

# Oracle Investment Management, Inc.

200 Greenwich Avenue, 3rd Floor  
Greenwich, CT 06830

**March 2016**

This brochure ("**Brochure**") provides information about the qualifications and business practices of Oracle Investment Management, Inc. ("**Oracle,**" "**we,**" "**us**" or "**our Firm**"). If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer ("**CCO**"), Aileen Wiate at +1 203 862 7900 or by email at [awiate@oraclepartners.com](mailto:awiate@oraclepartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Oracle Investment Management, Inc. is also available on [www.oraclepartners.com](http://www.oraclepartners.com) and on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Oracle's registration of an investment adviser does not imply that Oracle, or any of our principals or employees possesses a particular level of skill or training in the investment advisory business or any other business.

**Item 2: Material Changes**

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There have been no material changes since the Firm's prior annual amendment ADV filing in March 2015.

**Item 3: Table of Contents**

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Item 1: Cover Page .....	1
Item 2: Material Changes.....	2
Item 3: Table of Contents .....	3
Item 4: Advisory Business .....	4
Item 5: Fees and Compensation.....	4
Item 6: Performance-Based Fees and Side-By-Side Management .....	5
Item 7: Types of Clients .....	5
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9: Disciplinary Information.....	10
Item 10: Other Financial Industry Activities and Affiliations.....	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	10
Item 12: Brokerage Practices.....	11
Item 13: Review of Accounts .....	12
Item 14: Client Referrals and Other Compensation.....	13
Item 15: Custody .....	13
Item 16: Investment Discretion.....	13
Item 17: Voting Client Securities.....	14
Item 18: Financial Information.....	14

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**Item 4: Advisory Business**

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Oracle Investment Management, Inc. ("**Oracle**", the "**Firm**", "**we**", or "**our**") is Delaware corporation formed in July 1993. Oracle is an investment adviser with its principal place of business in Greenwich, Connecticut. Oracle is currently owned and controlled by Larry N. Feinberg.

Oracle provides discretionary investment advisory services to Oracle Partners L.P., a Delaware limited partnership, Oracle Institutional Partners, L.P. a Delaware limited partnership, as well as a mini master- feeder fund structure- Oracle Ten Fund Master, LP the ("**Master Fund**") a Cayman Islands exempted limited partnership and Oracle Ten Fund, L.P. a Delaware limited partnership (the "**Domestic Feeder Fund**") to the Master Fund. Oracle Associates, LLC (the "**General Partner**"), a Delaware limited liability company serves as the General Partner of Oracle Institutional Partners, L.P., Oracle Partners L.P., Oracle Ten Fund Master, LP and the Oracle Ten Fund, L.P..

Oracle Institutional Partners, L.P, Oracle Partners L.P., the Master Fund, and Domestic Feeder Fund are collectively referred to as the "**Funds**" or the "**Clients**". Oracle intends to manage the Funds only in accordance with their own characteristics and not tailor to any particular private fund investor (each an "**Investor**").

As of December 31, 2015, the Firm managed approximately US\$799,485,055 of regulatory assets under management in the Funds, all of which are managed on a discretionary basis.

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**Item 5: Fees and Compensation**

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As investment adviser to the Funds, Oracle receives a management fee at an annual rate of up to 1.5% - 2% of the value of the net assets of the Funds as of the first business day of each fiscal quarter. Oracle is entitled to receive a management fee in accordance with each Fund's confidential private offering memorandum which is generally based on assets under management.

The management fee will be payable in advance, generally as of the first day of each fiscal quarter. The Funds will pay these fees by debiting the accounts of investors in each such Fund, as applicable. Investors will not have the ability to choose to be billed directly for the fees incurred. Management fees with respect to contributions made on a day other than the first day of a fiscal quarter will be pro-rated. Management fees with respect to redemptions made on a day other than the last day of a fiscal quarter will be returned for payment or credit to the redeeming Investor.

The management fees will generally not be negotiable, however, Oracle may waive or modify the management fees for investors of the Fund that are the Principals, members, employees or affiliates of Oracle (or General Partner, as applicable), members of the immediate families of such persons, and for certain large or strategic investors.

The Funds pay for organizational and initial offering expenses as well as ongoing operating expenses, including but not limited to, accounting, auditing, tax preparation, legal, administration, research, and trading costs. The Funds may incur brokerage and other transaction costs. For further details on the Firm's brokerage practices refer to Item 12 of this Brochure.

Oracle and its employees do not accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

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In addition to the management fee, at the end of each fiscal year, the General Partner receives an incentive allocation equal to 20% of net profits, subject to a loss carry-forward, or "high water mark". Net profits include net realized and unrealized profits and losses. Net profits are calculated net of management fees, but before the performance fee allocation. Fees and allocations will be described in further detail in each Fund's confidential private offering memorandum.

The performance allocations are charged in compliance with Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**").

Performance based fee arrangements may create an incentive for Oracle to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee paying accounts over other accounts in the allocation of investment opportunities. Oracle has procedures designed and implemented to ensure that all Funds are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among Funds.

No other hourly, flat or asset-based fees are charged to the Funds.

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**Item 7: Types of Clients**

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The Firm's clients are the Funds. Investors in the Funds consist primarily of institutional investors, high net worth individuals, and family offices.

The minimum initial investment for each Fund is as follows:

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|---------------------------------------|-----------------|
| • Oracle Partners, L.P.               | US \$ 2 million |
| • Oracle Institutional Partners, L.P. | US \$ 1 million |
| • Oracle Ten Fund Master, L.P.        | US \$ 1 million |
| • Oracle Ten Fund, L.P.               | US \$ 1 million |
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**Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

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***Methods of Analysis & Investment Strategy***

Our portfolio strategy is based on a top-down approach of understanding how the healthcare industry is evolving and, within healthcare, which sectors and companies are the best and worst positioned. We then distill this pool of dozens of subsectors and hundreds of companies into our long and short focus lists. These relatively concentrated lists of long/short equity positions comprise the basis for each of our three distinct portfolio strategies. Our flagship fund, Oracle Partners, L.P. has an aggressive investment profile, seeking maximum capital appreciation. Oracle Ten Fund L.P. also shares an aggressive investment profile, but seeks maximum capital appreciation by investing in the Fund manager's top research ideas. Oracle Institutional Partners, L.P. has reduced exposure limits and a more conservative volatility profile.

The healthcare industry is characterized by rapid and disrupting changes driven by innovation and regulation. Demand for healthcare is also accelerating as the population of the developed world ages. These forces provide opportunities for both long and short investing, based on Oracle's fundamental security selection process. The portfolio employs a long/short strategy that may include ETFs and/or derivative instruments to refine the risk profile of the portfolio, during periods of severe market uncertainty.

Capital is allocated to sectors based on a top down identification of sector opportunity followed by a bottom up analysis of which specific companies will out-perform or under-perform. We invest across the healthcare industry and across market capitalizations but concentrate on liquid, mid- and higher-cap companies. We mitigate scientific risk by investing mainly in companies with approved products or services. Final decisions are made by the portfolio manager and are reviewed continuously. Oracle considers the magnitude of sector and position concentration at all times.

The team starts by identifying major themes or disruptions within the global healthcare landscape. We then identify which industry sub-sectors will be most impacted by change. Next, we identify which companies within the sub-sectors will win or lose based on those changes. The process has been followed since our inception. Our greatest strength is the investment team's experience in the industry and ability to identify major opportunities across sub-sectors of the healthcare industry. As a sector specific fund, we generally do not produce market wide diversification within the portfolios.

Investment criteria that new positions must meet are:

- 1) Liquidity;
- 2) Market conditions;
- 3) Urgency of establishing a position;

- 4) Determination of supply and demand (is there a block for sale; which broker has been active in the stock, etc);
- 5) The use of broker vs. ECN (liquidity vs. anonymity);
- 6) Is this is an add-on position or a new position.

We may modify the investment objectives and strategies of our Funds at any time. Our right to modify strategies with respect to the Funds depends upon the terms of the agreements governing such accounts and vehicles.

### ***Risk of Loss Factors***

Investing in securities involves risk of loss that Investors should be prepared to bear. Investors should consider the following factors before investing in one of the Funds. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Funds. Prospective investors are urged to consult their professional advisers and review the legal documents for each particular Fund before deciding to make an investment in a Fund.

### **Illiquidity**

Inasmuch as there are substantial restrictions on withdrawals, particularly since (i) investments held in special capital accounts and private investments allocated by the Firm to basic capital accounts, in the discretion of the Firm, are subject in the hands of the Funds to long-term or indefinite legal or contractual restrictions on disposition and (ii) limited partnership interests are not tradeable, an investment in the Funds is a relatively illiquid investment. In light of the foregoing, investment in the Funds should be considered only by persons financially able to maintain their investment for a substantial period of time and who can afford a loss of a substantial part of their investment.

### **Healthcare Industry Risks**

Because the Funds focus their investments in the healthcare industry, the value of the interests in the Funds is susceptible to factors affecting the industry. The healthcare industry generally is subject to substantial government regulation and approvals; accordingly, changes in government policies or regulations or the failure to receive FDA approval could have a material effect on the demand for products and services offered by healthcare companies and therefore could affect the performance of the Funds.

Furthermore, FDA approval of a particular product is subject to withdrawal in the event that problems with the product's use are subsequently discovered. Even large healthcare companies may be highly dependent on the revenue and profits from single products. In addition, the products and services offered by such companies may be subject to rapid obsolescence caused by technological and scientific advances or may not meet the expectations of intended use.

**Product Liability Exposure**

Healthcare companies are especially susceptible to product liability lawsuits because their products and services affect the health and well-being of many individuals. Certain companies in which the Funds will invest will be exposed to potential product liability risks that are inherent in the testing, manufacturing, marketing and sale of human therapeutic and diagnostic products. As a result of product liability claims, companies in which the Funds will invest may be required to pay substantial sums, including punitive damages. There can be no assurance that product liability claims would not have a material adverse effect on the business, financial condition or securities price of the companies in which the Funds will invest. The share price of a healthcare company can drop dramatically not only as a reaction to an adverse judicial ruling, but also from the adverse publicity accompanying threatened litigation.

**Market Risks**

The profitability of a significant portion of the Funds' investment program depends to a great extent upon correctly assessing the future course of the price movements of securities and other investments. There can be no assurance that the Firm will be able to predict accurately these price movements. With respect to the investment strategy utilized by the Funds, there is always some, and occasionally a significant, degree of market risk.

**Diversification**

Since a large portion of the Funds' portfolio is concentrated in the healthcare industry and the portfolio is not required to be widely diversified, the investment portfolio of the Funds may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among companies or industry groups. The Firm will not invest more than 10% of the net assets of the Funds (computed at the time the investment is made) in the securities of any one company.

**Incentive Allocation**

The allocation of 20% of the Funds' net profits to the Firm as described in Item 6 above may create an incentive for the Firm to cause the Funds to make investments that are riskier or more speculative than would be the case if this special allocation were not made. Since a portion of the performance allocation is calculated on a basis which includes unrealized appreciation of the Funds' assets, such allocation may be greater than if it were based solely on realized gains, and a performance allocation could be made with respect to unrealized gains which may never be realized.



**Illiquid Private Investments**

The Funds may invest in unregistered securities of publicly held companies and in privately held companies. Such investments, which will generally be held in special capital accounts, will be illiquid and difficult to value. Such investments may require a significant amount of time from the date of initial investment before disposition. Sales of securities held in special capital accounts may not be possible and, if possible, may be made at substantial discounts from cost. Some portfolio companies may have the need for additional capital to support expansion or to achieve or maintain a competitive position, and there is no assurance that such capital will be available, particularly for private companies. The Firm may restrict withdrawals in order to fund such capital calls and fees and expenses of the Funds related to illiquid investments in which the withdrawing investor is a participant. In addition, upon the realization of such an illiquid investment, the proceeds of the realization will be retained in the special capital accounts and will not be transferred to basic capital accounts until the calculation of the month-end net asset value of the Funds. If such realization occurs in the beginning of a fiscal period, the proceeds of the realization may be retained in the special capital accounts and may remain uninvested for up to approximately 30 days before being transferred to basic capital accounts.

**Short Sales**

The Funds' investment program will include selling securities of an issuer short in the expectation of "covering" the short sale with securities purchased in the open market at a price lower than that received in the short sale. The profit or loss realized on a short sale will be the difference between the price received in the sale and the cost of the securities purchased to cover the sale. Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on the Funds' portfolio. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position, or a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase.

**Options**

The Funds may engage in the trading of options. Such trading involves risks substantially similar to those involved in trading margined securities in that options are speculative and highly leveraged. Specific market movements of the securities underlying an option cannot be predicted accurately. The purchaser of an option is subject to the risk of losing the entire purchase price of the option. The writer of an option is subject to the risk of loss resulting from the difference between the premium received for the option and the price of the security underlying the option, which the writer must purchase or deliver upon exercise of the option. The Funds may also engage in the trading of options on baskets of securities and stock indices.

**Item 9: Disciplinary Information**

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Oracle has not been subject to any disciplinary action, whether criminal, civil or administrative (including regulatory) in any jurisdiction. Likewise, no persons involved in the management of Oracle have been subject to such action.

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

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Neither Oracle nor any of our employees have any relationships or arrangements that pose material conflicts of interest to the business of the Firm.

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

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

We serve as the investment adviser to the Funds. Employees, affiliates of the employees, and relatives of the employee may make investments in the Funds. We may or may not receive any compensation from such investments from employees.

We and our affiliates and employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, we could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest.

***Code of Ethics & Personal Trading***

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, we have adopted a Code of Ethics and an Employee Investment Policy that establishes various procedures with respect to investment transactions in accounts in which our employees or related persons have a beneficial interest or accounts over which an employee has investment discretion.

The foundation of the Code of Ethics is based on the underlying principles that:

- Employees must at all times place the interests of our clients first;
- Employees must at all times comply with all applicable federal securities laws; and
- Employees should not take inappropriate advantage of their position at Oracle.

In general, employees (and members of their immediate households) are permitted to invest in securities outside the fields of healthcare services, bioscience, biotechnology, pharmaceuticals and medical devices, but must obtain written pre-approval from the CCO. The spirit of our Code of Ethics and the Employee Investment Policy is to discourage frequent trading in employee personal accounts. In addition, employees may not acquire securities for their own account in an initial public

offering without written pre-approval from the CCO. Employees must also obtain pre-approval from the CCO before engaging in any outside business activities or private placements.

All of our employees must direct their brokers to send duplicate brokerage statements to the CCO. These records are used to monitor compliance with the foregoing policies.

These policies apply to any personal transactions involving equity, debt, options, or futures. This policy does not apply to transactions involving government securities, open-end mutual funds or other instruments which afford the investor no discretion over individual securities transactions.

Our Code of Ethics and Employee Investment Policy are available upon request.

### **Item 12: Brokerage Practices**

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As an adviser and a fiduciary to our Funds, we require that our Funds' interests must always be placed first and foremost, and our trading practices and procedures prohibit unfair trading practices and seek to disclose and avoid any actual or potential conflicts of interests or resolve such conflicts in the Fund's favor. Oracle's primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. Oracle also takes into account a variety of other factors, including the financial strength, integrity and stability of the broker-dealer and the commissions to be paid. Oracle may also consider the quality, comprehensiveness and frequency of available research and other products and services considered to be of value.

We have adopted the following policies and practices to meet the Firm's fiduciary responsibilities and to ensure our trading practices are fair to all Funds and that no Fund or account is advantaged or disadvantaged over any other.

#### ***Aggregation***

The aggregation or blocking of client transactions allows an adviser to execute transactions in a more timely, equitable, and efficient manner and seeks to reduce overall commission charges to clients. Our policy is to aggregate client transactions where possible and when advantageous to clients. In these instances, clients participating in any aggregated transactions will receive an average share price and transaction costs will be shared equally and on a pro-rata basis.

#### ***Allocation***

Our policy prohibits any allocation of trades in a manner that our proprietary accounts, affiliated accounts, or any particular client or group of clients to receive more favourable treatment than other clients.

All Funds are generally traded *pari passu* and trades are normally allocated *pro rata* with the allocations being set on a continual basis.

**Soft Dollars**

We may use "soft dollars" generated by the Funds' trading activities to purchase research services or products that would otherwise have been an expense of the Firm which fall outside the safe harbor for soft dollars available under Section 28(e) of the Securities Exchange Act of 1934, as amended. Such services and products include: fees of consultants who provide research for the Funds; marketing expenses, including without limitation, travel related expenses, meals and related expenses; voice and data telephone lines and other telecommunications and electronic infrastructure (including dedicated high speed and/or broadband lines); cellular phones; computer hardware and software; news and quotation equipment and services; electronic office equipment; overhead, including rent, utilities, furnishings, technology support and other office expenses; record keeping and clerical services, financial publications, maintenance fees, insurance dues, educational and training meetings or seminars, professional fees, local taxes, filing fees, disaster recovery expenses; and other business expenses.

Use of commissions could be viewed as additional compensation to Oracle, and Oracle receives a benefit because it does not have to produce or pay for such research or other products or services. This may create a potential conflict of interest between Oracle's fiduciary duty to operate the Funds in the best interest of the Funds, and Oracle's desire to receive or direct these soft-dollar benefits. As a result of receiving such products or services, Oracle has an incentive to select and recommend, and to use and continue to use, such brokers-dealers to effect transactions for a Fund so long as such brokers-dealers continue to provide such soft dollar credits to Oracle, rather than based on such Fund's interests in receiving most favorable execution of their securities transactions. As a result, Oracle may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers, or to accept lower prices for the sale of securities, in return for soft dollar benefits (known as "paying-up"). In selecting a broker for each specific Fund portfolio transaction, Oracle will use its best judgment to choose the broker-dealers most capable of providing best execution on an overall basis and not only based upon price.

**Item 13: Review of Accounts**

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**Review of Accounts**

The Funds' portfolios will be reviewed with regard to positions held, risk, exposure and proper settlement on a daily basis by the portfolio managers, the traders, and other senior Oracle management, and Larry N. Feinberg. The review will also be conducted to determine whether investment positions should be maintained in view of current market conditions. Matters that will be reviewed will also include specific adherence to investment guidelines and the performance of each Fund.

**Reporting**

Oracle will distribute an audited financial report for each Fund with respect to the previous fiscal year to all Investors within 120 days of year-end. In addition, each Fund will generally distribute net asset value updates and performance reports with attribution analysis on a monthly basis.

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

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Oracle does not directly or indirectly compensate any person for Investor or client referrals however may compensate third parties in the future who provide referrals for advisory clients in accordance with Rule 206(4)-3 of the Advisers Act.

We do not currently provide advice to parties other than the Investors in the Funds. The Firm also does not provide other advisory services to the Investors in the Funds.

**Item 15: Custody**

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For purposes of Rule 206(4)-2 under the Advisers Act (the “**Custody Rule**”), Oracle is deemed to have custody over the Funds’ assets. In accordance with the Custody Rule, a qualified custodian will not be required to deliver quarterly account statements to the Funds or their respective investors as long as (i) the Funds will be 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 will be prepared in accordance with U.S. generally accepted accounting principles; and (iii) Oracle, or Oracle’s third party administrator will deliver such annual audited financial statements to investors within 120 days after the end of each Fund’s fiscal year.

**Item 16: Investment Discretion**

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Oracle possesses discretionary portfolio management authority over the Funds with respect to asset allocations and direct investments as per the advisory agreements and offering documents in place.

Prior to assuming full discretion in managing a client’s assets, the Firm enters into an investment management agreement or other agreement that sets forth the scope of the Firm’s discretion.

Oracle has the authority to determine (i) the securities to be purchased and sold for the client account (subject to restrictions on its activities set forth in the applicable investment management agreement and any written investment guidelines) and (ii) the amount of securities to be purchased or sold for the client account.

**Item 17: Voting Client Securities**

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To the extent Oracle has been delegated proxy voting authority on behalf of its clients, Oracle complies with its proxy voting policies and procedures that are designed to ensure that in cases where Oracle votes proxies with respect to client securities, such proxies are voted in the best interest of the Funds. The Investors in the Fund may not direct voting of proxies.

Upon request, we will provide an Investor with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

**Item 18: Financial Information**

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Oracle has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.