qualified in its entirety by the Funds’ offering and governing documents. Avidity Capital Partners Fund (GP) LP, a Delaware limited partnership (the “General Partner”) is the general partner of the Master Fund, Onshore Fund, Fund II, Master Fund III, Onshore Fund III, Offshore Fund III, Private Master Fund, Private Onshore Fund and Private Offshore Fund. Funds II and III in the process of winding down.

### **PRINCIPAL OWNERS**

Avidity Partners Management (GP) LLC is the general partner of Avidity. Avidity and Avidity Partners Management (GP) LLC are ultimately owned and controlled by David R. Witzke and Michael D. Gregory (together, the “Principals”).

### **TYPES OF ADVISORY SERVICES**

Avidity is investment manager to the Funds, and the Funds are currently its only advisory clients. Avidity is responsible for investing and re-investing the capital of the Funds in securities, financial instruments and/or other assets in accordance with the investment objectives, policies and guidelines set forth in the respective Funds’ offering and governing documents. See “**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.**”

### **INVESTMENT RESTRICTIONS**

We generally provide investment advice to the Funds in accordance with the investment objectives, policies and guidelines set forth in the respective Funds’ offering and governing documents, and not in accordance with the individual needs or objectives of any particular investor in the Funds. Investors generally are not permitted to impose restrictions on investments in certain securities or types of securities or limitations on the management of the Funds. The Funds have and may enter into side letters or similar arrangements (collectively, “Side Letters”), with certain prospective or existing investors whereby such investors may be subject to terms and conditions that are more advantageous than those in the Funds’ offering and governing documents. For example, such terms and conditions do and may provide for special rights to make future investments in the Funds, other investment vehicles or managed accounts; special withdrawal rights, relating to frequency or notice; a reduction or rebate in management fees or performance-based compensation to be paid by the investor; special rights relating to participation in “Special Investments” (described below); rights to receive reports from the Funds on a more frequent basis or that include information not provided to other investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights or terms as may be negotiated by the Funds and such investors. The modifications are solely at the discretion of the Funds and are, among other things, based on the size of the investor’s investment in the Funds or affiliated investment entity, an agreement by an investor to maintain such investment in

the Funds for a significant period of time or other similar commitment by an investor to the Funds, and have been granted to founding or strategic investors.

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

#### **ASSETS UNDER MANAGEMENT**

As of December 31, 2023, Avidity had approximately \$5,269 million in regulatory assets under management and all were managed on a discretionary basis.

## **Item 5: Fees and Compensation**

### **DESCRIPTION OF COMPENSATION AND BASIC FEE SCHEDULE**

In consideration of our advisory services, We generally receive management fees and performance-based compensation allocations with respect to the Funds, which are deducted by instructing such fund's administrator and/or custodian. While our fees are described in detail in the Funds' offering and governing documents, a brief summary of our advisory fees is set forth below.

The Master Fund pays to the Adviser a management fee, calculated at an annual rate of (i) 1.75% of each limited partner's capital account attributable to Founders' Interests and (ii) 2.0% of each limited partner's capital account attributable to Series A Interests. Fund II pays the Adviser a management fee calculated at an annual rate of 1.0% of each limited partner's capital account. Fund III pays to the Adviser a management fee calculated at an annual rate of no more than 1.25% of each limited partner's capital account. The management fee is paid quarterly in advance based on the value of each limited partner's capital account, including Special Investments (described below) valued at fair value as determined by the Adviser, as of the first day of each calendar quarter or on the date of a contribution that is made other than at the beginning of a quarter. In general, the portion of the management fee attributable to a particular Special Investment will be charged to the special capital accounts of only those limited partners participating in the Special Investment. The management fee will be deducted in calculating net profit or net loss of the Funds for purposes of computing the Incentive Allocation described below. To the extent the management fee is paid by the Master Fund, no management fee will be paid by the Onshore Fund and Offshore Fund. The management fee is adjusted for contributions and withdrawals made during the quarter. The Adviser, in its sole discretion, may waive or modify the management fee for limited partners that are members, principals, employees or affiliates of the Adviser or the General Partner, relatives of such persons, and for certain large or strategic investors.

For the Avidity Master Fund, Fund II, and Fund III, at the end of each fiscal year, Avidity will reallocate from the capital account of each limited partner to the General Partner an amount equal to 20% of each limited partner's share of net profits (including net unrealized gains on investments) as of that fiscal year (the "Incentive Allocation"). The Incentive Allocation is subject to a loss carryforward provision and is calculated separately with respect to each capital contribution. Generally, the General Partner will not charge an Incentive Allocation on Special Investments until the end of the year that the relevant Special Investment is sold (or deemed sold). At the time a Special Investment is sold (or deemed sold), each relevant special capital account will be liquidated and the balance in it credited to the participating limited partners' basic capital accounts. However, if a Special Investment is sold (or deemed sold) after a participating limited partner has fully withdrawn its basic capital account, the Incentive Allocation will be charged at the time the relevant Special Investment is sold (or deemed sold). The management fee and Incentive Allocation for Fund II and Fund III have been separately negotiated. The General Partner, in its sole discretion, may waive or modify the Incentive Allocation for limited partners that are members, principals, employees or affiliates of the General Partner or the Adviser, relatives of such persons, and for certain large or strategic investors.

For the Private Master Fund, the management fee for each calendar quarter that begins during the fund's investment periods will be equal to: (i) 1.50% per annum of the fund's aggregate capital commitments for Founders' Interests, (ii) 1.75% per annum of the fund's aggregate capital commitments for Series A Interests and (iii) 2.0% per annum of the fund's aggregate capital commitments for Series B Interests. The management fee for each calendar quarter that begins after the investment period ends will be equal to: (i) 1.25% per annum of the fund's invested capital attributable to Founders' Interests, (ii) 1.25% per annum of the fund's invested capital attributable to Series A Interests and (iii) 1.50% per annum of the fund's invested capital attributable to Series B Interests. In the event that the General Partner or its affiliates receive any directors' fees from portfolio companies, transactions fees, closing fees, monitoring fees, amendment fees, break-up fees or any other similar advisory fees in connection with any services provided by the General Partner or its affiliates to a portfolio company, net of any related expenses and taxes incurred (collectively, "Transaction Fees"), then an amount equal to 100% of all Transaction Fees will offset and reduce the amount of the management fees otherwise payable to the Adviser with respect to the quarterly period immediately following the receipt of such fees. If the offset portion of the Transaction Fees received by the General Partner or affiliates during any relevant quarterly period exceeds the management fee otherwise payable with respect to that quarterly period, then the excess will be carried forward to offset and reduce the management fees otherwise payable in succeeding quarterly periods. For the avoidance of doubt, if the Private Master Fund and one or more other clients of the General Partner or Adviser have made an investment in a transaction producing Transaction Fees (or were pursuing the

investment in the case of unconsummated transactions), then only the portion of the fee that is allocable to the fund determined on a pro rata basis based on relative investment in the portfolio company paying the relevant Transaction Fee will be included in the management fee offset described above. In addition, to the extent that any Transaction Fees include any in-kind payment in assets other than cash, the Adviser shall value the in-kind payment as of the date received, and in accordance with its valuation policies and procedures. Upon the dissolution of the fund, the General Partner or affiliates will make a payment to these funds equal to the amount of any Transaction Fees that have not been offset by a reduction in management fees, and the General Partner will distribute those amounts to the unaffiliated limited partners (as defined in the governing documents of the Private Onshore Fund and Private Offshore Fund) in the same proportions that they bore the management fees and those amounts shall not be included for the purposes of the distribution waterfall summarized below.

In some circumstances, Avidity's employees may serve on the board of directors of portfolio companies and remain on the board once they are publicly traded. Accordingly, they may receive director's fees or remuneration (whether in the form of cash or securities) from the companies in connection with such employees' service on the board of directors. Such fees or remuneration will be used to reduce certain fees owed to Avidity by participating limited partners in accordance with and subject to the applicable terms of their respective governing documents. Any such fee reduction is allocated among the limited partners on a fair and equitable basis, which is generally *pro-rata* based on the limited partner's participation in the investment. Such fees or remuneration may be paid directly to the Avidity employee or the Adviser, in which case Avidity then provides offsetting credits or makes commensurate payments to the relevant fund and limited partner account.

Subject to a claw back prior to final liquidation, distributions with respect to each limited partner's investment in the Private Onshore Fund and Private Offshore Fund will be made as follows: first, one hundred percent (100%) to the limited partner until the cumulative amount distributed to it pursuant to this paragraph is equal to its total Capital Contributions to the fund for all purposes and thereafter, eighty percent (80%) to the limited partner and twenty percent (20%) to the General Partner (or its designee). Amounts distributable to the General Partner (or its designee) constitute "Profits Interest".

The Adviser has negotiated and entered into, and may in the future enter into, Side Letters with certain investors that grant different terms (including lower management fees, Incentive Allocation, and/or Profits Interest) to such investors than the terms available to other investors in a Fund. Side Letters that provide for a lower management fee rate have been, and may in the future, be combined with a higher or lower Incentive Allocation rate and/or more restrictive or alternative liquidity provisions, or other separately negotiated terms and conditions.

Each investor in the Funds generally must be, among other things, an (i) "accredited investor," as such term is defined in Rule 501(a) under the Securities Act, and (ii) a "qualified purchaser," as such term is defined in Section 2(a)(51)(A) of the Company Act.

## **OTHER FEES AND EXPENSES**

The allocation of expenses by the Adviser between it and any Fund represents a conflict of interest for the Adviser. To address this conflict, the Adviser has adopted and implemented policies and procedures for the allocation of expenses. Below is a summary of how the Adviser allocates fees and expenses.

The Adviser renders its services to the Funds at its own expense and is responsible for its overhead expenses including: office rent; furniture and fixtures; stationery; supplies; secretarial/internal administrative services; salaries and bonuses; entertainment expenses; employee insurance; payroll taxes and its own compliance expenses.

All other expenses are paid by the Funds (or with respect to the Onshore Fund and Offshore Fund by the Master Fund or with respect to the Private Onshore Fund and Private Offshore Fund by the Private Master Fund and allocated to the respective fund) and includes, but will not be limited to: management fees; Fund related legal and compliance (including consultants' fees), risk management expenses (including software licensing and consultants' fees), administrator (including, but not limited to, middle and back office services and software necessary for trade capture and portfolio management), audit and tax preparation (including third-party tax preparation) and accounting expenses (including third party accounting services and accounting software); Organizational Expenses (as defined below); execution and order management system fees and expenses; investment expenses such as commissions and other brokerage fees, research fees and expenses (including Bloomberg and other research subscriptions, medical and industry conference registration fees, research data services, consultant fees and compensation, compensation and

reimbursement to executive in residence personnel and scientific advisory board and research-related travel (including meals and lodging); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related insurance costs (including pro rata share of premiums for D&O and E&O insurance for the Adviser, the General Partner and members of the Master Fund's Governance Committee); independent Master Fund's Governance Committee members' fees and expenses; expenses of the Funds' regulatory compliance (including expenses related to various filings (or portions thereof) that the Adviser is required to make as a result of managing the Funds' portfolio, such as Section 13, Section 16 and Form PF filings); proxy voting services fees; pricing service fees; portfolio valuation expenses (including data feeds and third-party valuation agents); and any other expenses related to the purchase, sale or transmittal of Fund assets and/or investments or prospective investments (and evaluating investments) whether or not consummated. The Onshore Fund and Offshore Fund will also bear their pro rata share of the Master Fund's expenses. Any expenses attributable to a particular Special Investment, as determined by the General Partner, will be charged solely to those limited partners participating in that Special Investment. In addition to the aforementioned expenses, the Private Onshore Fund and Private Offshore Fund also pay expenses incurred in connection with fund investments and prospective fund investments (and evaluating investments) whether or not consummated, including, without limitation, research products and services; fees, costs, expenses and other obligations, including principal, interest and any fees (including commitment fees) and expenses in connection with any borrowing, guarantee or other credit support entered into by the funds; fees, costs and expenses related to the formation and structuring of any vehicles organized to facilitate fund investments; expenses incurred in connection with the funds' dissolution, liquidation, winding-up and termination and any other expenses related to the purchase, sale or transmittal of fund assets. The Private Onshore Fund and Private Offshore Fund will also bear their pro rata share of the Private Master Fund's expenses.

The organizational expenses of Master Fund, Onshore Fund, Offshore Fund, Fund II, Master Fund III, Onshore Fund III, and Offshore Fund III (including expenses of the initial offer and sale of limited partnership interests) (the "Organizational Expenses") are paid by the funds. Organizational Expenses, for net asset value purposes and in the sole discretion of the General Partner, may be amortized over a period of up to 60 months from the date the Onshore Fund and Offshore Fund commence operations, although, if the Funds deem it appropriate, such amounts may be accelerated.

The Private Onshore Fund and the Private Offshore Fund will not bear or be charged any placement or solicitation fees and expenses. All other actual out-of-pocket expenses incurred in connection with the organization of these funds will be paid by the funds (or reimbursed by these funds to the General Partner and/or the Adviser). Notwithstanding the foregoing, the General Partner will limit (or cause to be limited), the Organizational Expenses charged to these funds to the extent necessary so that the aggregate Organizational Expenses charged to these funds do not exceed \$1,500,000 (the "Expense Cap"). If Organizational Expenses exceed the Expense Cap, the General Partner will (or cause to) reverse, refund, reimburse or otherwise repay the limited partners for the Organizational Expenses incurred in excess of the Expense Cap. The Organizational Expenses may be amortized over a period of up to 60 months from the date the fund commences operations.

As noted above, each Fund is generally responsible for and pays all brokerage commissions and other transaction costs. While the Adviser does not have any formal soft dollar arrangements, the Adviser receives research and brokerage services in connection with its overall economic relationship with broker-dealers, including non-trading and execution services. See **"Item 12: Brokerage Practices"** below for a discussion of the Adviser's soft dollar practices and a description of the factors that Avidity considers in selecting counterparties for the execution of transactions.

If the General Partner or an affiliate incur any expenses or costs on behalf of the Funds, such expenses or costs generally will be allocated among the Funds in proportion to the net asset value of the Fund, the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner determined by the General Partner to be fair and reasonable. With respect to each investment, each Fund generally will share proportionately in all expenses related to such investment based on capital invested in such investment (except as otherwise determined by the General Partner in its discretion).

## **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

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



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

### **PERFORMANCE-BASED COMPENSATION**

As noted in **“Item 5: Fees and Compensation”** above, We generally are entitled to receive Incentive Allocations with respect to the Funds and Profits Interest with respect to the Private Fund. This performance-based compensation could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Our individual employees and affiliates who are compensated to some extent based upon gains for which they are responsible face the same potential conflict. Because the Incentive Allocation is calculated on a basis that includes unrealized appreciation in a Fund’s portfolio based upon values assigned by us, We face a conflict of interest in valuing a Fund’s portfolio. The Funds, and in particular the Private Fund, hold illiquid investments for which the Adviser receives performance-based compensation only upon their sale or deemed realization. To the extent the Adviser is entitled to performance-based compensation from the Funds upon sale or deemed realization of illiquid investments, the Adviser may have an incentive to delay the realization of an illiquid investment. We address these conflicts through full and fair disclosure in the Funds’ offering and/or governing documents and/or this brochure.

### **SIDE-BY-SIDE MANAGEMENT**

We currently do not manage accounts for which We are entitled to receive Incentive Allocations or Profits Interest alongside accounts for which We are not entitled to receive any Incentive Allocations or Profits Interest. The potential that differences in terms of Incentive Allocations could incentivize us to favor one fund over another in their investment allocations is mitigated by the fact that the Funds, except for the Private Fund, generally are required to invest and trade on a parallel basis with each other subject to different guidelines. As noted in **“Item 5: Fees and Compensation”** above, Avidity has and may enter into Side Letters that provide for lower management fees, offset by a higher or lower performance-based compensation. Such Side Letters could provide a heightened financial incentive for the Adviser to take more risk than it would otherwise in order to maximize its performance-based revenue to offset foregone management fees. To mitigate conflicts of interest with respect to such Side Letter provisions, the Adviser has established policies and procedures that provide for the following: (i) the Adviser has established allocation procedures intended to ensure a fair and equitable allocation of trades to the respective Funds subject to each fund’s investment guidelines and other fund or investment-specific factors considered by the Adviser, (ii) the Adviser generally allocates profits and losses to each limited partner pro-rata based on the investor’s capital account balance, (iii) the Funds’ independent public accounting firm reviews the adequacy of valuations and valuation procedures, and (iv) the Adviser has engaged an independent valuation agent with respect to Special Investments (as defined in the Funds’ governing documents).

## **Item 7: Types of Clients**

### **DESCRIPTION**

We currently provide investment advisory, management and other services to our affiliated private investment funds. The Funds have various types of investors, including, but not limited to, trusts, family offices, natural persons, funds of funds, individual retirement accounts and other entities. We may from time to time provide investment advisory and other services to other clients in the future, including separately managed accounts and/or one or more other pooled investment vehicles.

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution generally required from an investor in the Onshore Fund and Offshore Fund is \$5 million, although capital contributions of lesser amounts may and are accepted at the Adviser's sole discretion. The minimum initial capital contribution generally required from an investor in the Private Onshore Fund and Private Offshore Fund is \$10 million, although capital contributions of lesser amounts may and are accepted at the Adviser's sole discretion.

Each investor in the Funds generally must be, among other things, an (i) "accredited investor," as such term is defined in Rule 501(a) under the Securities Act, and (ii) a "qualified purchaser," as such term is defined in Section 2(a)(51)(A) of the Company Act. In addition, each prospective investor generally is required to complete and return various subscription documents to the applicable fund, which are designed to provide the applicable fund, us and our affiliates and agents with important information about the prospective investor. Subscriptions may be accepted or rejected, in whole or in part, at the sole discretion of the General Partner.

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

### **METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

#### **Master Fund, Fund II and Fund III**

The investment objective of the Master Fund is to seek to generate high positive returns across all market and economic cycles through investments primarily in equity securities of U.S. publicly-traded companies within the healthcare sector. The Adviser considers investments in various industries and sectors but generally invests the fund's assets in companies that focus on biotechnology, pharmaceuticals, specialty pharmaceuticals, medical devices, life science tools, healthcare, information technology, and healthcare services. The Adviser generally invests approximately 80%-100% of the fund's assets in the U.S. and 0%-20% of the fund's assets in foreign markets (including, without limitation, Europe, the Middle East and Africa, Japan and Hong Kong). The Adviser generally invests a portion of the fund's assets in illiquid or restricted investments.

In pursuit of the funds' objective, the Adviser employs an investment process based on fundamental, bottom-up research to seek to identify investments that will generate attractive returns while seeking to minimize risk. Short selling is also an integral part of the fund's investment strategy. Generally, the Adviser seeks short positions that it believes will generate capital appreciation or otherwise hedge general market exposure or specific long position risk. The Adviser utilizes a multi-factor risk model to guide portfolio construction and risk management.

#### **Special Investments**

The Master Fund may invest at any time in securities for which there is no ready market (generally, illiquid or restricted investments in public and private companies) and which the Adviser, in its sole discretion, determines should be treated as "Special Investments." Special Investments will generally carry significant or complete restrictions on transfer prior to the occurrence of specified events determined by the Adviser, which may be outside of the control of the fund. Typically, the Adviser will designate an investment as a Special Investment at the time of purchase. The cost of the Onshore Fund's and Offshore Fund's investments in Special Investments are limited to 15% of the Master Fund's net asset value (measured at the time the Adviser designated such investment as a Special Investment) attributable to electing limited partners as defined in the funds' offering and governing documents. In addition, the cost of a limited partner's participation in Special Investments is limited to 15% of such limited partner's capital account balance (measured at the time the Adviser designated such investment as a Special Investment). However, in limited instances, these limits may be exceeded.

The Funds offer limited partners, with respect to each capital contribution, the option of electing whether to participate in Special Investments. Net profits and net losses from Special Investments will be allocated solely to the limited partners that participate in Special Investments. To the extent an investment is inappropriate for the Funds, the Adviser and/or the General Partner may set up special purpose vehicles for certain co-investment opportunities with the Funds and/or certain limited partners who wish to participate in such investments.

#### **Private Master Fund, Private Onshore Fund and Private Offshore Fund**

The Private Fund will seek to generate high risk-adjusted returns by investing in private and public companies in the healthcare industry utilizing a flexible and opportunistic mandate that primarily focuses on innovative therapeutics and healthcare/medical technology companies while also including all healthcare sub-sectors, all geographies and a broad range of investment instruments ("Fund Investments"). While these funds have the flexibility to invest in all healthcare-related securities, their core strategy will target equity and equity-related investments in mid- and late-stage private companies. This includes "cross-over" financing rounds, initial public offerings, special purpose acquisition companies and direct listing-related investments, including "cornerstone" initial public offering commitments, private investments in public equity ("PIPEs") and other investments in publicly-traded companies which have significant liquidity restrictions. The Adviser may also invest in convertible debt securities, including convertible bonds, notes and debentures, warrants, including pre-funded warrants, options and money market instruments. Although the Adviser intends to invest primarily in North American markets, it may also invest in European and Asian markets. These funds may engage in a broad range of investment strategies in an attempt to increase returns and hedge risk and may utilize tools such as leverage, derivatives (including but not limited to swaps), short sales and securities lending. The Adviser believes that its ability to engage in short sales of public companies is an integral part of the investment

strategy as the Adviser may hedge general market exposure or specific long position risk or otherwise seek short positions that it believes will generate capital appreciation. A portion of the Fund Investments may also be invested through trading subsidiaries or other special purpose vehicles, including alternative investment vehicles (as described below), formed in various jurisdictions from time to time.

*The investment strategies summarized above are not intended to be comprehensive. For a more detailed description of the investment strategies of the Funds, please review the offering and governing documents of the Funds. The foregoing summary is qualified in its entirety by the information contained in the Funds' offering and governing documents.*

## **CERTAIN RISK FACTORS RELATED TO INVESTMENT STRATEGIES**

*There can be no assurance that the Funds will achieve their investment objectives or that investments will be successful. The Funds' investment strategies involve a substantial degree of risk, including risk of complete loss. Nothing in this brochure is intended to imply, and no one is or will be authorized to represent, that an investment in the Funds will be low risk or risk free. The investment strategies and programs of the Funds are appropriate only for sophisticated persons who fully understand and will be capable of bearing the risks of investment. Prospective and existing investors should consider the following risks, among others, before making or maintaining any investment decisions. The various risks outlined below are not the only risks associated with the Funds. Investors are urged to consult with their own independent financial, legal and tax advisors. The following risks are qualified in their entirety by the risks set forth in the Funds' offering and governing documents.*

*Nature of Investments.* The Adviser has broad discretion in making investments for the Funds. Investments will generally consist of public and private equities, equity-related securities, options and derivatives and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Adviser will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Funds' activities and the value of their investments. In addition, the value of the Funds' portfolio may fluctuate as the general level of interest rates fluctuate. No guarantee or representation is made that the Funds' investment objective will be achieved.

*Investment Selection.* Capital commitments received from the limited partners of the Funds will be invested into a blind pool. Limited partners in these Funds must rely upon the ability of the Adviser to identify suitable investments consistent with the Funds' investment objectives and policies. Limited partners will not have the opportunity to individually evaluate the relevant economic, financial, and other information that will be utilized by the Adviser in its selection of investments or otherwise approve of such investments.

*Securities of Healthcare-related Companies.* Healthcare-related companies are generally subject to greater governmental regulation than other companies at both the state and federal levels. Changes in governmental policies may have a material effect on the demand for or costs of certain products and services. A healthcare-related company must receive government approval before introducing new drugs and medical devices or procedures. This process may delay the introduction of these products and services to the marketplace, resulting in increased development costs, delayed cost-recovery, and loss of competitive advantage to the extent that rival companies have developed competing products or procedures, adversely affecting the company's revenues and profitability. Expansion of facilities by healthcare-related providers is subject to "determinations of need" by the appropriate government authorities. This process not only increases the time and cost involved in these expansions, but also makes expansion plans uncertain, limiting the revenue and profitability growth potential of healthcare-related facilities operators and negatively affecting the price of their securities. Certain healthcare-related companies depend on the exclusive rights or patents for the products they develop and distribute. Patents have a limited duration, and, upon expiration, other companies may market substantially similar "generic" products which cost less to develop and may cause the original developer of the product to lose market share and/or reduce the price charged for the product, resulting in lower profits for the original developer. In addition, there can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so. Conversely, other companies may make infringement claims against a company in which the Funds invest, which could have a material adverse effect on such company. Finally, because the products and services of healthcare-related companies affect the health and well-being of many individuals, these companies are especially susceptible to product liability lawsuits. The share price of a healthcare-related company can drop dramatically not only as a reaction to an adverse judicial ruling, but also from the adverse publicity accompanying threatened litigation.

*Competitive Markets.* The investments industry in general, and the markets in which the Funds trade, are extremely competitive. In pursuing their trading methods and strategies, the Funds will compete with investment firms, including many of the larger investment advisory and private investment firms, as well as institutional investors and, in certain circumstances, market-makers, banks and broker-dealers. In relative terms, the Funds have little capital and may have difficulty in competing in markets in which its competitors have substantially greater financial resources, larger research staffs, and more trading professionals than the Funds have or expect to have in the future. In any given transaction, investment and trading activity by other firms will tend to narrow the spread between the price at which a commodity interest or investment may be purchased by the Funds and the prices they expect to receive upon consummation of the transaction.

*Short Sales.* Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolios. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

*Use of Leverage.* The Funds utilize leverage. This results in the Funds controlling substantially more assets than the Funds have equity. Leverage increases the Funds' returns if the Funds earn a greater return on investments purchased with borrowed funds than the Funds' cost of borrowing such funds. However, the use of leverage exposes the Funds to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Funds not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments where the investment fails to earn a return that equals or exceeds the Funds' cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, the Adviser may find it difficult or impossible to obtain leverage for the Funds. In such event, the Funds could find it difficult to implement their strategies. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Adviser being forced to unwind the Funds' positions quickly and at prices below what the Adviser deems to be fair value for such positions.

*Hedging Transactions.* The Funds may utilize a variety of financial instruments such as derivatives, options, swaps, caps, floors, and forward contracts for both risk management and general investment and speculation purposes. With respect to the Funds' risk management and hedging transactions, there can be no assurances that a particular hedge is appropriate, or that a certain risk is measured properly. Further, while the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in poorer overall performance and increased (rather than reduced) risk for the Funds than if it did not engage in any such hedging transactions. In addition, the Funds may choose not to enter into hedging transactions with respect to some or all of their positions.

*Portfolio Turnover.* The investment strategy of the Funds requires the Adviser to actively trade the Funds' portfolio, and as a result, turnover and brokerage commission expenses of the Funds may significantly exceed those of other investment entities of comparable size. Further, such active and/or frequent trading may result in short-term capital gains tax treatment.

*Non-Diversification.* While the Adviser intends to maintain a portfolio that it believes is appropriately diversified, the Adviser expects to invest the Funds' assets primarily in equity securities of issuers in the healthcare industry. Such concentration may increase the losses suffered by the Funds as the investment portfolios of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wider diversification among issuers, industries, types of securities and geographic areas.

*Valuation of Securities.* Valuation of the Funds' securities and other investments in certain instances do and may involve uncertainties and subjective determinations. Securities held by these Funds will be valued at their fair value by employing methods determined in good faith by the General Partner. As a general matter, investors and limited partners will not have access to the details of the Adviser's valuation methodologies or to the information utilized by the Adviser in applying such methodologies. If such valuations should prove to be incorrect, limited partners could be adversely affected. Independent pricing information may not at times be available or may be difficult to obtain with respect to certain of the Funds' securities and other investments. Accordingly, while the General Partner will use reasonable efforts to value all investments in the Funds fairly, certain investments may be difficult to value and may be subject to varying interpretations of value. When making an investment for these Funds, the General Partner and the Adviser seek to obtain as detailed information rights from the company as possible. However, the ability to obtain

full information rights and the types of information rights received may vary on an investment-by-investment basis. The ability or the inability to obtain any information rights (including the right to a company's financial data regarding performance) with respect to a fund investment may impact the information available to the General Partner and the Adviser that may be assessed as part of the valuation process. Certain other categories of assets (principally level 3 assets) may lack any readily available market information and, accordingly, the valuation of such assets may rely substantially on models and significant unobservable inputs including assumptions from market participants. As such assets are not actively traded, their value can only be estimated using a combination of complex market prices, mathematical models and subjective assumptions. Where appropriate, the Adviser seeks an independent third-party opinion to assess the value of certain fund investments. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed,

*Risk Management.* Although the Adviser attempts to identify, monitor and manage significant risks, these efforts do not take all risks into account and there can be no assurance that these efforts will be effective. Moreover, many risk management techniques, including those employed by the Adviser, are based on historical market behavior, but future market behavior may be entirely different and, accordingly, the risk management techniques employed on behalf of the Funds may be incomplete or altogether ineffective. Similarly, the Adviser may be ineffective in implementing or applying risk management techniques. Any inadequacy or failure in risk management efforts could result in material losses to the Funds.

*Investments Longer than Term.* The Private Onshore Fund and Private Offshore Fund may make investments which may not be advantageously disposed of prior to the date these Funds are dissolved, either by expiration of the Funds' terms or otherwise. Although the Adviser expects that all investments will be disposed of prior to the Funds' dissolution and the General Partner has a limited ability to extend the terms of the Funds, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution. In addition, although upon the dissolution of the Funds, the General Partner (or the relevant liquidator) will seek to reduce to cash and cash equivalents such assets of the Funds as the General Partner (or such liquidator) will deem it advisable to sell, subject to obtaining fair value for such assets and any tax or other legal considerations, 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.

*Lack of Liquidity of Fund Investments/Special Investments.* While the Adviser expects the majority of the Master Fund, Fund II, and Fund III portfolios to be liquid, the Adviser invests and may invest a portion of the assets in private or illiquid investments. The assets may, at any given time, include securities and other financial instruments or obligations that are thinly traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments. The funds' investments in Special Investments are limited. However, certain investments not designated as Special Investments at purchase may later become illiquid or restricted. Therefore, illiquid investments may exceed limitations described in the funds' offering and governing documents from time to time; and, consequently, it is possible that investors who do not elect to participate in Special Investments may hold illiquid investments.

*Control Positions.* To the extent that the Funds own a controlling stake in, have representatives on a board of directors or are deemed affiliates of a particular company, it may be subject to certain securities laws restrictions which could affect the liquidity of the Funds' interests. In addition, the restrictions may limit their ability to liquidate their interests without adversely impacting the investment's price, implicating insider trading restrictions, the affiliate sale restrictions of Rule 144 under the Securities Act, and the disclosure requirements of Sections 13 and 16 of the Exchange Act. Under Section 16, the Funds could also be subject to the disgorgement of short-swing profits arising from the purchase and sale of the securities. Further, the Funds will be prohibited from entering into a short position in the issuer's securities and limits their ability to hedge those investments. Finally, to the extent that affiliates of these Funds, the General Partner or the Adviser are subject to such restrictions, the Funds, by virtue of its affiliation with such entities, may be similarly restricted, regardless of whether the Funds stand to benefit from such affiliate's stock ownership.

*Special Situations.* The Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in work-outs, liquidations, spin-offs, reorganizations, bankruptcies and similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to these Funds of the security or other financial

instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell their investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of their entire investments in such companies. Such investments could, in certain circumstances, subject the Funds to certain additional potential liabilities that may exceed the value of the Funds' original investment therein. Under certain circumstances, payments to the Funds and distributions by the Funds to the limited partners may be reclaimed if any such payment or distribution is later determined to have been a fraudulent conveyance, preferential payment, or similar transaction under applicable bankruptcy and insolvency laws. Furthermore, investments in restructurings may be adversely affected by local statutes relating to, among other things, fraudulent conveyances, voidable preferences, lender liability, and the bankruptcy court's discretionary power to disallow, subordinate or disenfranchise particular claims.

*Currency Risks.* The Funds may have exposure to fluctuations in currency exchange rates. The Funds may, in part, seek to offset the risks associated with this exposure or enter into foreign exchange transactions to increase their returns. These transactions involve a significant degree of risk and foreign exchange markets are volatile, specialized and technical. Significant changes, including changes in liquidity and prices, can occur in these markets within very short periods of time. Changes in exchange rates over time are the result of many factors directly or indirectly affecting the economic and political conditions in the country or economic region associated with a specific currency. Exchange rates fluctuate for a number of reasons, including:

- existing and expected rates of inflation;
- existing and expected interest rate levels;
- the balance of payments between the relevant country and its major trading partners;
- political, civil or military unrest in the relevant country or economic region; and
- monetary, fiscal and trade policies of the relevant country or economic region (including pegging, de-pegging, flooring or capping an exchange rate relative to another currency).

Governments use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Foreign exchange rates can either be fixed by sovereign governments or floating. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the value of other currencies. However, governments do not always allow their currencies to float freely in response to economic forces. They may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. The value of the Funds could be affected by the actions of sovereign governments, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. Additionally, market perceptions of the relative strength or cohesion of a specific political state or monetary union can dramatically affect the value of a currency. Fluctuations in exchange rates may negatively impact the value of an investment in the Funds to the extent the Funds have currency exposure in the form of a hedge, a non-U.S. dollar denominated instrument or as a standalone position.

*Emerging Markets.* Investing in emerging market debt or equity involves certain risks and special considerations not typically associated with investing in other more established economies or securities markets. Such risks may include (a) the risk of nationalization or expropriation of assets or confiscatory taxation; (b) social, economic and political uncertainty, including war; (c) dependence on exports and the corresponding importance of international trade; (d) price fluctuations, less liquidity and smaller capitalization of securities markets; (e) currency exchange rate fluctuations; (f) rates of inflation; (g) controls on foreign investment and limitations on repatriation of invested capital and on the Funds' ability to exchange local currencies for U.S. dollars; (h) governmental involvement in and control over the economies; (i) that governments may decide not to continue to support economic reform programs generally and could impose centrally planned economies; (j) differences in auditing and financial reporting standards which may result in the unavailability of material information about issuers; (k) less extensive regulation of the securities markets; (l) longer settlement period for securities transactions; (m) less developed corporate laws regarding fiduciary duties of officers and directors and the protection of investors; and (n) certain considerations regarding the maintenance of the Funds' portfolio securities and cash with non-U.S. sub-custodians and securities depositories.

*Exposure to Material Non-Public Information.* From time to time, the Adviser receives material non-public information with respect to an issuer. In such circumstances, the Funds may be prohibited, by law, policy or contract, for a substantial period of time from (i) unwinding a position in such issuer, (ii) establishing an initial position or taking any greater position in such issuer and (iii) pursuing other investment opportunities related to such issuer. The

Funds flexibility to buy or sell the issuer's securities, including hedging transactions, may be adversely affected and impact its ability to realize a profit or avoid a loss.

*Competition; Availability of Investment Opportunities.* Certain markets in which the Funds may invest are extremely competitive for attractive investment opportunities and, as a result, there may be reduced expected investment returns. There can be no assurance that the Adviser will be able to identify or successfully pursue attractive investment opportunities in such environments. Among other factors, competition for suitable financial instruments from other pooled investment vehicles, the public and private equity markets and other investors may reduce the availability of investment opportunities. There has been significant growth in the number of firms organized to make such investments, which may result in increased competition to these Funds in obtaining suitable financial instruments. There may also be competition to sell financial instruments. If many investment funds that pursue similar strategies were forced to liquidate positions at the same time, market liquidity would be reduced, which may cause prices to drop, volatility to increase and fund losses to be exacerbated. Accordingly, if there is an insufficient amount of investment opportunities for the Private Onshore Fund and Private Offshore Fund, the full amount of each partner's capital commitment may not be contributed to the funds over the lives of these funds.

*High Growth Industry Related Risks.* The Funds may have investments in the securities of high growth companies. These securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate.

*Research and Development Risks.* Certain companies in which the Funds invest may allocate greater than usual amounts to research and product development. The securities of such companies may experience above-average price or valuation movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which these Funds invest could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may have inexperienced management, face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

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

*Investments in Undervalued Equity and Equity-Related Securities.* The Funds may invest in what the Adviser believes to be undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses. Returns generated from the Funds' investments may not adequately compensate for the business and financial risks assumed. The Funds make certain speculative investments in securities which the Adviser believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the Funds may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of the Funds' assets may be committed to the securities 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. If the Adviser takes long positions in stocks that decline and short positions in stocks that increase in value, then the losses of the Funds may exceed those of other portfolios that hold long positions only.

*Due Diligence Risks.* Before making investments, the Adviser intends to conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence and making an assessment regarding an investment, the Adviser will rely on resources available to it,



including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence process is subjective, especially with respect to newly organized companies for which only limited information is available. Accordingly, there can be no assurance that the due diligence investigation that the Adviser will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Further, there can be no assurance that such an investigation will result in an investment being successful.

*Projections.* Projected operating results of a company in which the Funds invest typically will be based primarily on projections prepared by such company's management or developed by the Adviser. Projections are inherently uncertain and subject to factors beyond the control of the Adviser and the issuer in question. In all cases, projections are only estimates of future results that are based upon assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. The inaccuracy of certain assumptions, the failure to satisfy certain financial requirements and the occurrence of unforeseen events could impair the ability of a company to realize projected values and/or cash flow. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

*Expedited Transactions.* The Adviser will, at times, undertake its investment analyses and decisions on an expedited basis to take advantage of investment opportunities. In such cases, the information available to the Adviser at the time it makes an investment decision for the Funds may be limited, and the Adviser may not have access to detailed information regarding the investment opportunity. Therefore, no assurance can be given that the Adviser will have knowledge of all circumstances that may adversely affect an investment.

*Potential for Fraud.* In spite of the Adviser's efforts to invest in reputable and trustworthy companies, there is a risk that the Funds may invest in issuers that engage in fraud. Instances of fraud can be particularly difficult to detect and prevent. To the extent that the Funds invest in a company that engages in fraud, the Funds could lose all or a substantial portion of their investment in such company and it could have a material adverse effect on the Funds' financial condition and results of operations.

*Litigation Risk.* The Funds' investment activities may subject them, the General Partner and the Adviser to the risks of becoming involved in litigation with third parties. A greater risk may occur in instances where the Funds exercise control of, or significant influence over, a portfolio company's operations. In addition, the Funds may acquire direct or indirect interests in portfolio company securities through secondary market transactions from existing holders. Such transactions typically are subject to relatively extensive contractual requirements involving multiple parties and, accordingly, entail contractual risks and risks of potential litigation. The expense of defending against claims against the Funds by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Funds, reduce distributions and could require investors in the Funds to return distributed capital and earnings to the Funds. There can be no assurance that any litigation, once begun, would be resolved in favor of the Funds. The General Partner, the Adviser and their respective affiliates and the Funds' administrator will generally be indemnified by the Funds in connection with any such litigation, subject to certain conditions.

*Co-Investment Opportunities.* The General Partner or one or more of its affiliates may, in its sole discretion, offer limited partners or third parties the opportunity to co-invest alongside the Funds in certain investment opportunities. The General Partner is not required to offer co-investment opportunities with respect to all or any Fund investments and may allocate any such opportunities in its sole discretion, including for example, on the basis of the size of investor commitments to funds managed by the Adviser and its affiliates. The General Partner and/or Adviser may form committed co-investment vehicles to participate alongside these Funds in investment opportunities that the Adviser has determined in good faith exceed prudent diversification levels or risk, liquidity, duration or other factors relevant to the Funds. The General Partner, in its discretion, may determine to only offer participation in a committed co-investment vehicle to select investors, such as investors with substantial capital commitments to the Funds or capital commitments to other Funds managed by the Adviser and its affiliates. Moreover, the General Partner may structure a co-investment opportunity such that co-investors do not share in any broken-deal expenses. The allocation of co-investment opportunities may involve a benefit to the General Partner and Adviser including, without limitation, management fees, carried interest or other transaction-based compensation in connection with the co-investment opportunity, additional capital commitments to the Funds, and/or capital commitments to other funds managed by the Adviser and its affiliates. As a result, the General Partner and its affiliates may be subject to conflicting interests with respect to offering co-investment opportunities.

*Cyber Security Breaches and Identity Theft.* The Adviser's information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration

by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser and/or the Funds may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's and/or the Funds' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Adviser's and/or the Funds' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

*Epidemics, Pandemics, and Public Health Issues.* The Adviser's business activities, as well as those of the Funds and their operations and investments, could be adversely affected by the outbreaks of epidemics in the U.S and globally, such as Coronavirus, Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS, or other epidemics. Specifically, Coronavirus, or COVID-19, spread rapidly around the world and negatively affected the global economy and the stock market. The transmission of COVID-19 and efforts to contain its spread resulted in travel restrictions and disruptions, market volatility, disruptions to business operations, supply chains and customer activity and quarantines. With widespread availability of vaccines, the U.S. Centers for Disease Control and Prevention revised its guidance, travel restrictions were lifted, and businesses reopened. However, the extent to which the Adviser's investment strategies will be impacted by future epidemics and pandemics will depend on various factors beyond our control, including the extent and duration of the impact on economies around the world and on the global securities and commodities markets. Future pandemics could negatively affect vendors on which the Adviser and Funds rely and could disrupt the ability of such vendors to perform essential tasks. An outbreak or recurrence of any kind of epidemic, communicable disease or virus or major public health issue could cause a slowdown in the levels of economic activity generally, which would adversely affect the business, financial condition and operations of the Adviser and the Funds.

*Inflation Risk.* The Funds may be subject to inflation risk. Inflation risk is the risk that the value of investments or income from investments will be lower in the future as inflation decreases the value of money. As inflation increases, the value of the investments can decline.

*Force Majeure & Catastrophic Risks.* The Adviser and the Funds may be subject to operational risk from unforeseeable and uncontrollable catastrophic events, including fires, floods, earthquakes, adverse weather conditions and related power outages, water shortages or other damage caused by such events, changes in law, eminent domain, wars, riots, terrorist attacks, and other similar risks, which may be uninsurable or insurable at rates that the Adviser deems uneconomic. These events could result in loss and litigation, among other potentially detrimental effects.

*Financial Institution Risk; Distress Events.* An investment in the Funds is subject to the risk that banks, brokers, hedging counterparties, lenders or other custodians (each, a "Financial Institution") of some or all of the Funds' assets fail to timely perform their obligations or experience insolvency, closure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance or accounting irregularities. In the event a Financial Institution experiences a Distress Event, the Adviser and/or the Funds may not be able to access deposits, borrowing facilities or other services, either permanently or for an extended period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by organizations such as the Federal Deposit Insurance Corporation, in the case of banks, or the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the relevant insurance are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose increased risk of loss. While in recent years governmental intervention has often resulted in additional protections for depositors and counterparties during Distress Events, there can be no assurance that such intervention will occur in a future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, substantial delays or negative impact on banking or brokerage conditions or markets.

Any Distress Event has a potentially adverse effect on the ability of the Adviser to manage the Funds and their investments and on the ability of the Adviser and the Funds to maintain operations, which in each case could result in significant losses. Such losses have the potential to include a loss of funds and the inability of Funds to acquire or dispose of investments or acquire or dispose of such investments at prices that the Adviser believes reflect the fair value of such investments. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that the Funds will incur additional expenses or delays in putting in place alternative arrangements or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms,

service levels, access to capital or otherwise). Although the Adviser expects to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses or delays. The Funds are subject to similar risks if a Financial Institution utilized by investors in the Funds or by suppliers, vendors, service providers or other counterparties of the Funds becomes subject to a Distress Event, which could have a material adverse effect on the Funds.

A Financial Institution may require, as a condition to using its services (including lending services), that the Adviser and/or the Funds maintain all or a set amount or percentage of their respective accounts or assets with the Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institution. Although the Adviser seeks to do business with Financial Institutions that it believes are creditworthy and capable of fulfilling their obligations to the Funds, the Adviser is under no obligation to use a minimum number of Financial Institutions with respect to any Fund or to maintain account balances at or below the relevant insured amounts.

## **CERTAIN RISK FACTORS RELATED TO TYPES OF SECURITIES**

*Equity-Related Instruments in General.* The Adviser may use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk, and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

*Non-U.S. Securities and Companies with Foreign-Based Operations.* The Funds may make significant investments in the securities of issuers with a significant portion of their business and operations in, or a significant portion of their revenues from, locations outside the U.S. and therefore may be impacted by conditions in other locations outside the U.S. Some issuers may be denominated in non-U.S. currencies. Investing in these securities involves additional considerations and risks beyond those typically involved in investing in U.S. companies, including the instability of some foreign governments, the possibility of expropriation, limitations on the use or removal of funds or other assets, changes in governmental administration or economic or monetary policy (in the U.S. or abroad) or changed circumstances in dealings between nations. The application of foreign tax laws (for example, the imposition of withholding taxes on dividends, interest payments or capital gains) or confiscatory taxation may also affect investments in foreign securities. Investments in foreign countries could be affected by other factors not present in the U.S., including lack of uniform accounting, auditing and financial reporting standards and potential difficulties in enforcing contractual obligations. In addition, the utilization of options and swaps on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in U.S. companies.

*Private Investments in Public Equity (PIPEs).* PIPEs are private (unregistered) offerings of common stock or other securities, usually at a discount to current market price, issued by public companies. The typical PIPE is subject to a “lockup” agreement that prohibits the owner from reselling the PIPE security until it is registered or until a designated holding period has elapsed. On occasion, the SEC has refused to allow PIPE securities to be registered due to the immediate impact such registration could have on the public market for such securities (for example, if certain owners of such PIPEs have sold the securities short in anticipation of their registration). Typically, PIPE securities are offered by small public companies, companies in need of regular cash infusions, companies in financial distress or companies where a public offering has failed. PIPE securities may be susceptible to special risks that may not be present in the relevant issuer’s publicly traded securities. Substantial illiquidity could remain even after a PIPE security becomes registered for public sale. Moreover, the Funds’ entire investment in PIPE securities may be lost if such securities never become registered.

PIPEs may be difficult to accurately value. In light of the foregoing, there is a risk that an investor who withdraws all or part of his investment while the Funds hold PIPEs will be paid an amount less than it would otherwise be paid if the actual value of such PIPEs is higher than the value designated by the Funds. Similarly, there is a risk that such investor might, in effect, be overpaid if the actual value of the PIPEs held by the Funds is lower than the value designated by the Funds.

Unlike the purchase of freely tradable common stock in the open market, PIPEs generally involve contractual obligations by the issuer of such securities requiring the issuer to take certain actions, such as registering the securities or, in the case of convertible securities, issuing the underlying securities upon exercise of convertible securities and registering the convertible securities and the underlying securities with the appropriate federal and state authorities for resale. In order for the Funds’ investment strategy to be effective, the issuer of such securities must abide by its contractual obligations. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, the Funds may be unable to dispose of the securities at appropriate prices, if at all, or may

experience substantial delays in doing so, and thus the Funds may not be able to realize the anticipated, or any, profit with respect to such investment for a substantial period of time, if ever. There can be no assurances that any issuer will succeed in registering for public resale the securities held by the Funds or that registration of securities pursuant to any such arrangement will create liquidity.

*Private Investments.* Investments in the equity of private companies at various stages in their development involve a high degree of business and financial risk. Private companies with limited operating history may require substantial additional capital to support expansion or to achieve or maintain a competitive position, may produce substantial variations in operating results from period to period or may operate at a loss. The Funds may have significant exposure to and invest in private companies in the healthcare industry and have the flexibility to invest in private companies across a variety of healthcare industry subsectors. These investments may include investments in mid-stage and late-stage companies. Certain of these private companies may have zero or modest revenues and may or may not be profitable. Further, the Funds may invest in securities of private companies with little or no operating history. These companies represent highly speculative investments. In some cases, the Funds may be the first source of professional financing for such companies. Private companies may require additional capital, after the Funds' investments, to develop technologies and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available from third parties at all, or on acceptable terms. Further, the technologies and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any state.

Although the Adviser may seek to negotiate certain protective provisions in connection with the Funds' private company investments where possible, these Funds primarily expect their investments to consist of minority positions in companies in which they invest. In those cases, the Funds may or may not be represented on a portfolio company's board of directors, and each portfolio company will be managed by its own officers (who generally will not be affiliated with the General Partner or Adviser), and the Funds may have limited or no effective voting control. As a result, the Adviser typically will not be in a position to exercise control over the management of such companies, and, accordingly, may have a limited ability to protect the Funds' positions in such companies. Some companies may depend upon managerial assistance or financing provided by their investors. The value of the Funds' investments may depend upon the quality of managerial assistance provided by the investors in the companies and their ability and willingness to provide financial support. The Funds' ability to realize value from an investment in a private company will depend largely upon successful completion of the company's initial public offering or the sale of the company to another company, which may not occur for a period of several years after the date of the Funds' investment, or may not occur at all. There can be no assurance that any of the companies in which the Funds invest will complete public offerings or be sold, or, if such events occur, as to the timing and value of such offerings or sales. In addition, the Funds may be subject to, or may agree to become subject to, lock-up periods subsequent to an initial public offering or other liquidity event. The Funds may also lose all or part of their entire investment if these companies fail or their product lines fail to achieve an adequate level of market recognition or acceptance.

Investments in certain private companies may also be more difficult to value than other companies as a result of there being more limited or no operating history of such company or limited public market comparables. It is unlikely that independent pricing information will be available or that other valuation methodologies that the General Partner would customarily use will be available, such as marked-to-market prices typically provided by dealers and pricing services and relative value pricing mechanisms. Accordingly, it is likely that investments will be valued at their fair value employing methods determined in good faith by the General Partner in consultation with the Adviser. If the valuations of companies should prove to be incorrect, limited partners could be adversely affected.

*Use of Leverage by Portfolio Companies.* Certain of the Funds' investments may include businesses with high levels of debt. The leveraged capital structure of such investments will increase the exposure of a portfolio company to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of such portfolio company or its industry. Leveraged investments are inherently more sensitive to declines in revenues and to increases in expenses and recessions, operating problems and other general business and economic risks may have a more pronounced effect on the profitability and survival of such investments. In addition, there can be no guarantee that debt facilities will be available at commercially attractive rates throughout the term of these Funds or when due for refinancing such that the Funds or the applicable portfolio company will be exposed to less favorable terms or rates upon a refinancing, or that any facilities negotiated will be fully utilized. If a portfolio company cannot

generate adequate cash flow to meet its debt obligations, the Funds may suffer a total loss of capital invested in such company.

*Risks in Effecting Operating Improvements and Board Participation.* In certain cases, the success of the Funds' investments may depend, in part, on the ability of these Funds to assist in the restructuring of, and effecting improvements in, the operations of a portfolio company. The activity of identifying and implementing restructuring programs and operating improvements at portfolio companies entails a high degree of uncertainty. Certain features of a relevant business environment may impede or prevent the implementation of necessary restructuring steps for such companies. There can be no assurance that the Funds will be able to successfully identify and implement such restructuring programs and improvements. Further, to the extent that the Funds own a controlling stake in, has representatives on a board of directors or creditors' committee or is deemed an affiliate of, a particular company, it may be subject to certain additional bankruptcy or securities laws restrictions which could affect both the liquidity of the Funds' interests and the Funds' ability to liquidate its interest without adversely impacting the investment's price. *See also Control Positions above.*

*Control Person Liability.* Under certain circumstances, the Funds may obtain controlling interests in certain of their portfolio companies. The exercise of control over a company may impose additional risks of liability for environmental damage, product defects, pension and other fringe benefits, failure to supervise management, violation of laws and governmental regulations (including securities laws) and other types of liability, for which the limited liability generally afforded to investors may be ignored. If any such liabilities were to arise, these Funds might suffer significant losses. The possibility of successful claims against the Funds and/or its affiliates cannot be precluded. In addition, the Principals or employees of the Adviser may serve as directors of certain of the portfolio companies, including public companies, and as such, may have duties to persons other than the Funds. *See also Control Positions above.*

*Exchange-Traded Funds.* ETFs represent shares of ownership in either funds or unit investment trusts that hold portfolios of common stocks, bonds, or other instruments, which are designed to generally correspond to the price and yield performance of an underlying index. The general level of stock or bond prices may decline, thus affecting the value of an equity or fixed income ETF, respectively. An ETF may also be adversely affected by the performance of the specific sector or group of industries on which it is based. Although ETFs are designed to provide investment results that generally correspond to the price and yield performance of their underlying indices, ETFs may not be able to exactly replicate the performance of the indices because of various sources of tracking error, including their expenses, leverage, liquidity of the underlying securities, and other factors. Generally, ETF shareholders bear a pro rata portion of the ETFs expenses. Accordingly, investors indirectly bear ETF expenses in addition to the Fund's management fees.

*Options.* The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Additionally, the premium paid for an option is based, in part, on the time to expiration, and with the passage of time, the premium associated with an option declines, assuming all other factors being equal. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

*Commodity and Futures Contracts.* The Funds may also invest in commodities or futures contracts. Trading in commodity and futures contracts and options thereon are highly specialized activities which, while they may increase the total return on the Funds' investments, may entail greater than ordinary investment risks. Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage is typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Adviser could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be

predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Derivatives.* To the extent that the Funds invest in swaps, derivative or synthetic instruments, or enter into repurchase agreements or other over-the-counter transactions, the Funds may take a credit risk with regard to parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organization guarantees, more frequent mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. It is expected that all securities and other assets deposited with custodians or brokers will be clearly identified as being assets (directly or indirectly) of the Funds, and hence the Funds should not be exposed to a credit risk with regard to such parties. However, it may not always be possible to achieve this segregation, and there may be practical or time problems associated with enforcing rights to its assets in the case of an insolvency of any such party.

*Counterparty Risk.* To the extent that the Funds invest in swaps, "synthetic" or derivative instruments, repurchase agreements, forward contracts, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Funds take the risk of non-performance by the other party to the contract. This risk includes credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions that generally are supported by guarantees of clearing organizations, daily mark-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of default.

*Brokerage and Custodial Risk.* There are risks involved in dealing with the custodians or prime brokers who settle the Funds' trades. The Funds maintain custody accounts with their prime brokers and primary custodians. Although the Adviser monitors the prime brokers and believes that they are appropriate custodians, there is no guarantee that the prime brokers, or any other custodian that the Funds may use from time to time, will not become bankrupt or insolvent. There is no certainty that, in the event of a failure of a broker-dealer that has custody of the Funds' assets, the Funds would not incur losses due to their assets being unavailable for a period of time, the ultimate receipt of less than full recovery of its assets, or both.

*Use of Alternative Investment Vehicles.* To the extent necessary to address tax, regulatory or other strategic considerations, the General Partner or its affiliates has the authority to structure, and to cause limited partners to participate in, particular investments through alternative investment vehicles other than the Funds. While the economic and other substantive provisions governing any alternative investment vehicle are intended to be substantially the same as those of these Funds, the rights of the limited partners as investors in, and the obligations and duties of the Adviser or its affiliates as general partner or manager of, the alternative investment vehicle may differ from those applicable to the Funds by virtue of the specific terms, or jurisdiction of establishment of, the alternative investment vehicle. In addition, the structural attributes of certain alternative investment vehicles may result in divergent return characteristics for certain limited partners.

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS ASSOCIATED WITH OUR INVESTMENT PROGRAM. PROSPECTIVE INVESTORS SHOULD READ THIS BROCHURE AND THE OFFERING AND GOVERNING DOCUMENTS OF THE FUNDS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

## **Item 9: Disciplinary Information**

Neither We nor any of our employees have been involved in any legal or disciplinary events related to past or present investment clients or investors.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **OTHER ACTIVITIES AND AFFILIATIONS**

Avidity and its Principals will devote such time to the Funds' affairs as is consistent with seeking to achieve the Funds' investment objectives. However, except as otherwise provided in the Fund's operating and/or governing documents, from time to time, certain of our employees and affiliates may and do serve as directors and officers of, and provide advice or services to, publicly- or privately-held companies in which the Funds invest, and such employees may be required to make decisions that consider the best interests of such companies. In certain situations, conflicts of interest could arise between such individual's duties as our officer or employee and his or her duties as a director or officer of such other company. Investors should be aware that the receipt of material, non-public information by our related persons regarding these companies could preclude us from effecting discretionary transactions on behalf of the Funds in certain securities of these issuers. In addition, the Adviser's Principals and employees serve and may serve on boards and committees of, and otherwise participate in activities of, philanthropic and charitable organizations.

### **AFFILIATED GENERAL PARTNER**

As noted in Item 4 above, the General Partner serves as the general partner of the Master Fund, Onshore Fund, Fund II, Master Fund III, Onshore Fund III, Offshore Fund III, Private Master Fund, Private Onshore Fund and Private Offshore Fund.

### **OTHER REGISTRATIONS**

Neither Avidity, the General Partner nor any of their management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of the foregoing entities.



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

### **CODE OF ETHICS**

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940 (the “Advisers Act”), We have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to emphasize our fiduciary duties to clients, require employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by employees. Among other things, We impose restrictions on the Principals and employees relating to the purchase or sale of securities for accounts with respect to which they have beneficial ownership and the accounts of certain affiliated persons. Such individuals are required to disclose, and in certain instances seek pre-approval for, their personal securities transactions and personal securities holdings. Except as permitted by the CCO, Principals and employees are generally prohibited from engaging in personal securities trading of, or holding any reportable security of issuers in, the healthcare industry with the exception of healthcare related exchange-traded funds. Principals and/or employees may, and do, have personal accounts managed by third-parties over which they have no investment discretion (“Managed Accounts”) that may hold and transact in healthcare securities. The code of ethics requires quarterly certifications by employees who have Managed Accounts to disclose whether and to what extent the account invests in healthcare securities. The Chief Compliance Officer or other members of the Adviser’s compliance team periodically reviews employee trades for adherence with Avidity’s policy, including the review of statements or other reports for Managed Accounts for transactions and holdings in healthcare or healthcare-related securities.

We strictly prohibit “front running.” We also maintain policies and procedures designed to prevent Principals and employees from misusing material non-public information and to address certain actual and potential conflicts of interest that may arise when supervised persons engage in outside business activities; make political contributions; or accept, provide, offer or give gifts or entertainment events. We will devote such time to the Funds’ affairs as is consistent with seeking to achieve the Funds’ investment objectives. However, except as otherwise provided in the Funds’ offering and/or governing documents, We and any of our affiliates may engage in any activity permitted by applicable law. A copy of our code of ethics is available to current and prospective clients and investors upon request.

### **TRANSACTIONS INVOLVING CONFLICTS OF INTEREST**

We may cause the Funds to enter into transactions and arrangements involving actual or potential conflicts of interest. We will review any transactions involving material conflicts of interest and take such actions as We deem necessary or appropriate in an attempt to ensure that the terms of such transactions are fair and reasonable under the circumstances including, without limitation, obtaining consent with respect to such transactions and consulting with the Master Fund’s Governance Committee and/or the limited partner advisory committee of the Private Master Fund, Private Onshore Fund and Private Offshore Fund, as applicable.

Avidity employees may on occasion accept gifts or invitations to entertainment but must always act in the best interest of Avidity, the Funds and its clients and avoid any activity that might create an actual or perceived conflict of interest or impropriety in the course of the Adviser’s business relationships. Avidity’s gift and entertainment policy implements internal controls to monitor such activity, which include reporting or seeking pre-approval before giving or accepting gifts and entertainment of significant value and prohibiting or limiting the provision or receipt of cash gifts or entertainment to government employees, foreign officials, and certain other categories of recipients.

Avidity employees may from time-to-time make political or charitable contributions. Employees are required to seek pre-approval for, and report political contributions made to any political official, candidate for political office, political party or political action committee (“PAC”). Political contributions are generally permitted except where such contributions may raise issues under the Pay-to-Play Rule (Rule 206(4)-5) under the Advisers Act.

## **Item 12: Brokerage Practices**

### **SELECTING BROKERAGE FIRMS**

The Adviser is authorized to determine the broker or dealer to be used for each securities transaction for the Funds. In selecting brokers or dealers to execute transactions, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Adviser's practice to negotiate "execution only" commission rates, thus the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

In selecting brokers and negotiating commission rates, the Adviser will take into account, among other factors, the broker's financial stability and reputation, research, brokerage or other services provided. The Adviser does and may place transactions with a broker or dealer that (i) provides the Adviser (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer or (ii) refers investors to the Funds or other products advised by the Adviser (or an affiliate), if otherwise consistent with seeking best execution; provided the Adviser is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

Although the Adviser will make a good faith determination that the amount of commissions paid is reasonable in light of the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers on the basis of considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The receipt of such products or services and the determination of the appropriate allocation in the case of "mixed use" products or services create a potential conflict of interest between the Adviser and its investors.

### **BEST EXECUTION**

In placing orders for the purchase and sale of securities, We seek best execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which We believe to be reasonable and provide effective execution of Fund orders under conditions most favorable to the Funds.

### **SOFT DOLLAR PRACTICES**

Section 28(e) of the Exchange Act is a "safe harbor" that permits an Adviser to use commissions or "soft dollars" to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants' advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (*i.e.*, connectivity services between an adviser and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics, trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

The Adviser does not have any formal soft dollar arrangements or agreements with broker-dealers. The Adviser receives research and brokerage services in connection with its overall economic relationship with broker-dealers, including non-trading and execution services, rather than in connection with specific commissions generated. The Adviser's broker-dealers do not accrue soft dollar credits according to the Adviser's brokerage transactions with the broker-dealers. Further, the Adviser does not receive any mixed-use soft dollar items as it does not receive any items from broker-dealers that are used for any purpose other than the Adviser's investment management decision-making process. Accordingly, the Adviser's receipt of research and services from broker-dealers is consistent with the Section 28(e) safe harbor. While the Adviser has not received any mixed-use services to date, the Adviser's Best Execution Procedures require that in the event the Adviser receives any mixed-use services in the future, it should take reasonable steps to allocate the cost of such mixed-use service between the Firm and its clients.

The Adviser has adopted and implemented a Best Execution and Soft Dollar Policy which includes, among other things, procedures for selecting brokers consistent with the Adviser's duty of best execution as well as guidance regarding the research and other services that are permitted under the Section 28(e) safe harbor ("Best Execution Procedures"). Pursuant to such Best Execution Procedures, the Adviser monitors the execution quality and services received from prime brokers and other broker-dealers and evaluates best execution through ongoing broker evaluations and a formal annual broker vote. As part of the Adviser's best execution process, for example, the Firm's trader regularly has and continues to attempt to negotiate lower commissions rates with broker-dealers. The Firm's annual broker vote and best execution evaluation process specifically includes an assessment of the value of research and brokerage services provided by broker-dealers.

Although the Adviser does not have any formal soft dollar arrangements or agreements with broker-dealers, the Adviser's practice of receiving research and brokerage services in connection with its overall economic relationship with broker-dealers, including non-trading and execution services, creates conflicts of interest. The products or services acquired may not be exclusively for the benefit of the Funds that traded with the broker-dealer and that may primarily or exclusively benefit Avidity. If the Adviser can acquire these products and services without expending its own resources (including management fees paid by the Funds), it would tend to increase the Adviser's profitability.

Furthermore, Avidity may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on the Funds' interest in receiving most favorable execution. The Adviser may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for such benefits. During the last fiscal year, Avidity acquired research from brokers used to execute Fund transactions and received other services from brokers related to the execution, clearing and settlement of securities transactions and functions related thereto; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the SEC or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations.

#### **BROKERAGE FOR CLIENT REFERRALS**

From time to time, brokers do and may provide opportunities for Avidity to be introduced to potential investors. Our prime brokers or their affiliates may provide capital introduction or other placement services to the Funds and Avidity (with or without separate charges for such other services). Such "capital introduction" opportunities may influence our decision to use (or continue to use) the services of these brokers, rather than selecting brokers solely based on the Fund's interest in receiving most favorable execution. The Adviser does and may select broker-dealers that provide capital introduction opportunities, provided the Adviser is not selecting the broker-dealer in recognition of the opportunity to participate in such capital introduction events or the referral of investors.

#### **DIRECTED BROKERAGE**

We do not recommend, request or require clients to direct us to execute transactions through a specified broker-dealer. We also do not permit clients to direct brokerage for order execution purposes.

#### **ORDER AGGREGATION AND ALLOCATION OF INVESTMENT OPPORTUNITIES**

Avidity generally seeks to execute orders for the Funds on an equitable basis. While not required, the Adviser typically aggregates client orders to achieve more efficient execution or to provide equitable treatment among the Funds. Funds participating in aggregated trades will be allocated securities based on the average price achieved for such trades. Similarly, if an order on behalf of the Funds cannot be fully executed under prevailing market conditions, Avidity allocates the trade among the Funds on a basis that it considers equitable.

When appropriate, each Fund will, subject to applicable legal, tax, accounting, regulatory, leverage or other considerations (as determined by the General Partner in its sole discretion), (i) invest proportionately on the basis of net asset value in all investments on the same terms and conditions as the other Fund, and (ii) sell or otherwise dispose of any portion of an investment only on effectively the same terms and conditions in all material respects as the other Fund's sale or disposition of such investment.

## **TRADE ERRORS**

We have adopted policies and procedures regarding handling and resolution of trade errors in our compliance manual. Consistent with our fiduciary duties, our policy is to use the utmost care in making and implementing investment decisions with respect to client accounts. To the extent trade errors occur, We seek to ensure that our clients' best interests are served. Consistent with provisions in the Funds' legal documents, the Funds generally will be responsible for trade errors (except for errors caused by the bad faith, willful misconduct or gross negligence of Avidity, any of our employees, or any of our affiliates).

## **Item 13: Review of Accounts**

### **REVIEWS OF ACCOUNTS**

Avidity invests the Funds' capital in securities and other financial instruments. The investment team continually conducts a review of the Fund's investments, including monitoring their performance. Among other items, We consider short and long-term rates of return, investment diversification and risk allocations as part of our regular review. The Adviser prepares and reviews risk reports on an ongoing basis to inform the investment team of portfolio risks. With respect to accounting matters, We have engaged an independent public accounting firm to conduct an annual audit for each of the Funds.

### **ADDITIONAL REVIEWS**

We may conduct additional or more frequent reviews in the event of any withdrawal or capital contribution by an investor in the Funds, significant market or economic events or under various other circumstances.

### **REPORTS TO INVESTORS**

We provide Avidity Master Fund, Fund II, and Fund III investors with monthly account statements, monthly performance and exposure report, annual audited financial statements and certain U.S. federal income tax information.

We provide Private Fund investors quarterly reports on the operations of the fund, including an unaudited capital account statement, unaudited income statement and unaudited statement of distributions to limited partners during the applicable quarter. We also furnish annually, audited financial statements and schedules showing their distributive share of each item of income, gain, loss, deduction and credit required to be reported for U.S. federal income tax purposes.

The Funds' financial statements are prepared in accordance with U.S. generally accepted accounting principles. All such statements and reports are written. In response to questions and requests and in connection with due diligence meetings and other communications, We do and may provide additional information to certain investors in the Funds that is not distributed to other investors.

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

### **THIRD PARTY COMPENSATION**

Except as described in “**Item 12: Brokerage Practices**” above, We currently do not receive any economic benefit from any person (other than the Funds) for providing investment advisory services to the Funds.

### **REFERRALS**

The Adviser does not currently directly compensate any third-party for client or investor referrals. However, Avidity may benefit from introductions to potential investors through relationships with its third-party partners, including its prime brokers. While the Adviser does and may place transactions with brokers who provide such introduction opportunities, and the broker is paid a commission as a result of such transactions, Avidity does not have solicitation or placement agent agreements with its brokers with respect to such introduction opportunities. In addition, the brokers have neither endorsed Avidity nor its Funds. It is possible Avidity would be incentivized to direct more transactions to a broker in exchange for introductions.

### **Item 15: Custody**

We have, or may be deemed to have, custody of the Funds' cash and securities for purposes of Rule 206(4)-2 under the Advisers Act. In accordance with Rule 206(4)-2, the Funds cash and securities (except for privately placed securities) are maintained with one or more qualified custodians. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged an independent public accounting firm that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board to conduct an annual audit of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. The name of the independent public accounting firm currently engaged with respect to the Funds is set forth in Section 7.B. of Schedule D of Part 1 of our Form ADV. We endeavor to provide such financial statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that We will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

We have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the timing and amount to be bought or sold on behalf of the Funds. We have authority to determine the broker-dealer or other counterparty to be used for Fund transactions and the negotiation of commission rates and other consideration to be paid by the Funds. Securities acquired by the Adviser for Funds through Initial Public Offerings (“IPOs”), secondary offerings, or limited offerings, will be allocated pursuant to the Adviser’s allocation policy.

### **LIMITED POWER OF ATTORNEY**

Each investor in the Funds generally grants us a limited power of attorney to enable us to execute the partnership agreement and to take certain other limited actions with respect to the Funds on its behalf. We also have authority to conduct authorized trading and perform other acts on behalf of the Funds.



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

We have the authority to vote proxies on behalf of the Funds. The Adviser has adopted proxy voting policies and procedures designed to further the best interests of the Funds, in accordance with ERISA (as applicable), its fiduciary duties, and Rule 206(4)-6 under the Advisers Act.

In general, our policy is to vote proxy proposals, amendments, consents or resolutions in a manner that serves the best interests of the Funds, as determined in our discretion, and avoid any conflicts of interest in voting proxies. The Adviser may consider multiple factors when determining whether or how to vote a proxy, including the size of the position and whether the Adviser's vote will make a difference in the vote, the perceived significance of the issues addressed in such proxy vote, and other factors as deemed relevant by the Adviser. We may also elect to take no action with respect to a proxy if it is in the best interest of the Funds not to vote a proxy. Investors may not direct or otherwise influence our vote with respect to any particular proxy solicitation.

We will review proxy materials to identify potential conflicts of interest. A conflict of interest will be considered material to the extent that such conflict has the potential to influence our decision-making in voting a proxy. If a material conflict of interest is identified, We may abstain from voting or use other methods to resolve or otherwise mitigate such conflict, which may include disclosing the conflict and obtaining consent from Fund investors before voting; engaging a third party to recommend a vote on the proxy based on our proxy voting guidelines; suggesting to the client that it engage another party to vote the proxy on its behalf; or such other method as is deemed appropriate under the circumstances given the nature of the conflict. We will maintain a written record of the method used to resolve or otherwise mitigate any material conflict of interest.

The Adviser utilizes the services of third-party proxy voting service, Glass-Lewis & Co, LLC ("Glass Lewis"), to furnish proxy voting research and execution services on behalf of the Funds. This includes researching proxy proposals and voting proxies consistent with guidelines approved by the Adviser and consistent with our Proxy Voting Policy. If We determine that the Glass Lewis recommendation is not in the best interest of the Funds or in cases where Glass-Lewis does not provide a vote recommendation, the Adviser's investment team will make an independent determination, consistent with our Proxy Voting Policy, as to whether and how to vote the proxy. Avidity periodically reviews the proxy voting policies, procedures and methodologies, conflicts of interest, and competency of Glass Lewis.

Investors may obtain copies of our Proxy Voting Policy, together with information regarding how We have voted past proxies, by contacting us.

## **Item 18: Financial Information**

We do not have any financial commitment that impairs our ability to meet contractual and fiduciary commitments to our clients, and We have not been the subject of any bankruptcy proceeding.