

OrbiMed Capital LLC

Part 2A of Form ADV

Brochure

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This brochure provides information about the qualifications and business practices of OrbiMed Capital LLC (“OrbiMed”). If you have any questions about the contents of this brochure, please contact us at 212-739-6400. 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.

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

Item 2. Material Changes

OrbiMed's most recent update to Part 2 of Form ADV was made in March 2015. While OrbiMed's principal business activities have not changed materially since the time of that update, during 2015 OrbiMed launched additional private funds within its existing general strategies.

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Item 4. Advisory Business

OrbiMed is an investment manager focused exclusively on the healthcare sector. OrbiMed's predecessor was founded in 1989, and OrbiMed is owned by Samuel D. Isaly, the principal owner, Sven H. Borho, Carl L. Gordon, Jonathan T. Silverstein, W. Carter Neild and Geoffrey C. Hsu. As of January 1, 2016, OrbiMed managed approximately \$6.00 billion on a discretionary basis on behalf of 5 clients, and together with its affiliates managed approximately \$14.37 billion on a discretionary basis on behalf of 28 clients.

OrbiMed provides discretionary investment management services to U.S. and non-U.S. public and private funds as well as managed account clients. In providing such services, OrbiMed utilizes strategies based on evaluating pharmaceutical, biotechnology, medical device, healthcare services and other companies in the global healthcare sector. Such strategies generally include, within the healthcare sector and subject to the investment program of each fund and managed account client, investments in the securities of U.S. and non-

U.S. public and/or private companies. Clients are permitted to set guidelines for their accounts which customize OrbiMed's core strategies, including restrictions related to sub-sector, geographic and other weightings. In providing its investment advisory services, OrbiMed determines when and which investments will be acquired, disposed of, or exchanged on behalf of its fund and managed account clients to maintain a portfolio consistent with each client's objectives.

Item 5. Fees and Compensation

OrbiMed's fees for advisory services vary among its clients and are separately set with each client. OrbiMed typically charges investment management or advisory fees based on a percentage of the net assets under management, which fees vary based on the amount and type of assets involved but are generally not expected to exceed 2% for public fund clients and 2.5% for private fund clients (subject to such conditions and other terms as are set out in each fund's offering and other organizational documents). Such fees are typically payable in arrears based on the average daily, monthly or quarterly net assets of the client's account.

OrbiMed also enters into investment management agreements or similar arrangements that provide for performance-based compensation as well as a base management fee. With respect to OrbiMed's private fund clients, such performance-based compensation generally takes the form of an allocation or fee and includes a portion (typically 20% or 25%) of the relevant fund or account's net capital appreciation, calculated after deduction of the base management fee and adjusted to reflect additions to, and deductions from, the client's assets during the relevant period. In some cases the performance-based compensation is based on the extent to which the performance of the fund or account exceeded a specified rate of return. For certain, but not all, client accounts, performance-based compensation is calculated on a cumulative or annual "high-watermark" basis. Thus, any deficiency in performance for a period may have an offsetting effect on performance-based compensation (but not other compensation) for subsequent periods until fully applied. Adjustments to high-watermarks will be made to reflect subsequent withdrawals of capital prior to the elimination of the high-watermark. OrbiMed is typically not required to refund any performance-based compensation received with respect to measurement periods prior to any period in which an underperformance occurs, although such a requirement may apply in a particular case. OrbiMed's fee arrangements with its public fund clients also include performance-based compensation components, although the specific structure and terms of such compensation varies by fund. Such performance-based compensation is more fully described in each particular fund's publicly available disclosure documents. Clients also incur custodial fees and brokerage and other transaction costs payable to third parties, which are in addition to OrbiMed's investment management/advisory fees and any performance-based compensation. Additional information regarding the fees or expenses for a particular client or fund is available in the applicable investment management agreement or fund documents.

From time to time, OrbiMed's members or employees receive director's or other fees or remuneration (whether in the form of cash, securities or otherwise) from portfolio companies of OrbiMed private equity/venture capital and royalty funds in connection with such members' or employees' service on the boards of directors of such companies. Such fees or remuneration will generally be used to reduce certain fees owed to OrbiMed by the applicable client(s), or the economic benefit thereof will otherwise be provided to such client(s), in each case in accordance with and subject to the applicable terms of the clients' respective governing documents. Any such fee reduction is allocated among the applicable client funds on a fair and equitable basis, which is generally *pro-rata* based on the clients' relative ownership of the portfolio company. The fee or remuneration is generally received directly by such OrbiMed member or employee or by OrbiMed or an affiliated entity, in which case OrbiMed then provides offsetting credits or makes commensurate payments to the relevant clients. Any such fee or remuneration must be at the standard rate proposed by the portfolio company and may not be dependent on the performance of the portfolio company (except to the extent that such compensation includes securities issued by the company) or the size of the investment in the

portfolio company by OrbiMed and its clients. OrbiMed members and employees generally do not receive break-up, success, monitoring, or other similar fees in connection with their board of directors or other service to portfolio companies, but if they did it is expected that such fees would be treated in the same manner as director's fees. Venture Partners and Entrepreneurs-in-Residence engaged by OrbiMed or its affiliates as consultants are generally permitted to retain compensation they receive from OrbiMed private equity/venture capital and royalty fund portfolio companies for services to such companies as executives, directors or consultants. Such consultant compensation is not generally allocated to the OrbiMed funds invested in such companies and does not generally create an offsetting credit to investment management or advisory fees or any performance-based compensation due to OrbiMed or its affiliates.

In some cases, OrbiMed negotiates on behalf of a client, typically a private equity/venture capital or royalty fund, to have a portfolio company of the client pay for transaction-related expenses related to the client's investment in the portfolio company that would otherwise be payable by the client fund or OrbiMed. Such fund clients' governing documents also generally permit the applicable fund to incur expenses for "broken deals" (*i.e.*, transactions which are not ultimately consummated by the fund).

Certain investors in OrbiMed's funds (generally OrbiMed principals or employees and their relatives and investment or estate planning vehicles) do not pay management fees and/or performance-based compensation on their fund investments. However, such investors are still assessed their *pro-rata* share of fund expenses, which will either be paid by such investors directly or allocated to OrbiMed.

To the extent that clients invest in mutual funds, exchange-traded funds ("ETFs"), or other investments with underlying fees, clients will bear their proportionate share of such asset's management, trading, or administrative expenses.

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

As stated in the Fees and Compensation section above, OrbiMed receives different levels or types of performance-based compensation with respect to different client funds and accounts. Such differences in fee structures potentially create an incentive for OrbiMed to favor certain clients. OrbiMed does not, however, take such differing fees structures into account in making investment recommendations or allocating trades. OrbiMed has adopted policies and procedures designed to address such potential conflicts, including policies that govern OrbiMed's trading practices. Such policies address, among other practices, personal trading by OrbiMed personnel, the aggregation and allocation of trades among clients, brokerage allocation, cross trades (as defined in Item 12 below), and best execution.

The potential for performance-based compensation, or different levels or types of performance-based compensation, potentially creates an incentive for OrbiMed to make investments on behalf of the relevant clients that are riskier or more speculative than would be the case in the absence of such performance-based compensation arrangements. However, OrbiMed manages each such fund or account in accordance with the investment strategies disclosed in the fund's offering document or the guidelines agreed to for the account (as applicable) to ensure that fund investors and clients are aware of the relevant strategies and related risks.

Item 7. Types of Clients

OrbiMed currently provides investment management services to various institutional clients, including investment funds that are not required to register under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"), or register their securities under the U.S. Securities Act of 1933, as amended, pursuant to various exceptions and exemptions provided under those statutes.

One of the private investment funds for which OrbiMed serves as the investment adviser generally requires investors to meet certain eligibility criteria under the applicable securities laws. The fund also generally requires a minimum initial investment of \$1 million, which may be waived or reduced in certain circumstances.

OrbiMed and certain funds that it manages are authorized to issue classes of interests or enter into “side letters” or similar written agreements that provide certain investors in such funds with particular terms that differ from those of other investors, such as with respect to fees or minimum subscription amounts. Such classes or agreements are typically issued or entered into without notice to the other investors.

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

Investment Strategy. OrbiMed generally seeks long-term capital appreciation through investments in companies in the global healthcare sector. The instruments in which OrbiMed invests include U.S. and non-U.S. equities, both long and short, as well as privately placed securities, debt securities, royalty bonds and other royalty instruments, currencies, private investments in public equity securities (“PIPEs”), ETFs, index options, and derivatives (including swap agreements). OrbiMed attempts to employ a disciplined investment style and achieve diversification within the global healthcare sector, with the goal of creating attractive risk-adjusted returns.

When evaluating securities for investment, OrbiMed employs various valuation techniques and conducts extensive due diligence, including, but not limited to, company visits, discussions with company management, and qualitative and quantitative screening. Additionally, OrbiMed representatives also serve as members of, or observers on, certain portfolio companies’ boards of directors.

Investment Risks. The strategies that OrbiMed employs entail a significant degree of risk and could result in substantial losses under certain circumstances. Accordingly, an investment in a fund or account managed by OrbiMed should be undertaken only by investors capable of evaluating and bearing the risks of the investment.

Such risks include those related to OrbiMed’s focus on the global healthcare sector as well as general risks related to investing in the types of funds and accounts that OrbiMed manages. Below are summaries of certain of those risks. Prospective investors in a particular fund or strategy are advised to review the applicable prospectus, private placement memorandum or other offering document for a more extensive description of the risks of investing in that fund or strategy.

OrbiMed’s concentration in the healthcare/life sciences sector and lack of diversification across other sectors present risks specific to such strategies. Those risks include the following: certain companies may have limited operating histories; scarcity of management and marketing personnel with appropriate scientific or medical training may result in slow or impeded growth of a company; the possibility of lawsuits related to patents or products; obsolescence of products; change in government policies; changes in investor sentiments and preferences with regard to healthcare sector investments (some of which are generally perceived as risky); volatility in the U.S. and other stock markets that affects the prices of healthcare company securities, resulting in substantial volatility in the performance of funds and accounts that OrbiMed manages; and the fact that many companies in the healthcare sector are subject to extensive government regulation.

OrbiMed invests in the securities of healthcare companies that are engaged in the development of products or technologies or that are conducting clinical trials on products or technologies. Obtaining required regulatory approvals often requires the submission of extensive preclinical and clinical data, information

about product manufacturing processes, and inspection of facilities and supporting information for each therapeutic indication to establish a product candidate's safety and efficacy. Varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent regulatory approval of a product candidate. The process of obtaining and maintaining regulatory approvals may vary and involves substantial regulatory discretion, is expensive, and often takes many years, if approval is obtained at all. Failure to obtain and maintain regulatory approval for a product candidate following a business combination would have an adverse effect on the value of the underlying securities of a healthcare company.

In addition, intellectual property rights in the fields of medical devices, diagnostics, pharmaceuticals and biotechnology are highly uncertain and may involve complex legal and scientific questions. Healthcare companies may not be able to obtain additional issued patents relating to their products, methods, processes, services or other technologies. Even if issued, patents may be challenged, narrowed, invalidated or circumvented, or others may obtain patents claiming aspects similar to those covered by such patents and patent applications, which factors could limit a company's ability to stop competitors from marketing similar products or services, limit the length of term of patent protection they may have for their products or services, and expose them to substantial costs and risks in litigation and administrative proceedings and drain resources. Changes in either patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of a company's intellectual property or narrow the scope of its patent protection.

The testing and marketing of medical products and technologies entail an inherent risk of product liability. Accordingly, companies in the healthcare industry may be exposed to potential liability risks inherent in the testing, manufacturing, marketing and sale of healthcare products and/or the provision of healthcare services. A liability claim or the imposition of liability may have an adverse effect on the market prices of a company's securities.

The strategies that OrbiMed uses to manage its client funds and accounts also have more general risks, beyond those related to the healthcare sector. Such risks, include, but are not limited to, the following: the illiquidity of certain investments; the nature of equity or equity-related investments; concentration of investments in single issuers; counterparty risk; operational risks; cybersecurity risks; possession of material non-public information that would limit OrbiMed's ability to trade a security; and dependence on OrbiMed and key personnel. The success of OrbiMed's investment activities will also be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in legal, fiscal, and regulatory regimes (including laws relating to the taxation of OrbiMed clients' investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect the level and volatility of the prices of securities, commodities or other financial instruments and the liquidity of client investments. Volatility or illiquidity could impair clients' profitability or result in losses, and OrbiMed clients may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets. In addition, OrbiMed may invest client assets in non-U.S. securities or U.S. securities denominated in non-U.S. currencies and/or traded outside of the United States, including in emerging markets. Such investments often entail risks not typically associated with investing in U.S. securities or property, including trade balances and imbalances and related economic policies; unfavorable currency exchange rate fluctuations; imposition of exchange control regulation by the United States or non-U.S. governments; and withholding and other taxes and limitations on the removal of funds or other assets. Investing in emerging markets involves additional risks and special considerations, which may include greater social, economic and political uncertainty; less liquidity and smaller capitalization of markets; greater volatility in currency exchange rates; greater risk of inflation; greater controls on foreign investment; increased likelihood of governmental involvement in and control over the economy; differences in auditing and financial reporting standards that may result in the unavailability of material information about issuers; less extensive regulation of the markets; and less developed legal systems.

Risk of Loss. The strategies OrbiMed employs in the funds and accounts it manages and the financial instruments used to implement those strategies are highly speculative. The strategies may not be successful in meeting their performance objectives, and potential clients and fund investors should not invest with OrbiMed unless they can bear the risk of a complete loss of their capital. There is no assurance that the strategies will be able to generate returns or that the returns will be commensurate with their inherent risks. The past investment performance of any funds or accounts managed and/or sponsored by OrbiMed cannot be taken to guarantee future results of those or any other OrbiMed funds or accounts.

Item 9. Disciplinary Information

OrbiMed and its employees have not been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the firm or its personnel.

Item 10. Other Financial Industry Activities and Affiliations

OrbiMed Advisors LLC ("Advisors") is a related entity of OrbiMed and serves as the investment adviser, general partner or in a similar capacity to a number of U.S. and non-U.S. funds and accounts that invest in public and private securities of U.S. and non-U.S. companies, primarily in the pharmaceutical, biotechnology, medical device and healthcare services industries. Advisors is registered with the SEC as an investment adviser. Additional information regarding Advisors is available in its separate Form ADV, including with regard to Advisors' affiliation with other entities that provide investment management services.

OrbiMed acts as the investment manager of Worldwide Healthcare Trust PLC and The Biotech Growth Trust PLC, which are closed-end UK investment trusts listed on the London Stock Exchange, and a principal of OrbiMed serves on each fund's board of directors. In addition, certain of OrbiMed's principals have a minority financial interest in Frostrow Capital LLP, which is the alternative investment fund manager of both funds.

From time to time, OrbiMed or an affiliate structures and serves as the general partner of, investment adviser to, or in a similar capacity for special-purpose vehicles ("SPVs") formed for the purpose of acquiring and holding assets of a fund client in a manner that addresses specific tax, legal or regulatory concerns. The SPVs are typically pass-through entities that receive no management fees, performance fees or other economic benefit in connection with the acquisition of such fund assets.

As described above, OrbiMed and its affiliates act as investment adviser, sponsor, general partner or in similar capacities for a number of accounts and pooled investment vehicles, some of which follow substantially similar investment programs. OrbiMed and its affiliates may give advice, and take action, with respect to any of those clients. However, while the management of those client accounts create potential conflicts of interest, OrbiMed and its affiliates have adopted policies and procedures designed to prevent such conflicts from having an adverse effect on any particular client. For example, when it is determined that it would be appropriate for certain clients to participate in an investment opportunity, based on the nature of the opportunity and each client's investment guidelines, OrbiMed seeks to execute orders for all of the participating client accounts on an equitable basis, taking into account such factors as the relative amounts of capital available for new investments, relative exposure to short-term market trends, and the investment programs and portfolio positions of the client accounts for which participation may be appropriate. Orders are typically combined for all such accounts, and if any order is not filled at the same price, they may be allocated on an average price or other equitable basis. Similarly, if an order on behalf of more than one

account cannot be fully executed under prevailing market conditions, securities may be allocated among the different accounts on a basis which OrbiMed or its affiliates consider equitable.

Accordingly, OrbiMed does not believe that the affiliations and client relationships described above create any material conflicts of interests with its clients or fund investors.

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

To avoid potential conflicts of interest involving personal trading by its personnel, OrbiMed has adopted a Code of Ethics (the “Code”). The Code requires all OrbiMed personnel to follow broad ethical principles and adhere to all applicable legal requirements in carrying out their professional obligations. The Code also establishes detailed policies and procedures governing personal trading by OrbiMed personnel, which include specific restrictions and prohibitions on certain personal trades, reporting requirements and monitoring procedures. A copy of the Code is available to any existing or potential OrbiMed client or fund investor on request.

Subject to the requirements of the Code, OrbiMed and its principals, employees and other affiliates, either directly or through investment vehicles, often invest in certain of its client funds. However, such investments are not considered in OrbiMed’s management of those funds, and the funds are treated without preference in relation to OrbiMed’s other clients. In addition, OrbiMed and its principals, employees and other affiliates, either directly or through investment vehicles, often invest on a joint and side-by-side basis with its clients in private transactions that are typically entered into directly with the issuer of the securities being purchased.

OrbiMed generally does not buy securities from, or sell securities to, investment advisory clients. However, from time to time, OrbiMed or its principals or employees may purchase, hold or sell securities that are recommended to clients. In particular, this may be the case where OrbiMed or its principals or employees invest in a private equity vehicle managed by OrbiMed or its affiliates and receive a distribution of securities from such a vehicle. However, OrbiMed has adopted policies and procedures, primarily as reflected in the Code, to ensure that neither it nor its principals or employees personally benefit from the recommendations to clients. Dispositions of the securities described above by OrbiMed or its principals or employees would be subject to those policies and procedures.

Item 12. Brokerage Practices

Selection of Broker-Dealers. OrbiMed has full discretion to select brokers-dealers with or through which to execute transactions for advisory accounts and to negotiate and determine any commission rates to be paid for such transactions. OrbiMed has no affiliated broker-dealer. OrbiMed considers a number of factors when selecting a broker-dealer, which typically include one or more of the following: general execution capability; commission or other compensation rates; operational capability to clear and settle transactions; historical trading experience in the security; integrity of personnel; quality of research and brokerage services and products; importance to the client of speed, efficiency or confidentiality; willingness to commit capital; financial strength and stability; access to the markets for the security being traded; access to new investment opportunities; and access to liquidity.

Research and Other Soft Dollar Benefits. Due to consideration of the factors listed above, OrbiMed does not always select the broker-dealer offering the lowest commission or compensation rates, although in such cases it is OrbiMed’s policy to make a good faith determination that the commission or other compensation rates are nevertheless reasonable in relation to the other factors affecting the selection. OrbiMed may select a broker-dealer that charges a commission or otherwise receives compensation in excess of that which

another firm might have charged for effecting the same transaction in recognition of the value of research and brokerage services and products that OrbiMed receives. Those benefits may include (i) research and brokerage products and services provided by the executing broker itself; (ii) research products and services provided by a third party but delivered through the broker; and (iii) research products and services provided by a third party directly to OrbiMed but paid for with credits generated by trades executed with the broker.

The third category listed above includes arrangements sometimes referred to as “client commission arrangements” or “commission sharing arrangements” (“CSAs”). OrbiMed has established CSAs with multiple brokers. The commission credits generated through CSA trading for OrbiMed’s client accounts with those brokers are collected in a centralized account at an aggregator, which has established its own arrangements with the participating brokers to facilitate CSAs, including the aggregator’s receipt of fees from the brokers. OrbiMed then uses those credits to obtain research products and services provided by third parties directly to OrbiMed. The use of such CSAs provides OrbiMed with improved access to research resources and a more cost-effective brokerage credit administration system.

The research products and services received by OrbiMed under the commission credit arrangements described above assist OrbiMed in providing investment advisory services to its client accounts. OrbiMed utilizes those arrangements to obtain products and services within the safe harbor of Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended (the “Exchange Act”), and related regulatory guidance, as well as in compliance with OrbiMed’s policies and any applicable client guidelines. Those products and services may include: industry publications and periodicals; specific company research, analyses and recommendations, including as provided by physicians, medical researchers, attorneys or other consultants; economic forecasts; access to industry/market information and legal and regulatory filings; and research and modeling-related software.

OrbiMed uses products or services (which sometimes includes quotation and market information services, trade order management systems, and/or trading, settlement, portfolio accounting and risk management tools) that constitute part eligible research products or services and part administrative or other functions not related to the investment decision-making process. In such instances, OrbiMed makes a good faith allocation of brokerage commissions only for the research or brokerage portion of the service and pays out of its own resources for the non-research or brokerage portion. OrbiMed may also elect to pay out of its own resources for all or part of the portion attributable to research or brokerage functions, although it is not required to do so.

OrbiMed’s receipt of these products and services through the commission arrangements described above provide a benefit to OrbiMed because OrbiMed does not have to produce or pay for those products and services itself. As a result, OrbiMed potentially has an incentive to select a broker-dealer based on OrbiMed’s interest in receiving such products and services, rather than on its clients’ interest in receiving most favorable execution. However, OrbiMed has adopted policies and procedures designed to address such potential conflicts of interest and to help ensure that OrbiMed continues to meet its obligation to seek best execution for trades on behalf of its clients.

Research products and services acquired through these commission credit arrangements are used in servicing some or all of OrbiMed’s advisory accounts, regardless of which account actually paid the commissions that generated the credits used to purchase a particular product or service. As a result, research products and services are sometimes used in servicing accounts that pay fewer (or potentially none) of the commissions that generated the credits used to purchase those particular services and products, including accounts that do little or no trading and accounts for clients that have prohibited paying “soft dollar” commissions.

Aggregating Trades. OrbiMed will generally combine purchases or sales of the same security executed at the same broker on the same day for multiple clients if OrbiMed makes a good faith determination that such

aggregation is likely to result in an improvement in the execution and/or price of such transactions. Under such circumstances, transactions will generally be combined or aggregated unless:

- the trades to be executed for a particular client account are subject to limits or have to be entered at different times, such that aggregation would be inappropriate or impractical;
- OrbiMed is otherwise prohibited from aggregating the trades due to legal or contractual obligations; or
- OrbiMed determines in good faith that allocation on another basis is more appropriate in the circumstances, and such allocation does not result in an improper disadvantage to any of the participating clients.

Clients whose trades are aggregated in such an order will generally participate at the average price obtained for the aggregated order on a given trading date. Securities purchased in an initial public offering or subsequent offerings are considered to be separate transactions from subsequent purchases of the same security in the secondary market on the same day. If an order on behalf of more than one account cannot be fully executed under prevailing market conditions, securities are generally allocated among the different accounts *pro-rata* or on another basis which OrbiMed considers equitable. In addition, OrbiMed may engage in transactions on behalf of client accounts in which opposite trading may be effected during OrbiMed's trading program, such as where a particular client's need for liquidity or redemption proceeds may cause OrbiMed to sell a security for that client account while OrbiMed has a buy program in place for the same security for other accounts. In such instances, OrbiMed may engage in brokered riskless principal transactions, may execute both sides of the trade through one broker at different times, or may engage in cross trades. Clients whose orders do not participate in such forms of trading may incur higher transaction costs as a result.

Allocations of Limited Investment Opportunities. Conflicts may arise in the allocation of investment opportunities among accounts that OrbiMed advises. OrbiMed seeks to allocate investment opportunities that it believes are appropriate for one or more of its client accounts equitably and consistent with the best interests of all accounts involved, in light of each client's general investment strategy and guidelines, including whether the client's investment mandate specifically focuses on the type of investment opportunity presented, and any applicable regulatory considerations, as well as the nature of the investment opportunities. OrbiMed has adopted policies and procedures designed to ensure the fair and equitable allocation of such opportunities. However, there can be no assurance that a particular investment opportunity that comes to OrbiMed's attention will be allocated in any particular manner.

From time to time, OrbiMed is offered the opportunity to purchase securities in an initial public offering in part as a result of its past usage of various brokerage firms. When OrbiMed elects to participate in such offerings, OrbiMed will generally allocate securities purchased in the offerings to eligible client accounts within the designated investment style and strategy for which the security is best suited on a *pro-rata* basis.

OrbiMed occasionally manages accounts whose assets are beneficially owned by OrbiMed and/or its employees in accordance with investment strategies that differ from, but may overlap with, those pursued in existing Client accounts ("Incubator Funds"). OrbiMed engages in such management activities in order to develop investment products or mandates that may be suitable for outside clients or investors at some point in the future. When managing an Incubator Fund, OrbiMed seeks to allocate investment opportunities equitably among such funds and other clients consistent with OrbiMed's general allocation practices noted above.

Cross Trades. OrbiMed may on occasion effect, as agent and pursuant to OrbiMed's trading procedures, a purchase/sale of securities between two or more advisory clients or with a client of an affiliate (including, for these purposes, two or more separate series of a single entity). Such "cross trades" will only be permitted in the event that the transaction is a purchase or sale, for no consideration other than cash payment against

prompt delivery, of a security for which a market quotation or other independent pricing is available, and which is effected at its current market price as provided by an independent pricing source.

Any cross trade transactions carried out by OrbiMed must be consistent with the investment objectives, policies and restrictions of the participants. The transaction must represent best execution for the participants in accordance with OrbiMed's fiduciary duties to its clients and none of the participants may be disfavored by the terms of the transaction. In addition, no brokerage commission, fee or other remuneration may be received directly or indirectly by OrbiMed in connection with the transaction, other than OrbiMed's typical investment advisory fees and expenses.

Trading Limitations when OrbiMed Possesses Material Non-Public Information or Is Otherwise Restricted. From time to time, in the course of managing its client accounts, OrbiMed or its affiliates receive material non-public information with respect to an issuer of publicly traded securities, such as where OrbiMed has a representative on the issuer's board of directors, is considering or holding a PIPE or other private investment in the issuer, or has received material non-public information about the issuer pursuant to a confidentiality agreement entered into with the issuer. In such circumstances, OrbiMed is generally prohibited, by law, policy or contract, for a period of time, from (i) unwinding or decreasing a position in such issuer, (ii) establishing an initial position or increasing an existing position in such issuer, and (iii) pursuing other investment opportunities related to such issuer. Such restrictions typically continue until the information is no longer non-public or OrbiMed is otherwise permitted to effect a transaction in such securities in compliance with applicable anti-insider trading regulations. During that period, the restrictions may have an adverse effect on a client, including to the extent that the client may be required to hold securities of a portfolio company as to which OrbiMed has unfavorable information or may be restricted from acquiring securities of a company as to which OrbiMed has favorable information.

Similar restrictions sometimes apply where OrbiMed does not possess material non-public information about the issuer but has a representative on the issuer's board of directors or is otherwise subject to the issuer's trading policies or to regulatory limitations applicable to the issuer and its directors and affiliates.

Trade Errors. In trading on behalf of clients, while OrbiMed seeks to ensure that orders for clients are placed and executed accurately, from time to time OrbiMed may make "trade errors." A "trade error" is generally considered to be an error that (i) prevents portfolio trading instructions given by a portfolio manager on behalf of a client from being effectuated in substantially the manner intended by the portfolio manager; (ii) results in the execution of a trade on behalf of a client that was not intended for that client; or (iii) causes a violation of any applicable investment policies or restrictions that apply to the client's account. Depending on the relevant facts and circumstances, other events might also be considered trade errors.

When trade errors occur, it is OrbiMed's policy to ensure that such errors are corrected in an expeditious manner generally in accordance with the procedures summarized below. In the event a trade error has been detected, OrbiMed seeks to correct the error promptly in a way that mitigates potential losses. Profit resulting from a trade error in a client's account will be credited to that account, and profit from one trade error may not be used to offset losses from a separate trade error. In addition, OrbiMed will not correct a trade error made for one client by causing another client to buy or sell the securities involved in the transaction that resulted in the error. OrbiMed also will not correct a trade error by executing a corrective trade at an off-market price or by having a broker-dealer absorb the loss, through commission credits or otherwise, in exchange for future order flow. If the error is corrected after settlement of the trade and the error resulted in a material loss or gain for the affected client, OrbiMed will notify the client of the error and the corrective action taken by OrbiMed. The costs of a trade error in a client's account will generally be borne in accordance with the governing documents for the client's account and any applicable legal or regulatory requirements. In addition, OrbiMed may determine in its own discretion to reimburse a client even where it is not required to do so.

Item 13. Review of Accounts

OrbiMed's client portfolios are generally reviewed on a daily basis by multiple personnel, including the portfolio managers, the Operations Team, and the Compliance Team. The scope of these reviews typically includes the composition of the portfolios, relevant pricing information, risk exposure and compliance with any specific portfolio guidelines.

Clients generally receive information about their accounts with a frequency ranging from daily to quarterly and account statements monthly or quarterly. Account statements generally outline the type and size of the investments comprising the relevant client's portfolio.

Additionally, upon a client's request, OrbiMed will make an annual or other periodic presentation to the board of directors or comparable governing body of the client, which presentation typically summarizes the investment strategies employed for the client's account and the trading activity in the account over the relevant period.

Item 14. Client Referrals and Other Compensation

At various times and subject to applicable regulatory requirements, OrbiMed pays solicitors who refer potential investors for OrbiMed client funds. In such cases, OrbiMed will benefit when such investors are referred because its management fees are generally based upon a percentage of the relevant fund's assets and its performance-based compensation is generally based upon a percentage of net profits on such assets. Accordingly, the more assets OrbiMed has under management for a given fund, the higher its management fee income and, potentially, its performance-based compensation.

The compensation paid to certain solicitors consists of a portion of certain of the fees earned by OrbiMed. Solicitors used by OrbiMed may also be broker-dealers, or affiliates of broker-dealers, through which OrbiMed transacts client orders, although such trading remains subject to the policies and procedures described above in Item 12.

In addition, individuals employed by solicitors used by OrbiMed are sometimes investors in private funds managed by OrbiMed or its affiliates.

Item 15. Custody

OrbiMed client assets are typically held in custody at broker-dealers or banks unaffiliated with OrbiMed. From time to time, OrbiMed maintains some client assets under the "privately offered securities" exemption from Rule 206(4)-2 under the Investment Advisers Act. With respect to clients that are private funds for which OrbiMed or one of its affiliates serves as the general partner or in a similar capacity, OrbiMed (or an affiliate, as applicable) is generally deemed to have custody of the fund's assets by virtue of OrbiMed's (or an affiliate's) position with the fund. In such cases, the funds are subject to an annual audit and the audited financial statements are distributed to each fund investor. The audited financial statements are prepared in accordance with generally accepted accounting principles (except in the case of certain older funds, the investors in which have agreed to have the statements prepared on the U.S. Federal income tax basis of accounting), are issued with an unqualified opinion and are distributed within 120 days of the fund's fiscal year ends. In addition, OrbiMed has developed procedures governing its personnel's access to the assets of such funds that are designed to ensure the safeguarding and protection of the assets. Such procedures include, among other things, the separation of functions and dual signatory approvals for the distribution of fund capital.

Item 16. Investment Discretion

OrbiMed has the authority to make investment decisions regarding the type and size of securities to be purchased or sold without its clients' specific consent. However, such decisions are limited in that they must be consistent with the investment policy and objectives of OrbiMed's clients.

Item 17. Voting Client Securities

OrbiMed manages its clients' assets with the overriding goal of seeking to provide the greatest possible return to shareholders consistent with governing laws and the investment policies of each client. In pursuing that goal, OrbiMed seeks to exercise its clients' rights as holders of voting securities to support sound corporate governance of the companies issuing those securities, with the principal aim of maintaining or enhancing the companies' economic value. Most of OrbiMed's clients have authorized OrbiMed to vote proxies on their behalf for securities held in the accounts that OrbiMed advises.

OrbiMed has adopted a proxy voting policy pursuant to which it generally follows the guidelines and recommendations of governance analysis and proxy voting firm, Glass Lewis & Co., LLC ("Glass Lewis"). OrbiMed has determined that those guidelines and recommendations are generally consistent with OrbiMed's own views of common types of proxy proposals, although under its proxy voting policy OrbiMed is permitted to deviate from those guidelines and recommendations in any given case. Voting for any particular client, such as a client that is registered under the Investment Company Act, may also be subject to oversight by such client's board of directors or comparable governing body.

In the event that, with respect to a particular proxy vote, Glass Lewis does not issue a recommendation or OrbiMed has determined to depart from Glass Lewis's recommendation, OrbiMed will vote in accordance with additional guidelines that OrbiMed has established. Such guidelines generally seek to direct votes in a manner that will maximize the returns on the investments held by OrbiMed's clients.

In voting proxies for its clients and otherwise implementing its proxy voting policies, OrbiMed may face potential conflicts of interest with its clients, including but not limited to: (i) where OrbiMed (or an affiliate) manages assets or provides other financial services or products to a company whose management is soliciting proxies; (ii) where an OrbiMed representative serves on the board of directors of a public company soliciting proxies; (iii) where OrbiMed (or an affiliate) may have a business relationship with the proponent of a non-management proxy proposal; or (iv) where OrbiMed (or an affiliate) or any OrbiMed principal or employee involved in casting proxy ballots may have a personal interest in the outcome of a particular matter before shareholders.

OrbiMed has adopted policies and procedures designed to ensure that such potential conflicts do not affect the outcome of any proxy votes. Those include the use of Glass Lewis's guidelines and recommendations, which provide an independent source for voting determinations, as well as OrbiMed's own guidelines for the occasional votes that do not follow Glass Lewis's guidelines and recommendations. In addition, OrbiMed may seek instruction from the affected clients on the specific votes involved, or abstain from voting altogether.

In certain circumstances OrbiMed refrains from voting, or is unable to vote, the shares of particular issuers. This may occur where, for example, OrbiMed refrains from voting because the associated costs outweigh the potential benefits of exercising the right to vote, such as where a country requires so-called "share-blocking." In addition, OrbiMed is sometimes unable to vote proxies where the relevant issuer's shares have

been rehypothecated by the client's prime broker or are otherwise unavailable to vote pursuant to a securities lending arrangement into which the client has entered.

OrbiMed has adopted different proxy voting policies and procedures with respect to private equity/venture capital and royalty funds that OrbiMed manages, in light of the specific strategies of such funds and the more active role OrbiMed often takes in those funds' portfolio companies. Proxy and other voting decisions for such funds' holdings are generally determined by the relevant investment team members, and not pursuant to recommendations from Glass Lewis. Such votes will generally be cast in the best interests of the relevant funds, based on the investment team's assessment of the particular matter and OrbiMed's strategy for the investment, subject (if applicable) to such other duties as OrbiMed or its representatives on a portfolio company's board of directors or equivalent body may have with respect to the company and its shareholders.

A copy of OrbiMed's proxy voting policies and procedures is available upon request, and clients or fund investors may receive information on how securities in their accounts have been voted, by contacting OrbiMed at the telephone number listed on the cover page of this brochure.

Item 18. Financial Information

OrbiMed has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.