

# Soleus Capital Management, L.P.

## Part 2A of Form ADV

### Firm Brochure

March 27, 2018

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This brochure (this “Brochure”) provides information about the qualifications and business practices of Soleus Capital Management, L.P. If you have any questions about the contents of this Brochure, please contact us at 475-208-3111 or [steven@soleuscapital.com](mailto:steven@soleuscapital.com). The information in this Brochure has not been approved nor verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. An investment adviser’s registration with the SEC does not imply a certain level of skill or training.

Additional information about Soleus Capital Management, L.P. is also available on the SEC’s web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

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This Brochure, dated March 27, 2018, provides you with a summary of the advisory business of Soleus Capital Management, L.P. (hereinafter “Soleus Capital,” the “Adviser” or “us”).

Because this Brochure is being filed as part of Soleus Capital’s initial application for registration with the SEC, there are no material changes to be disclosed at this time. Going forward, this Brochure will be updated at least annually, or more frequently, as required.

Soleus Capital will send clients either an updated Brochure or a summary of any material changes to this and subsequent Brochures on at least an annual basis. Clients are encouraged to read the Brochure in detail and contact Soleus with any questions. The latest version of the Brochure can be accessed via the SEC Website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), by requesting a copy by contacting [steven@soleuscapital.com](mailto:steven@soleuscapital.com) or by calling Soleus Capital at 475-208-3111.

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## **Item 4 - Advisory Business**

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Soleus Capital Management L.P. is an investment adviser with its principal place of business located in Greenwich, CT. Soleus Capital was formed in 2017 and began operations in 2018. The Adviser is privately held by its general partner Soleus GP, LLC, which is controlled by Guy B. Levy.

Soleus Capital provides investment advisory services to privately offered pooled investment funds (“Funds”) and may, in the future, provide advisory services to managed accounts (collectively with the Funds, the “Clients”). Soleus Capital manages each of its Client’s accounts (each an “Advisory Account”) on a fully discretionary basis in accordance with the investment objectives outlined in the relevant Offering Documents (defined below) and/or investment management agreement for each Client. Soleus Capital manages Advisory Accounts in accordance with a fundamentals-driven strategy. Soleus Capital’s primary investment strategy seeks superior risk-adjusted returns over time by investing in the healthcare sector. Soleus anticipates launching two Funds in 2018: (1) a hedge fund with a long/short equity strategy that we anticipate will primarily include equity securities of U.S. and non-U.S. publicly-traded healthcare companies, and (ii) a private equity fund whose strategy will primarily include (a) middle-to-late stage investments, in anticipation of a potential near-term initial public offering, referred to as “cross-over” investments, (b) private investments in public equities, and (c) other investible, illiquid securities, including convertible equity and debt securities. Soleus Capital does not participate in any wrap fee programs.

With respect to the Funds, Soleus Capital manages each Fund in accordance with the relevant limited partnership agreement, investment management agreement, offering memorandum or other applicable Fund documentation (collectively, “Offering Documents”), where applicable.

Any Fund restrictions on investments are set forth in each respective Fund’s Offering Documents. Soleus Capital does not tailor its investment advice to the individual investors in each Fund that it manages. As such, investors cannot impose restrictions on the types of investments made through the Funds.

As a newly formed adviser registering with the SEC in reliance on Rule 203A-2(b), as of March 27, 2018 Soleus Capital did not manage any Client assets. Also as a newly formed adviser, Soleus Capital has described its advisory business and various practices throughout this Brochure prospectively, to the extent applicable, to reflect how its policies and procedures, and the provisions of the Offering Documents, are expected to operate once the Funds are launched. Soleus Capital intends to update this Brochure once the Funds are launched to reflect its assets under management at that time, and otherwise as required.

## **Item 5 - Fees and Compensation**

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### **A. Fees**

Soleus Capital generally receives a management fee (“Management Fee”) and performance-based compensation (“Performance Allocation”) from each Fund (together, “Fees”). Management Fees and the Performance Allocation relating to each Fund are set forth in its respective Offering Documents. Management Fees for the Funds vary up to 1.75%. The Performance Allocation

varies by the terms of each Fund's Offering Documents and may be up to 20%. Soleus Capital reserves the right to negotiate, waive, reduce, rebate, or calculate differently, its Fees with respect to any Advisory Account and any Fund investor. To the extent Soleus offers advisory services to managed account Clients in the future, it will do so pursuant to negotiated fees with each Client, as documented in the Client's investment management agreement.

## **B. Billing**

Soleus Capital generally deducts Management Fees from a Fund in advance, on or promptly after the first day of each quarter and, where applicable, will realize a Performance Allocation as set forth in the Fund's Offering Documents. Management Fees paid in advance shall be refunded if an investor redeems its interest prior to the end of the quarter in which the Management Fee was paid.

## **C. Additional Expenses**

Generally, the Fees applicable to an Advisory Account are exclusive of transaction fees and certain other expenses, including but not limited to custodial expenses, service provider costs, litigation costs, operational costs, communications expenses, regulatory costs and expenses (including those relating to regulatory and compliance filings), research and due diligence costs and expenses (including investment-related travel expenses), taxes and other related costs and expenses that are incurred by the Advisory Account, and each Advisory Account is responsible for the payment of these costs and expenses.

Transaction fees generally include brokerage commissions, mark-ups, mark-downs and other commission equivalents as well as spreads and/or transaction costs related to transactions effected for an Advisory Account by executing broker-dealers. As described in Item 12, Brokerage Practices, Soleus Capital will choose broker-dealers to effect these transactions subject to its obligation to seek best execution.

For a more detailed discussion of brokerage expenses, please see Item 12 – Brokerage Practices for more information.

The Management Fee is also exclusive of expenses related to organizing the Funds, expenses related to negotiating Fund documentation, filing fees and other accounting and legal fees related to organization of the Funds (collectively, "Organizational Expenses"). Such charges, fees and commissions are exclusive of, and in addition to, Soleus Capital's Management Fees and Performance Allocation (if applicable).

For a more complete discussion regarding fees and expenses applicable to a particular Fund, please refer to the appropriate Offering Documents.

Neither Soleus Capital nor any of its supervised persons does or will accept compensation for the sale of securities or other investment products.

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

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Soleus Capital expects that it will manage Advisory Accounts that pay different levels of performance-based compensation but that utilize the same investment strategy and invest in the

same assets. Performance-based compensation includes carried interest, override, incentive allocation and other similar forms of performance-based compensation.

Advisory Accounts that pay performance-based compensation reward Soleus Capital for positive performance in those Advisory Accounts. The higher a performance-based compensation arrangement is for a certain Advisory Account, the greater the incentive for portfolio managers to make investments that may present a greater potential for return but also a greater risk of loss, or that may be more speculative than would exist if only asset-based fees were applied.

The simultaneous management of Advisory Accounts that pay different levels of performance-based compensation creates a conflict of interest as the Adviser may have an incentive to favor Advisory Accounts with the potential to receive greater fees. For instance, the Adviser will be faced with a conflict of interest when allocating scarce investment opportunities, given the possibly greater fees from Advisory Accounts that pay higher performance-based compensation. To address these types of conflicts, Soleus Capital has adopted policies and procedures under which allocation decisions may not be influenced by fee arrangements and investment opportunities will be allocated in a manner that Soleus Capital believes is consistent with its obligations as an investment adviser.

For example, in allocating investments, Soleus Capital will not favor higher-fee paying Advisory Accounts over others. Soleus Capital will also continuously monitor whether certain Advisory Accounts receive, on a consistent basis, better prices or more favorable timing of transactions as compared with other Advisory Accounts and will maintain documentation where pricing of trades significantly varies among Advisory Accounts.

For additional information about these situations, please see Item 11, Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

## **Item 7 - Types of Clients**

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Soleus Capital provides investment advisory services to privately offered pooled investment funds and in the future may also advise managed account Clients. Investors may include institutional investors and other sophisticated investors. Please note that the investors in Funds are not Clients of Soleus Capital by virtue of their investment in a Fund. The minimum contribution for investment in a Fund is \$3,000,000 for one of the Funds and \$5,000,000 for the other Fund, in each case subject to Soleus Capital's sole discretion to accept contributions in lesser amounts. Soleus Capital may waive the minimum investment or contribution with respect to any Advisory Account in its sole discretion.

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

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

Soleus Capital manages Advisory Accounts in accordance with a fundamentals-driven strategy. Soleus Capital's primary investment strategy seeks superior risk-adjusted returns over time by investing in the healthcare sector. As noted above, Soleus anticipates launching two Funds in 2018: (1) a hedge fund with a long/short equity strategy that we anticipate will primarily include equity securities of U.S. and non-U.S. publicly-traded healthcare companies, and (ii) a

private equity fund whose strategy will primarily include (a) middle-to-late stage investments, in anticipation of a potential near-term initial public offering, referred to as “cross-over” investments, (b) private investments in public equities, and (c) other investible, illiquid securities, including convertible equity and debt securities. There can be no assurance that this investment objective will be achieved and investment results may vary substantially.

In order to seek superior risk-adjusted returns, Soleus Capital will select securities principally based on a fundamental approach to securities analysis. Soleus Capital will generally identify investment opportunities through review of scientific literature, field research, understanding of potential market opportunities, new product cycles, disruptive technologies, evolving sector themes, quantitative screens and discussions with brokerage firms. Other sources of idea generation may include changes in a business’ circumstances (such as shareholder structure or management changes) or corporate form (such as mergers) as well as stock screens to identify companies which are either over-earning or under-earning or have a significant discrepancy between cash flow and United States generally accepted accounting principles (“GAAP”) earnings. Ongoing due diligence of portfolio investments is expected to include rigorous analysis of issuers’ valuations and the competitive landscape. Soleus Capital believes that such intensive fundamental research will generate a sustainable competitive advantage.

Soleus Capital’s activities for each Fund are further described in each Fund’s Offering Documents. Such documents also detail the various investment restrictions on types of investments in a Fund.

## **B. Material Risk Factors**

*Investing in securities involves risk of loss that Clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a Client’s investments will fluctuate due to market conditions and other factors. The investment decisions made and the actions taken in managing Client assets will be subject to various market, liquidity, currency, economic, political and other risks, and investments may lose value.*

The information contained in this Brochure cannot disclose every potential risk associated with an investment strategy, or all of the risks applicable to Soleus Capital or a particular security or investment. Rather, it is a general description of the nature and risks of the advisory services provided by Soleus Capital and the related investments. This summary is qualified in its entirety by reference to the Offering Documents that apply to each of the Funds managed by Soleus Capital. Investors should carefully read such documentation before making an investment.

### No Assurance of Investment Returns

There is no assurance that any investment will be able to generate returns for Clients or that the returns will be commensurate with the risks of investing through the Advisory Accounts. There can be no assurance that any Advisory Account’s investment objective will be achieved or that there will be any return of capital. There can be no assurance that projected or targeted returns for any Advisory Account will be achieved.

### Healthcare Industry Risks

Soleus Capital intends to invest a significant portion of Advisory Account assets in securities of issuers in the healthcare industry. Investing in securities and other instruments of healthcare companies involves substantial risks. Such risks include, but are not limited to, the following: (a) changes in government policies, including policies regarding reimbursement of medical expenses; (b) certain companies in which Soleus Capital may invest may have limited or no operating histories, or may have limited products, markets and financial resources; (c) rapidly changing technologies may cause products to quickly become obsolete; (d) unanticipated problems often arise in connection with the development of new products, and many such efforts are ultimately unsuccessful; (e) scarcity of management and marketing personnel with appropriate technological or medical training may slow or impede companies' growth; (f) the possibility of lawsuits related to technological and medical patents could cause delays and expense in product development and implementation; (g) regulatory changes and/or government actions may prevent a company from marketing its products; (h) investors' changing sentiments and preferences with regard to investments in healthcare companies (which may be perceived as risky) may have an adverse effect on the price of underlying securities; (i) volatility in the U.S. stock markets affecting the prices of securities of healthcare companies may cause the Advisory Accounts to experience substantial volatility; and (j) certain healthcare companies may be subject to extensive government regulation and affected by government reimbursement policy changes. In addition, many healthcare companies may have substantial and ongoing capital needs for research and development, clinical trials and marketing and may have difficulty obtaining such funding under various market conditions or even under normal market conditions or such capital may be obtained on terms that are not favorable to existing equity holders. Also, obtaining government approval for new products from governmental agencies can be lengthy, expensive and uncertain, and withdrawal or curtailment of government support could have an adverse impact on the profitability or market price of healthcare companies. Furthermore, delays in generating products (as well as more general ongoing capital requirements) may result in the need for companies to seek additional capital, potentially diluting the interest of existing investors, such as the Advisory Accounts.

#### Reliance on Key Personnel

Soleus Capital is given broad discretion and flexibility to select and manage the investments of the Advisory Accounts. The success of the Advisory Accounts is dependent entirely upon the expertise of Soleus Capital and Guy B. Levy. Furthermore, while Guy B. Levy has significant incentives to continue his activities on behalf of the Advisory Accounts, there can be no assurance that he will do so.

#### General Economic Conditions

The success of any investment activity is influenced by general economic and financial conditions that may affect the level and volatility of equity prices, interest rates, general levels of economic activity, and the extent and timing of investor participation in the markets for both equity and interest-rate-sensitive securities. Unexpected volatility, illiquidity, governmental action, currency devaluation, or other events in global markets in which the Advisory Accounts directly or indirectly holds positions, or national and international circumstances (such as terrorist acts, wars, or security operations) or acts of god (including tornadoes, hurricanes, epidemics, and earthquakes), could impair the ability of the Soleus Capital to carry out its business and could cause the Advisory Accounts to incur substantial losses. In recent years, U.S. and non-U.S. securities markets and exchanges experienced high volatility, market disruption and substantial



losses and resulted in governmental reform affecting the hedge fund industry. Prospective investors should be aware that similar market conditions in the future may present significant challenges to investors, including managers with past success under other market conditions. Private investment funds, including the Advisory Accounts, are likely to be further impacted by the recent events in financial markets around the world.

### Illiquid Investments

Investments in the Funds must be considered illiquid investments and involve a high degree of risk. There is no public market for Fund interests, and it is not expected that a public market will develop. There are substantial restrictions on investors' ability to withdraw capital from, or transfer their interests in, a Fund.

### Valuation

Soleus Capital determines the fair value of many investments based on a variety of valuation methodologies, which depend on a variety of inherently unreliable estimates and assumptions. The methodologies applied to particular assets or types of assets may vary from case to case and over time depending on a range of factors. A failure to properly value a Client's assets could have a material adverse effect on the returns earned by the Client – and, for Funds, by Fund investors. Many assets are subject to rapid changes in value caused by sudden company-specific or industry-wide developments. For certain illiquid investments, long periods of time may pass during which Soleus Capital may have no basis upon which to change the reported value of the investment, with the result that large price movements could occur suddenly when information does become available or an investment is liquidated.

### Cybersecurity and Disaster Recovery

Cyber incidents affecting Soleus Capital and its various service providers have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with a Fund's ability to value its securities or other investments, impediments to trading, the inability of Clients and Fund investors to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which Clients invest, counterparties with which Clients engage in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future.

While business continuity plans and risk management systems are designed to prevent and mitigate cyber incidents and other disasters, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Soleus Capital has only limited disaster recovery plans for its operations, and relies on outside parties for some key accounting and operational functions, who in turn may also have limited disaster recovery plans, which Soleus Capital has no control over and which could negatively impact Clients and Fund investors. There is no assurance that any of these disaster recovery plans will be in place or will work, which could result in significant losses to Clients and Fund investors.

### Investment Selection

Soleus Capital will select investments, in part, on the basis of information and data prepared by the issuers of such securities or made directly available to Soleus Capital by the issuers of the securities through sources other than the issuers. Although Soleus Capital evaluates all such information and seeks independent corroboration when they consider it appropriate and when it is reasonably available, Soleus Capital is not in a position to confirm the completeness, genuineness or accuracy of such information and data.

### Potential of Loss

Soleus Capital and the Funds are relatively new enterprises with limited operating histories. Accordingly, an investment in any Advisory Account managed by Soleus Capital entails a high degree of risk. There can be no assurance that Soleus Capital will achieve the investment objective of any Client or that the strategies described herein will be successful. Given these factors, there exists a possibility that an investor could suffer a substantial or total loss as a result of an investment in any Advisory Account managed by Soleus Capital.

### Future Legal, Tax and Regulatory Risks for Private Funds

Future legal, tax and regulatory changes could occur that may adversely affect Soleus Capital or the Funds. The regulatory environment for private funds is evolving, and changes in regulations that impact private funds may adversely affect the value of investments held by a Fund and the ability of a Fund to pursue its investment strategy. The SEC, other regulators and self-regulatory organizations and exchanges have taken various extraordinary actions in connection with recent market events and may take additional actions. A Fund may also be adversely affected by changes in the enforcement or interpretation of existing laws, rules and regulations, including tax laws, by federal, state and non-U.S. agencies, courts, authorities or regulators. The effect of any future regulatory changes on a Fund or Soleus Capital could be substantial and potentially adverse.

### Political and Economic Considerations

Changes in political, social and economic conditions could have substantial impact on the investments made in an Advisory Account. Such potential changes include, but are not limited to, (a) currency exchange rate fluctuations, (b) exchange control regulations, (c) risks associated with different (and lower quality) information being available, (d) higher rates of inflation, (e) greater governmental involvement in the economy, (f) stricter or more expansive governmental regulations in the healthcare services, business services and/ industrial sectors, or (g) contraction of economies, in particular, loss of consumer confidence and an economic slowdown in the markets in which the Advisory Accounts are invested in, which may impact an Advisory Account's financial performance and the value of its investments. In addition, laws and regulations of non-U.S. countries may impose restrictions or approvals that would not exist in the U.S. and may require financing and structuring alternatives that differ significantly from those customarily used in the U.S. Foreign countries may also impose taxes on a Fund or its investors.

### Leverage

A significant amount of leverage may be used in connection with investments made in an Advisory Account. This leverage will increase the exposure of such investments to adverse economic factors such as significantly rising interest rates, severe economic downturns or

deteriorations in the condition of the company invested in or its sector. The return on investment may be reduced to the extent that changes in market conditions increase the cost of financing relative to the income that can be derived from the assets acquired.

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**Item 9 - Disciplinary Information**

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Neither Soleus Capital nor any of its management persons has any reportable disciplinary events.

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

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Neither Soleus Capital nor its management persons are registered or have an application pending to register as a broker-dealer or registered representative of a broker-dealer.

Neither Soleus Capital nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the foregoing entities.

Each of Soleus Capital, LLC and Soleus Private Equity GP I, LLC is an affiliate of Soleus Capital, serves as general partner to one of the Funds, and is controlled by Guy B. Levy.

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

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**A. Code of Ethics**

Soleus Capital has adopted a Code of Ethics for all supervised persons that describes, among other things, Soleus Capital's standard of business conduct and fiduciary duty to its Clients. The Code of Ethics includes provisions relating to a prohibition on insider trading and personal securities trading procedures and reporting requirements, among other things. All supervised persons at Soleus Capital must acknowledge the terms of the Code of Ethics annually and at any time the Code of Ethics is materially amended.

Soleus Capital's Clients or prospective clients may request a copy of the Adviser's Code of Ethics by contacting Steven Musumeci, Soleus Capital's Chief Operating Officer, at [steven@soleuscapital.com](mailto:steven@soleuscapital.com).

Soleus Capital addresses potential conflicts through regular monitoring of the Funds for consistency with Fund objectives, strategies, and target capacity. Further, Soleus Capital carefully considers the risks involved in any investments and provides extensive disclosure to Clients and investors regarding the potential risks that come with an investment in the Funds.

**B. Personal Trading**

Per Soleus Capital's Code of Ethics, employees of Soleus Capital (and their family members) and its affiliates are not permitted to trade securities for their own accounts except in limited circumstances. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Soleus Capital will not interfere with (a) making decisions in the best interest of the Advisory Accounts and (b) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Employee trading is monitored to detect and prevent conflicts of interest between Soleus Capital and the Advisory Accounts. Soleus Capital requires employees to submit initial and annual holdings reports detailing each employee's trading positions, as well as quarterly transaction reports.

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

Principals, officers and employees of Soleus Capital and its related persons and affiliates are or may be investors in the Funds. As such, it is possible that Soleus Capital could cause a Fund to buy or sell securities in which Soleus Capital or one of its related persons has a financial interest. For example, Soleus Capital could recommend that a Fund invest in a security in which another Fund previously invested. Moreover, Soleus Capital may be incentivized to favor the Funds in which Soleus Capital or its employees and affiliates have a greater financial interest. Soleus Capital addresses this conflict through disclosure to its Clients and investors, as well as through Policies and Procedures governing the allocation of investment opportunities, which are described in Item 6 – Performance-Based Fees and Side-by-Side Management. It should be noted that investments in the Funds made by such related persons and affiliates will not be subject to the Fees described above in Item 5.

## **Item 12 - Brokerage Practices**

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### **A. Selection of Broker-Dealers**

Soleus Capital selects broker-dealers to execute transactions for Advisory Accounts according to its best execution policies and procedures. Soleus Capital takes into account a range of factors in determining which broker to use for transaction execution, including, among other things, (a) the ability of the broker to effect the transaction; (b) transaction costs; (c) the size and difficulty of the order; (d) expertise in particular markets; and (e) the relative value of any research and brokerage services or products provided by such broker. Soleus Capital does not always solicit the lowest commission cost available, rather if Soleus Capital determines in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the research and brokerage products or services provided by such broker, Soleus Capital may pay commissions to such broker in an amount greater than the amount another broker may charge.

### **B. Research and Other Soft Dollar Benefits**

Broker-dealers typically bundle research and execution services, charging one commission rate that includes charges for both services. Payments for research using client commissions are referred to as "soft dollars." When an adviser uses client commissions to buy research, there is a conflict between the adviser's desire to avoid producing or paying for the research itself and the client's interest in paying the lowest possible commission and obtaining the best possible execution. Section 28(e) of the Securities Exchange Act of 1934 ("Exchange Act") provides a non-exclusive safe harbor to advisers who use soft dollars to obtain certain research and brokerage services that will assist the adviser in its investment responsibilities. Section 28(e) does not, however, relieve Soleus Capital of the duty of seeking best execution.

Soleus Capital has soft dollar arrangements with one or more counterparties that fall within the safe harbor of Section 28(e) of the Exchange Act. As a result of these arrangements, Soleus Capital will, from time to time, cause Clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for research and brokerage services as permitted under the safe harbor of Section 28(e) of the Exchange Act. In entering into soft dollar arrangements, Soleus Capital at all times acts in good faith and in such a way as to put its

Client's interests ahead of its own. Soleus Capital is permitted to use soft dollars to obtain services for all Advisory Accounts, not just the Advisory Account(s) that paid for the benefits. Soleus Capital does not allocate research to Advisory Accounts proportionately to the credits the Advisory Accounts generate. In selecting broker-dealers, Soleus Capital places primary consideration on the broker's ability to provide best execution of transactions. It is the policy of Soleus Capital to approve only those soft dollar arrangements which meet the conditions of Section 28(e). Soleus Capital reviews all new research related services and subscriptions to determine if the services can be paid by soft dollar commissions.

#### **C. Brokerage for Client Referrals**

Soleus Capital selects broker-dealers to provide prime brokerage services to Advisory Accounts. Such prime brokerage firms may introduce prospective investors to Soleus Capital, which creates incentives or benefits to Soleus Capital for selecting these prime brokerage firms. Soleus Capital seeks to mitigate these conflicts of interest by selecting such firms only when the selection is consistent with obtaining appropriate services for Advisory Accounts.

#### **D. Directed Brokerage**

Directed brokerage refers to the practice of clients directing an adviser only to use a specific broker-dealer to execute transactions on the client's behalf. Generally, Soleus Capital does not allow Clients to direct brokerage. Should Soleus Capital receive a request for a directed brokerage arrangement, Soleus Capital will evaluate the adequacy and circumstances of such request. To the extent Soleus Capital permits a Client to direct brokerage, the Client should be aware that in such circumstances Soleus Capital may be unable to achieve most favorable execution of that Client's transactions and that directing brokerage may cost the Client more money. For example, in an Advisory Account that directs brokerage, the Client may pay higher brokerage commissions because Soleus Capital may not be able to aggregate orders to reduce transaction costs, or the Client may receive less favorable prices.

#### **E. Aggregation of Trades**

Soleus Capital seeks to execute orders for its Clients fairly and equitably over time. Soleus Capital follows policies and procedures pursuant to which it may combine or aggregate purchase or sale orders for the same security or other instrument for multiple Advisory Accounts so that the orders can be executed at the same time and block trade treatment of any such orders can be elected when available. Soleus Capital aggregates orders when it considers doing so appropriate and in the interests of its Clients generally and may elect block trade treatment, when available.

### **Item 13 - Review of Accounts**

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Advisory Accounts are under continuous review by the investment team at Soleus Capital. Such reviews include, but are not limited to, a review of existing investments, potential investments, cash availability, market fluctuations, significant events, and investment objectives. All investors in the Funds are expected to receive the following written reports: (a) unaudited investor statements on a monthly basis for certain Advisory Accounts utilizing a long/short equity strategy and on a quarterly basis for certain Advisory Accounts utilizing a private equity strategy; (b) annual audited financial statements within 120 days of the fiscal year end; (c) a Schedule K-1 for the Advisory Account investors in a U.S. Fund only; and (d) certain other reports.

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

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Soleus Capital does not have any referral arrangements or other compensation to disclose.

## **Item 15 - Custody**

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Soleus Capital is deemed to have custody of the assets in each Fund by virtue of its related person serving as the general partner of the Fund. While Soleus Capital may be deemed to have custody, it does not maintain physical possession over any Client funds or securities. With respect to the Funds, Soleus Capital complies with the Custody Rule's audit exception for private funds that are subject to an annual audit. Specifically, the Funds are subject to annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, audited financial statements for each Fund are prepared in accordance with generally accepted accounting principles and the audited financial statements are distributed to investors within 120 days of each Funds' fiscal year end.

## **Item 16 - Investment Discretion**

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Soleus Capital manages each of the Advisory Accounts on a discretionary basis. Discretionary authority allows Soleus Capital to select the securities to be purchase or sold of a client, including the amount, time, and price at which securities are to be purchased and sold for each Advisory Account. Soleus Capital is authorized to exercise discretion by the applicable Offering Documents for each Fund.

## **Item 17 - Voting Client Securities**

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The investment objectives of the Clients for which Soleus Capital provides investment advisory services involve investing assets in publicly traded securities. Proxy voting is a means by which shareholders of publicly traded securities can exercise their influence over the governance of their investments. Soleus Capital votes proxies in a prudent and diligent manner keeping in mind its fiduciary obligation and will base its voting decision on its reasonable judgment of what will serve the Client's best financial interests and is in line with each Client's investment objectives.

Soleus Capital has engaged a third party service to assist in its proxy voting procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions (collectively, "proxies") by taking into account relevant factors, including (a) the impact on the value of the securities owned by the Advisory Account and the returns on those securities; (b) industry and business practices; and (c) recommendations of the companies' management.

Soleus Capital will consider the recommendations of company management as well as third-party analysts (as applicable) and determine which voting decision is aligned with the best economic interests of the Clients. In general, Soleus Capital does not provide information to investors as to how it (or its delegates) voted proxies for specific securities owned by a Fund. Clients may obtain a copy of Soleus Capital's proxy voting policies and procedures upon request.

## **Item 18 - Financial Information**

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Registered investment advisers are required in this Item to provide certain financial information or disclosures about their financial condition. Soleus Capital has no financial condition that

impairs its ability to meet contractual and fiduciary commitments to its Clients, and has not been the subject of a bankruptcy proceeding.