

## **Part 2A of Form ADV**

### **Firm Brochure**

**March 28, 2024**

#### **Velan Capital Investment Management LP**

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Velan Capital Investment Management LP (the “Adviser” or “Velan”). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at 646-844-1680 or [Compliance@avego.com](mailto:Compliance@avego.com). This information has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

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

Registration with the SEC does not imply a certain level of skill or training.

**Item 2.      Material Changes**

No material changes have occurred since the Adviser's last update of its Brochure, which was filed on February 7, 2024, to reflect the Adviser's change of address. Nonetheless, the Adviser encourages all recipients to read this document in its entirety.

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#### **Item 4. Advisory Business**

Velan Capital Investment Management LP (the “Adviser”) is a Delaware limited partnership that was formed in February 2020 with its principal place of business in Alpharetta, Georgia. The general partner of the Adviser is Velan Capital Management LLC. Adam Morgan (the “Principal”) and Avego Management, LLC are the principal owners of the Adviser. The Adviser is a relying adviser of Avego Management, LLC (“Avego” or the “Filing Adviser”).

The Adviser provides investment advisory services on a discretionary basis to its clients, which consist of private funds (together with other investment vehicles and accounts advised by the Adviser, the “Funds”) intended for sophisticated investors and institutional investors. References throughout this document to “clients” refer to the Funds and any other private funds that the Adviser may advise in the future.

The Adviser provides advice to the Funds based on specific investment objectives and strategies as described in the Funds’ respective offering documents and governing agreements (collectively, the “Governing Documents”). The Adviser does not tailor advisory services to the individual needs of clients.

The Adviser does not participate in wrap fee programs.

As of December 31, 2023, the Adviser had approximately \$560,287,727 of regulatory assets under management, all of which was managed on a discretionary basis. Note that certain Funds are also co-managed by Avego Management, LLC, so such Funds’ assets are also reflected in Part 2A of Avego Management LLC’s Form ADV for the purposes of calculating its regulatory assets under management.

#### **Item 5. Fees and Compensation**

The Adviser’s fees and compensation are described in each client’s Governing Documents. All of the Firm’s clients are expected to be “qualified purchasers” (as defined in Section 2(a)(51) of the Investment Company Act of 1940, as amended).

##### *Fees Generally*

*Management Fees and Performance-Based Compensation.* The management fee (the “Management Fee”) and performance-based compensation rates for the Funds are disclosed in each Fund’s Governing Documents.

The Funds will pay the Adviser a Management Fee quarterly in advance based on Fund investor capital commitments with respect to one of the closed end funds, or the value of Fund investor capital accounts with respect to open end funds. Management Fees are prorated in the case of a partial calendar quarter. The Adviser may elect to reduce, otherwise modify or waive the Management Fee with respect to any of its affiliates, Fund investor, and the Adviser’s employees, in accordance with the Fund’s governing documents.

An affiliate of the Adviser that serves as the general partner of a Fund (the “General Partner”) will be paid performance-based compensation by the Funds, which is compensation that is based on a share of capital gains on or capital appreciation of the assets of the Funds.

##### *Expenses Generally*

Investors in the Funds should carefully review the expense provisions in their applicable Fund Governing Documents for a complete description of such Fund’s expense practices.

Each Fund is responsible for expenses incurred it and related to its activities, including (as more fully defined in the Governing Documents) but not limited to: the Management Fee; Fund legal, compliance (including consultants’ fees), placement 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); all costs and expenses of any custodians, attorneys, accountants, auditors, tax advisors, brokers, agents, research related data providers, valuation experts or other advisors or professionals relating to the affairs of the Fund; organizational expenses; execution and order management system fees and expenses; investment expenses such as omissions, research fees and expenses (including Bloomberg and similar subscriptions and data services, expenses incurred in connection with multimedia, analytical, database, news or other third-party research services as well as related terminals for the delivery of such services 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; all costs and expenses of any litigation, threatened litigation, indemnification or other extraordinary expenses or liabilities relating to the affairs of the Fund; Fund-related insurance costs (D&O and E&O insurance); independent master fund governance committee members' fees and expenses; expenses of regulatory compliance (including compliance with AIFMD and AEOI), filings and reporting (including but not limited to Section 13, Section 16 and Form PF filings); all costs and expenses incurred in connection with complying with Anti-Money Laundering laws, "know your customer" laws and Foreign Account Tax Compliance Act ("FATCA"), including the fees and expenses of third-party service providers related to such compliance; costs and expenses incurred in connection with complying with provisions in Governing Documents and/or side letter agreements or similar agreements; unreimbursed costs and expenses incurred in connection with any transfer or proposed transfer or any default by a limited partner; expenses incurred in connection with the managed distribution of marketable securities; costs and expenses of any lenders and other financing sources, and principal and interest on, and fees and expenses arising out of, all borrowings made by the Fund, including, without limitation, the arranging, negotiating, structuring, entering into and amending thereof; directors' fees (including the fees and expenses of independent master fund governance committee members directly related to their service as directors of the offshore fund); pricing service fees; all costs and expenses of winding-up and dissolving the Fund and any alternative investment vehicles; all expenses incurred in connection with any tax, audit, investigation, settlement, or review of the Fund; 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.

*Allocation of Expenses.* Each Fund bears its own expenses as set forth in its respective Governing Documents. Common expenses may be incurred on behalf of the Funds. The Adviser would seek to allocate those common expenses among the Funds in a manner that would be fair and reasonable over time and in accordance with the relevant Governing Documents. As the allocation of expenses by the Adviser represents a conflict of interest, the Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser may use various methods to allocate expenses among the Funds depending on the circumstances (e.g., pro rata based on assets under management, relative participation in the transaction related to the expense, general amount of trading activity etc.). The determination as to the method or methods used may be based on relative use of the product or service, the nature or source of the product or service, the relative benefits derived by each of the Funds from the product or service, or other relevant factors. Nonetheless, investors should note that the portion of a common expense that the Adviser allocates to each Fund for a particular product or service, may not reflect the relative benefit derived by the respective Fund from that product or service in any particular instance. The Adviser's expense allocations often depend on inherently subjective determinations and, accordingly, expense allocations made by the Adviser in good faith will be final and binding on each Fund. When applicable, the Adviser seeks to allocate shared expenses for products and services benefiting the Adviser and Funds in a fair and reasonable manner.

The Adviser charges investment-related research expenses to the Funds. Certain research expenses which are paid for by the Adviser's Funds are shared occasionally with the investment professionals of the Filing Adviser, while the expense is generally borne by the Adviser's Funds for which the research was performed, the Filing Adviser's Funds may benefit from research being conducted and paid for by the Adviser's Funds.

The Adviser may also allocate a portion of certain Funds' capital to money market funds or exchange-traded funds. In addition to the fees and expenses discussed above, clients will indirectly incur similar fees and expenses if the Firm invests their capital in such funds, as these funds in turn pay similar fees and expenses to their investment managers and other service providers.

#### **Item 6. Performance-Based Fees and Side-by-Side Management**

The General Partner, an affiliate of the Adviser will be entitled to be paid performance-based compensation by the Funds. Such performance-based compensation may create an incentive for the Adviser to make investments that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements.

The Adviser manages multiple client accounts. Accordingly, the Adviser has adopted and implemented policies and procedures intended to address conflicts of interest relating to the management of multiple accounts, including accounts with different fee arrangements, and the allocation of investment opportunities. The General Partner, in its sole discretion, may elect to reduce, otherwise modify or waive the performance-based compensation with respect to any Fund investor including for Fund investors that are members, employees or affiliates of the General Partner, relatives of such persons, and for certain strategic investors.

In connection with its investment activities, the Adviser may encounter situations in which it must determine how to allocate investment opportunities (including follow-on investments) among various clients. The Adviser follows documented procedures regarding the allocation of investment opportunities among its clients. Allocation determinations are inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. While the Adviser determines how to allocate investment opportunities using its best judgment, considering such factors as it deems relevant, but in its sole discretion, there can be no assurance that a Fund's actual allocation of an investment opportunity, if any, or the terms on which that allocation is made will be as favorable as they would be if the conflicts of interest to which the Adviser is subject, discussed herein, did not exist.

#### **Item 7. Types of Clients**

The Adviser's clients consist of the Funds. Investors in the Funds are generally high net worth individuals and institutional investors that qualify as "accredited investors" (as defined in Rule 501 under the Securities Act of 1933, as amended) and qualified purchasers. The minimum initial investment in the Funds will be determined by the Adviser and set forth in the Funds' Governing Documents. The Adviser has waived such minimum and may, in its discretion, do so in the future under certain circumstances.

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

##### **Methods of Analysis and Investment Strategies**

The following is a summary of the methods of analysis and investment strategies employed by the Adviser on behalf of the Funds. This summary should not be interpreted to limit in any way the Adviser's investment activities. The Adviser may offer any advisory services, provide advice with respect to any investment strategies and make any investments, including those that may not be described in this brochure, that the Adviser considers appropriate, subject to each Fund's investment objectives and guidelines. Detailed disclosures of such strategies and methods are included in each Fund's Governing Documents. There can be no assurance that the investment objectives of any Fund will be achieved, and results may vary substantially over time. As mentioned previously, certain Funds of the Filing Adviser are also co-managed by Velan. Please refer to the Filing Adviser's Part 2A of Form ADV for summary of the methods of analysis and investment strategies employed by the Filing Adviser.

The Velan strategy seeks to invest in the equities of healthcare value companies, with no emphasis on any specific subsector. The Adviser's philosophy views capital preservation as tantamount to achieving

superior compounded investment returns in a risk adjusted manner. Fundamentals are strictly adhered to despite macro and external factors in order to remove anchoring bias as it pertains to appropriately reflecting the potential of any given investment to generate positive investment returns. Hedging strategies using long and short equity positions, custom baskets, equity options, and index options are used in an attempt to reduce and control risk.

The Adviser utilizes a variety of methods and strategies to make investment decisions and recommendations including:

*Equity.* The Adviser's equity strategy focuses on a broad range of equity investment styles, including growth, core, and value, as well as portfolios designed to be "style-neutral." The Adviser's equity strategy considers investment in long and short positions in a broad range of equity securities from issuers domiciled inside and outside the United States, including developing countries. The Adviser's equity strategy utilizes the combination of long and short positions to pursue its investment objective of long-term capital appreciation over a complete market cycle with lower volatility relative to broad equity indices.

*Activism.* The Adviser engages in shareholder activism. Specifically, it engages in acquiring a concentrated equity position in a publicly-traded company with the intent to proactively engage with the company's management and/or board of directors and to advocate for changes, including changes in the company's strategy, capital structure, management compensation, asset prioritization, and financial management of operations. This strategy will require the Adviser to take certain regulatory actions on behalf of the Funds, including filing Form 13D. In the context of shareholder activism, the Adviser will utilize both private and public communication in the best interest of the Funds.

*Buy and Hold.* The Adviser engages in a buy and hold investment strategy wherein the Adviser buys securities and holds them for a relatively longer period of time, regardless of short-term factors such as fluctuations in the market or volatility of the stock price.

*Short Selling.* The Adviser engages in short selling strategies. In a short sale transaction, the Adviser sells a security it does not own in anticipation that the market price of that security will decline. The Adviser makes short sales (i) as a form of hedging to offset potential declines in long positions in similar securities, (ii) in order to maintain flexibility and, (iii) for profit.

*Hedging.* The Adviser utilizes a variety of financial instruments such as derivatives, options, and futures contracts for profit and/or risk management purposes.

*Option Trading.* The Adviser engages in various option trading investment strategies. Options are investments whose ultimate value is determined from the value of the underlying investment. The Adviser engages in the following types of option trading strategies: both covered and uncovered call and put writing for purposes of income and risk reversals; call and put buying for leverage and hedging; as well as fundamental exposure that would be substitutive for a fundamental equities position.

*Leverage.* The Adviser's investment program utilizes a significant amount of leverage which includes the borrowing of funds from brokerage firms, banks, and other institutions in order to be able to increase the amount of capital available for marketable securities investments.

*Portfolio Turnover.* The investment strategy of the Fund may require the Adviser to actively trade the Fund's portfolio, and as a result, turnover and brokerage commission expenses of the Fund may significantly exceed those of other investment entities of comparable size.

*Fundamental Value.* The Adviser engages in a fundamental value investment strategy wherein the Adviser attempts to invest in asset-oriented securities the Adviser believes are undervalued by the market.

*Growth.* The Adviser engages in a growth investment strategy wherein the Adviser attempts to select securities of a company whose earnings the Adviser expects to grow at an above-average rate compared to the company's specific industry or the overall market.

*Relative Value.* The Adviser pursues relative value strategies by taking long positions in securities believed to be undervalued and short positions in securities believed to be overvalued.

*Arbitrage Transactions.* The Adviser engages in one or more types of arbitrage strategies. Arbitrage strategies attempt to take advantage of perceived price discrepancies of identical or similar financial instruments, on different markets or in other forms. The Adviser engages in the following arbitrage strategies: event-driven arbitrage, merger arbitrage, and convertible arbitrage.

*Short-Term Market Timing.* The Adviser engages in a short-term market timing investment strategy wherein the Adviser attempts to anticipate the market price of a stock before the stock's price reacts to market forces by analyzing macroeconomic and market trends, and then sells the stock shortly after the stock's price is influenced by market movements.

*Credit.* The Adviser engages in a long credit strategy. *Client* accounts generally invest in credit-related assets across all levels of the capital structure, including, investments in distressed debt securities and other financial instruments, high yield and investment grade loans and bonds, structured credit, and special situations.

### *Risk Factors*

These investment strategies involve risk of loss to the Funds and investors must be prepared to bear the loss of their entire investment.

All of the Adviser's investment strategies are generally speculative investments and are not intended as a complete investment program. The strategies are intended solely for sophisticated investors who are able to bear the risk of an investment. There can be no assurances that any strategy will achieve its investment objective or that there will not be a significant loss of capital. The specific risks associated with a Fund's investment strategy are described in greater detail in each Fund's Governing Documents. The following risks, however, are those that generally may be applicable and should be carefully evaluated by prospective investors. Investors may lose all, or substantially all, of their investment in any Fund.

*Healthcare and Related Risks.* Healthcare securities, especially those of smaller, research-orientated companies, can be more volatile than the overall market. The medical device and drug development companies (biotechnology and pharmaceutical) in which the Fund will invest may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above average price movements associated with the perceived prospects of success of the research and development programs. Only a limited number of healthcare companies have reached the point of approval of products by government regulatory bodies, such as the Federal Drug Administration and the subsequent commercial production and distribution of such products. Therefore, the success of investments in the healthcare sector generally, and the biotechnology industry in particular, is often based upon expectations about future products, research progress and new product filings with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses. Further, many healthcare companies with proprietary platform technologies rely on patent protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. Patents have limited duration and, upon expiration, competitors may market substantially similar "generic" products which cost less to develop and may cause the original developer of a product or service to lose market share and/or reduce prices, 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 Fund invests, which could have a material adverse effect on such company. The healthcare sector is subject to extensive government regulation. The industry will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, product liability concerns and similar significant matters. Changes in



governmental policies may have a material effect on the demand for or costs of certain healthcare products and services and securities prices of healthcare companies can fluctuate dramatically as a reaction to adverse legal judgments and the adverse publicity associated with accompanying threatened litigation. As these factors impact the industry, the value of the Fund's investments may fluctuate significantly over relatively short periods of time. Healthcare companies are frequently dependent upon private and governmental third-party sources of reimbursement for products and services provided to their customers. In addition to market and cost factors affecting the fee structures implemented by healthcare companies, numerous Medicare and Medicaid regulations, cost containment and utilization decisions of third-party payers and other payment factors over which the companies do not have control may affect the amount of payment that healthcare companies receive for their products and services. These third-party payers are increasingly challenging the prices charged for healthcare products and services and, in some cases, refusing payments for products and services they deem inappropriate.

***Derivatives Risk.*** Investments in derivatives involve the risks associated with the securities or other assets underlying the derivatives, and also may involve risks different or greater than the risks affecting the underlying assets, including the inability or unwillingness of the other party to a derivative to perform its obligations to an account, an account's inability to sell, or delays in selling or closing, positions in derivatives, and difficulties in valuing derivatives. Swaps, and certain options and other custom derivative or synthetic instruments are subject to the risk of nonperformance by the counterparty to such instrument, including risks relating to the financial soundness and creditworthiness of the counterparty. In addition, investments in derivative instruments require a high degree of leverage, meaning the overall contract value (and, accordingly, the potential for profits or losses in that value) is much greater than the modest deposit used to buy the position in the derivative contract. Derivative securities can also be highly volatile. The prices of derivative instruments and the investments underlying the derivative instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by the *client* or the Adviser. Further, transactions in derivative instruments may not be undertaken on recognized exchanges and will expose the *client's* account to greater risks than regulated exchange transactions that provide greater liquidity and more accurate valuation of securities.

***Equity Securities.*** The value of equity securities fluctuates in response to issuer, political, market, and economic developments. Fluctuations can be dramatic over the short term as well as long term, and different parts of the market and different types of equity securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Issuer, political, or economic developments can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. Changes in the financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

***Hedging.*** There can be no assurances that a particular hedge is appropriate, or that certain risk is measured properly. Further, while the Adviser 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 Adviser's investment portfolios than if the Adviser did not engage in any such hedging transactions.

***Issuer-Specific Changes.*** Changes in the financial condition of an issuer or counterparty, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer or counterparty, which can affect a security's or instrument's value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources.

***Lack of Diversification.*** *Client* accounts will not be diversified among a wide range of types of securities, countries or industry sectors. Accordingly, *client* portfolios are subject to more rapid change in value than would be the case if the Adviser were required to maintain a wider diversification among types of securities and other instruments, geographic areas or sectors.

**Counterparty Risk.** To the extent that the Fund invests 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 Fund takes the risk of nonperformance by the other party to the contract. This risk may include 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 directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

**Currency Risks.** The Fund may have exposure to fluctuations in currency exchange rates. It may, in part, seek to offset the risks associated with this exposure or enter into foreign exchange transactions to increase its 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).

**Leverage.** Performance may be more volatile if a *client's* account employs leverage.

**Limits on Trading Activities.** In some situations, purchases or sales of securities for one *client* account may cause certain trading limitations to apply to another *client* account. Such trading limitations may be the result of regulatory restrictions. For example, under federal securities laws, a short sale of a security by one *client* within five business days prior to a public offering of the same securities (the timing of which is generally not known to the Adviser in advance) may prohibit another *client* from participating in the public offering, which could cause the *client* to miss an otherwise favorable investment opportunity or to pay a higher price for the securities in the secondary markets. Similarly, in the event that the Adviser causes one of its *clients* to purchase equity securities offered via private placement, the Adviser's other *clients* may be restricted from trading in related publicly traded securities.

**Management Risk.** The Funds are actively managed portfolios, and the value of the accounts may be reduced if the Adviser pursues unsuccessful investments or fails to correctly identify risks affecting the broad economy or specific issuers in which the accounts invest.

**Relative Value Risk.** In the event that the perceived mispricings underlying the Adviser's relative value trading positions were to fail to converge toward, or were to diverge further from, relationships expected by the Adviser, *client* accounts may incur a loss.

**Short Selling Risk.** The Adviser's investment program includes a significant amount of short selling. Short selling transactions expose the Adviser to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and without effective limit. There is the risk that the securities borrowed by the Adviser in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a "short squeeze" can occur, wherein the Adviser might be compelled, at the most disadvantageous time, to replace the borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Security Futures and Options.** In connection with the use of futures contracts and options, there may be an imperfect correlation between the change in market value of a security and the prices of the futures contracts and options in the *client's* account. In addition, the Adviser's investments in security futures and

options may encounter a lack of a liquid secondary market for a futures contract and the resulting inability to close a futures position prior to its maturity date.

***Cybersecurity Risk.*** The information and technology systems of the Adviser and of key service providers to the Adviser and its *clients*, including banks, broker-dealers, custodians and their affiliates, may be vulnerable to potential damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. For instance, cyber-attacks may interfere with the processing or execution of the Adviser's transactions, cause the release of confidential information, including private information about clients, subject the Adviser or its affiliates to regulatory fines or financial losses, or cause reputational damage. Additionally, cyber-attacks or security breaches (e.g., hacking or the unlawful withdrawal or transfer of funds), affecting any of the Adviser's key service providers, may cause significant harm to the Adviser, including the loss of capital. Similar types of cybersecurity risks are also present for issuers of securities in which the Adviser may invest. These risks could result in material adverse consequences for such issuers, and may cause the Adviser's investments in such issuers to lose value. Although the Adviser has implemented various measures designed 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, it may be necessary for the Adviser to make a significant investment to fix or replace them and to seek to remedy the effect of these issues. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the operations of the Adviser or its *client* accounts and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information, which may result in identity theft.

***Risk Management Failures.*** 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 *clients* 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 *clients*.

***Systems and Operational Risk.*** The Adviser relies heavily on certain financial, accounting, data processing and other operational systems and services that are employed by the Adviser and/or by third party service providers, including prime brokers, the third-party administrator, market counterparties and others. Many of these systems and services require manual input and are susceptible to error. These programs or systems may be subject to certain defects, failures or interruptions. For example, the Adviser and its *clients* could be exposed to errors made in the confirmation or settlement of transactions, from transactions not being properly booked, evaluated or accounted for or related to other similar disruptions in the *clients'* operations. In addition, despite certain measures established by the Adviser and third-party service providers to safeguard information in these systems, the Adviser, *clients* and their third-party service providers are subject to risks associated with a breach in cybersecurity which may result in damage and disruption to hardware and software systems, loss or corruption of data and/or misappropriation of confidential information. Any such errors and/or disruptions may lead to financial losses, the disruption of the *client* trading activities, liability under applicable law, regulatory intervention or reputational damage.

***Valuation of Portfolio Holdings.*** There are various conflicts of interest in connection with the valuation of *client* assets, in particular, higher valuations of *client* assets may result in increased asset-based and performance-based fees, and in some cases, increased compensation for personnel. In addition, inflated valuations may result in better performance which may assist in marketing for the Adviser. Conflicts of interest may be heightened in the case of assets that do not have readily ascertainable market values. To address these conflicts, the Adviser has adopted and implemented policies and procedures concerning the valuation of client assets, led by a valuation committee that includes personnel of Adviser not involved directly in the management of *client* accounts and that excludes each Fund's portfolio manager as a voting member. In addition, the Adviser has engaged each Fund's third-party administrator to perform portfolio reconciliations. On a monthly basis, the valuation committee will prepare and review its own calculation of

the net asset value (“NAV”) of the *client* accounts and seek concordance with each Fund administrator’s assessment through a process of reconciliation. The Adviser will utilize Generally Accepted Accounting Principles (“GAAP”) and methods, including peer grouping or model analysis that take into account discounts for lack of marketability and liquidity to calculate Fair Value for illiquid securities, and such valuations will be checked for positive assurance by independent third parties where warranted.

*Effects of Health Crises and Other Catastrophic Events.* Health crises, such as pandemic and epidemic diseases, as well as other catastrophes that interrupt the expected course of events, such as natural disasters, war or civil disturbance, acts of terrorism, power outages and other unforeseeable and external events, and the public response to or fear of such diseases or events, have and may in the future have an adverse effect on clients’ investments and the Adviser’s operations. For example, any preventative or protective actions that governments may take in respect of such diseases or events may result in periods of business disruption, inability to obtain raw materials, supplies and component parts, and reduced or disrupted operations for client portfolio companies. In addition, under such circumstances the operations, including functions such as trading and valuation, of the Adviser and other service providers could be reduced, delayed, suspended or otherwise disrupted. Further, the occurrence and pendency of such diseases or events could adversely affect the economies and financial markets either in specific countries or worldwide.

*Inflation Risk.* Client accounts 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 in a client’s account can decline.

*Highly Volatile Markets* The prices of financial instruments in which the Fund may invest can be highly volatile. Price movements of forward and other derivative contracts in which the Fund’s assets may be invested are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. The Fund is subject to the risk of failure of any of the exchanges on which their positions trade or of its clearinghouses.

*Lack of Investment Diversity.* One or more funds may lack diversity and therefore would be subject to greater market and credit risk.

*Lack of Liquidity.* Certain of the securities in which the Adviser invests will have limited liquidity. This lack of liquidity may adversely affect the ability of the Adviser to execute trades at desired prices in rapidly moving markets.

## **Item 9. Disciplinary Information**

There are no legal or disciplinary events that are material to a client’s or prospective client’s valuation of the Adviser’s advisory business or its management.

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

The Adviser is affiliated with the Filing Adviser, which is registered with the SEC as an investment adviser. The Filing Adviser manages assets for clients using a private equity investment strategy.

From time to time, various potential and actual conflicts of interest may arise from the overall advisory, investment and other activities of the Adviser and the Filing Adviser. The Filing Adviser makes investments in private equity strategies.

The Adviser and the Filing Adviser operate without ethical screens or information barriers to separate the Adviser’s and the Filing Adviser’s persons who make investment decisions from others who might possess material non-public information that could influence such decisions. As a result of this affiliate relationship, the Filing Adviser may receive material non-public information with respect to an issuer of

securities or other financial instruments. In such circumstances, the Adviser's Funds may be prohibited, by law, policy or contract, for a 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. Alternatively, the Adviser and their affiliates may decline to receive material non-public information which it is entitled to receive on behalf of the funds each manages, in order to avoid investment restrictions for the Filing Adviser's funds, even though access to such information might have been advantageous to such funds and other market participants are in possession of such information. The Adviser will endeavor to resolve conflicts of interest with respect to investment opportunities in a manner it deems equitable to the extent possible under the prevailing facts and circumstances.

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

### *Code of Ethics Overview*

The Adviser has adopted a Code of Ethics (the "Code") that obligates the Adviser to put the interests of the Adviser's Funds before its own interests and to act honestly and fairly in all respects in their dealings with the Funds. In addition to compliance with the Adviser's policies and procedures, all of the Adviser's personnel are required to comply with applicable federal securities laws. The Funds or prospective clients may obtain a copy of the Code by contacting the Adviser's Chief Compliance Officer ("CCO") by email at [Compliance@avego.com](mailto:Compliance@avego.com), or by telephone at 646-844-1680. See below for further provisions of the Code as they relate to the preclearing and reporting of securities transactions by related persons.

The Adviser, in the course of its investment management and other activities, may come into possession of confidential or material nonpublic information about issuers, including issuers in which the Adviser or its related persons have invested or seek to invest on behalf of the Funds. The Adviser is prohibited from improperly disclosing or using such information for its own benefit or for the benefit of any other person, regardless of whether such other person is a client. The Adviser maintains and enforces written policies and procedures that prohibit the communication of such information to persons who do not have a legitimate need to know such information and to assure that the Adviser is meeting its obligations to the Funds and remains in compliance with applicable law. In certain circumstances, the Adviser may possess certain confidential or material, nonpublic information that, if disclosed, might be material to a decision to buy, sell or hold a security, but the Adviser will be prohibited from communicating such information to the Funds or using such information for the Funds' benefit. In such circumstances, the Adviser will have no responsibility or liability to the Funds for not disclosing such information to the Funds (or the fact that the Adviser possesses such information), or not using such information for the Funds' benefit, as a result of following the Adviser's policies and procedures designed to provide reasonable assurances that it is complying with applicable law.

### *Personal Trading Policy*

Supervised persons are generally permitted to engage in personal trading (subject to the guidelines and prohibitions below), but must obtain prior written approval from the CCO before engaging in transactions in reportable securities, including (i) limited offerings or other private investments (e.g., hedge funds) and (ii) initial public offerings (including initial coin offerings). Supervised persons are generally prohibited from trading the securities of any issuers within the Company's investment strategy (broadly healthcare, collectively, "Healthcare Issuers"). For the avoidance of doubt, if healthcare or biotechnology activities represent some but not all of a company's business activities, the company will be considered a Healthcare Issuer for these purposes. The determination of whether an issuer will be deemed a Healthcare Issuer will be made by the CCO. If a supervised persons has existing investments in any Healthcare Issuers prior to the commencement of his or her employment with the Adviser, the employee may continue to hold such positions, but must obtain pre-clearance from the CCO in order to exit them. In addition, the Adviser's Code prohibits the Adviser or its supervised persons from executing personal securities transactions of any kind in any securities on a restricted securities list maintained by the CCO.

Supervised persons are required to provide the CCO with periodic reporting relating to their trading activity and personal accounts. The Adviser's policies relating to personal trading will also generally apply to a supervised persons' spouse or minor child, or an immediate family member of an employee living in the same household as such supervised person.

#### *Participation or Interest in Client Transactions*

The Adviser makes available to qualified prospective investors the opportunity to invest in the Funds. The General Partner or an affiliate of the Adviser, is entitled to receive performance-based compensation from the Funds.

The Adviser will not engage in a principal transaction unless it has determined that the transaction is in the relevant clients' best interests and has obtained client consent if required, in accordance with the Fund's Governing Documents and applicable law.

#### *Conflicts of Interest*

The Adviser and its related entities currently manage and advise existing Funds and many manage and advise, or organize other funds. Such other funds may include investments with the same, overlapping, substantially the same, or different investment objectives as the Funds. The General Partner, the Adviser, and their respective affiliates may, at any time and without breaching any obligation to the investors, continue, form and operate the other funds without restriction, regardless of any possible conflict or apparent conflict with the interests of the Funds, provided, that the foregoing shall not eliminate the implied contractual covenant of good faith and fair dealing.

In addition, certain employees of the Adviser or the Filing Adviser serve as members of a board of directors of publicly traded companies and private companies in which the Funds invest. In connection with such services, such employees will generally be entitled to receive directors' fees or similar compensation. The Adviser anticipates that such employees may retain this compensation for their own benefit. While representation on a company's board may enable the Adviser to enhance the value of a Fund's investment in such company, it may also prevent the Fund from disposing of such investment in a timely and profitable manner. For example, such a board membership may result in the Adviser and the Funds being considered "insiders" of the issuer for a temporary or prolonged period, and therefore subject them to statutory prohibitions on trading any of the issuer's securities during respective blackout periods. The Adviser may also come into possession of material non-public information as a result of such a board membership and would therefore be restricted from trading for the Funds or otherwise in the relevant securities for a period of time. There is no limit on the period of time that any such restrictions might last. Additionally, although the interests of the Funds as shareholders in a company will generally align with interests of the company more broadly, it is possible that when an Adviser's employee obtains representation on the board of a portfolio company, his or her fiduciary duty to such company may conflict with the interests of the Funds. Any such conflicts will be reviewed, monitored, and resolved where possible based on all of the circumstances.

#### **Item 12. Brokerage Practices**

Factors Considered in Selecting or Recommending Broker-Dealers for Client Transactions. The Adviser considers a number of factors in selecting a broker-dealer to execute transactions (or series of transactions) and determining the reasonableness of the broker-dealer's compensation. Such factors include, but are not limited to reputation, financial strength, stability, creditworthiness, efficiency of execution and error resolution, the actual executed price and the commission, research (including but not limited to economic forecasts, fundamental and technical advice on securities, valuation advice on market analysis); access to conferences; custodial and other services provided for the enhancement of the Adviser's portfolio management capabilities; the size and type of the transaction; the difficulty of execution and the ability to handle difficult trades; and the operational facilities of the brokers and/or dealers involved (including back office efficiency). In selecting a broker-dealer to execute transactions (or a series of transactions) and determining the reasonableness of the broker-dealer's compensation, 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 a client may be deemed to be paying for research, brokerage or other services provided by a broker-dealer which are included in the commission rate. The Adviser's CCO and traders will periodically evaluate the broker-dealers used by the Adviser to execute client trades using the foregoing factors.

**Research and Other Soft Dollar Benefits.** The Adviser receives research or other products or services other than execution from a broker-dealer and/or a third party in connection with Fund securities transactions. This is known as a "soft dollar" relationship. The Adviser will limit the use of "soft dollars" to obtain research and brokerage services to services that constitute research and brokerage within the meaning of Section 28(e) of the Securities Exchange Act of 1934, as amended ("Section 28(e)").

Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial and scientific 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 broker-dealers 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 and 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.

When the Adviser uses client commissions to obtain Section 28(e) eligible research and brokerage products and services, the Adviser will periodically review and evaluate its soft dollar practices and to determine in good faith whether, with respect to any research or other products or services received from a broker-dealer, the commissions used to obtain those products and services were reasonable in relation to the value of the brokerage, research or other products or services provided by the broker-dealer. This determination will be viewed in terms of either the specific transaction or the Adviser's overall responsibilities to the accounts or portfolios over which the Adviser exercises investment discretion.

The use of client commissions (or markups or markdowns) to obtain research and brokerage products and services raises conflicts of interest. For example, the Adviser will not have to pay for the products and services itself. This creates an incentive for the Adviser to select or recommend a broker-dealer based on its interest in receiving those products and services.

The Adviser may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits, resulting in higher transaction costs for the Funds.

Research and brokerage services obtained by the use of commissions arising from a client's portfolio transactions may be used by the Adviser in its other investment activities, including, for the benefit of other client accounts of the Adviser or its affiliates. The Adviser does not seek to allocate soft dollar benefits to client accounts of the Adviser or its affiliates proportionately to the soft dollar credits the accounts generate.

**Brokerage for Client Referrals.** The Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to a private fund managed by the Adviser or recommend investments in these private funds as investments to the clients of the broker-dealer. The Adviser may place client portfolio transactions with firms who have made such recommendations or provided capital introduction opportunities, if the Adviser determines that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer as a means of remuneration for

recommending the Adviser or any other product managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

*Aggregation of Orders.* In the event the Adviser has trading authority for multiple clients, it is the Adviser's policy, where appropriate, to aggregate client orders for the purchase or sale of the same security submitted contemporaneously/at or near the same time for execution using the same executing broker. The Adviser will also aggregate in the same transaction, the same securities for accounts where the Adviser has brokerage discretion. Such aggregation may enable the Adviser to obtain for the client a more favorable price or a better commission rate based upon the volume of a particular transaction.

In cases where a client has negotiated the commission rate directly with the broker, the Adviser will not be able to obtain more favorable commission rates based on an aggregated trade. In such cases, the client will be precluded from receiving the benefit of any possible commission discounts that might otherwise be available as a result of the aggregated trade. In cases where trading or investment restrictions are placed on a client's account, the Adviser may be precluded from aggregating that Fund's transaction with others. In such a case, that Fund may pay a higher commission rate and/or receive less favorable prices than clients who are able to participate in an aggregated order.

When an aggregated order is completely filled, the Adviser will allocate the securities purchased or proceeds of sale pro rata among the participating accounts, based on the purchase or sale order. Adjustments or changes may be made under certain circumstances, such as to avoid odd lots or excessively small allocations. If the order at a particular broker is filled at several different prices, through multiple trades, generally all such participating accounts will receive the average price and pay the average commission, subject to odd lots, rounding, and market practice. To the extent an order is price-averaged, a client account participating in the trade may pay a higher price than if the Adviser did not aggregate the order. If an aggregated order is only partially filled, the Adviser's procedures provide that the securities or proceeds are to be allocated in a manner deemed fair to the client. Depending on the investment strategy pursued and the type of security, this may result in a pro rata allocation to participating clients.

*Trade Errors.* If it appears that a trade error has occurred, the Adviser will review the relevant facts and circumstances to determine an appropriate course of action. To the extent that trade errors occur, the Adviser's error correction procedure is to ensure that clients are treated fairly. The Adviser has discretion to resolve a particular error in any manner that it deems appropriate and consistent with the above stated policy. In the event that a client account incurs a trade error as a result of the Adviser's violation of the standard of care that is applicable to the client account, the Adviser will reimburse the client for losses attributable to such violation. Trade errors that do not result from the Adviser's violation of the standard of care applicable to the client account are borne by the client account. The Adviser is not responsible for the errors of other persons, including third party brokers and custodians, unless otherwise expressly agreed to by the Adviser.

### **Item 13.           Review of Accounts**

The Funds will be reviewed by the Adviser on an ongoing basis to determine whether securities positions should be maintained in light of current market conditions. Matters to be reviewed will include specific securities held, adherence to investment guidelines and the performance of the Funds.

Significant market events affecting the prices of one or more securities in Fund accounts, changes in the investment objectives or guidelines of a particular client or specific arrangements with particular clients may trigger reviews of client accounts on other than a periodic basis.

Investors in the Funds receive reports from the Fund pursuant to the terms of each Fund's Governing Documents. In addition, on an annual basis, the Adviser will provide investors with a copy of the relevant Fund's annual audited financial statements and, if applicable, a statement of taxable income (Schedule K-1).



In accordance with common industry practice, the Funds and/or the General Partner may in the future enter into side letters or similar written agreements with certain investors that have the effect of establishing rights under, or altering or supplementing the terms of the Funds' Governing Documents or other related agreements. The ability of other investors to elect to receive the benefit of such side agreements may be limited.

**Item 14. Client Referrals and Other Compensation**

Other than the products and services that the Adviser receives from broker-dealers (described above in Item 12), the Adviser does not expect that it will receive any economic benefits from third parties in connection with the provision of investment advice to the Funds. The Adviser does not have any arrangements in place to compensate anyone or be compensated for the referral of the Funds.

**Item 15. Custody**

The Adviser and the General Partner are deemed to have custody of Fund assets. For purposes of Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), the Adviser will be deemed to have custody over the Funds' assets. In accordance with the Custody Rule, a qualified custodian is not required to deliver quarterly account statements to the Funds or their respective investors as long as: (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds' audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) the Adviser delivers such annual audited financial statements to investors within 120 days after the end of each Fund's fiscal year.

**Item 16. Investment Discretion**

The Adviser will have discretionary authority to manage securities and other investments on behalf of the Funds. The investors in the Funds generally will not be able to place any limits on the Adviser's authority beyond the limitations set forth in their respective Governing Documents.

**Item 17. Voting Client Securities**

To the extent the Adviser has been delegated proxy voting authority on behalf of its clients, the Adviser will comply with its proxy voting policies and procedures that are designed to ensure that in cases where the Adviser votes proxies with respect to client securities, such proxies are voted in the best interests of the Funds. In addition, the Adviser may determine to abstain from voting a proxy if it believes that such action is in the best interests of a particular Fund. The Adviser generally will vote against proposals that make it more difficult to replace members of a board of directors. For all other proposals including matters such as, without limitation, corporate events (mergers and acquisition transactions, dissolutions, conversions, or consolidations) or contested elections for directors, the Adviser will determine whether a proposal is in the best interests of the Funds and may take into account the following factors, among others: (i) management of the issuer's views and recommendations on such proposal, (ii) whether the proposal may have the effect of entrenching existing management and/or making management less responsive to shareholders' concerns (e.g., instituting a poison pill, classified board of directors and/or other anti-takeover measures), and (iii) whether the Adviser believes that the proposal will fairly compensate management for its and/or the issuer's performance. If the Adviser deems that the issue being voted upon is not material for the Funds or the Adviser determines that the cost of voting a proxy would exceed the expected benefit to the Funds, the Adviser will not be obligated to vote on such matter.

If a material conflict of interest between the Adviser and the Fund exists, the Adviser will determine whether voting in accordance with the guidelines set forth in its proxy voting policies and procedures is in the best interests of the Funds or take some other appropriate action.

The Funds may obtain a copy of the Adviser's proxy voting policies and procedures and information about how the Adviser voted that Fund's proxies by contacting the CCO by email at [Compliance@avego.com](mailto:Compliance@avego.com) or by telephone at 646-844-0030.

**Item 18. Financial Information**

This Item is not applicable.

**Item 19. Requirements for State-Registered Advisers**

The Adviser is not a state-registered adviser.