

**FIRM BROCHURE**

**AVIDITY PARTNERS MANAGEMENT LP**

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**This brochure provides information about the qualifications and business practices of Avidity Partners Management LP. If you have any questions about the information contained in this brochure, please contact us at 214-550-1822.**

**The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

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

April 27, 2020

## **Item 2: Material Changes**

Avidity Partners Management LP filed its initial application to register as an investment adviser with the Securities and Exchange Commission in April 2020. Thus, this is the first brochure compiled by Avidity Partners Management LP to provide new and prospective clients and investors with current disclosure of its business practices, conflicts of interest and the background of its advisory personnel. All recipients of this brochure are encouraged to read it carefully in its entirety.

In the future, this Item will identify and discuss the material changes since the last annual update to assist clients and investors and make them aware of certain information that has changed since the prior year's brochure.

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

We encourage all clients and investors to carefully review this document in its entirety.

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## **Item 4: Advisory Business**

### **FIRM DESCRIPTION**

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

### **PRINCIPAL OWNERS**

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

### **TYPES OF ADVISORY SERVICES**

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

### **INVESTMENT RESTRICTIONS**

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

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

### **ASSETS UNDER MANAGEMENT**

As of March 31, 2020, we had approximately \$1,170 million in regulatory assets under management. All of these assets were managed on a discretionary basis.

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

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

In consideration of our advisory services, we generally receive management fees and performance allocations with respect to the Funds. While our fees are described in detail in the Funds' offering and governing, a brief summary of our advisory fees is set forth below.

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

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

Our advisory fees with respect to each limited partner in a Fund generally are not negotiable. However, we have entered into, and may in the future enter into, Side Letters or similar arrangements with certain investors that grant different terms (including lower fees) to such investors than the terms generally applicable to other limited partners in a Fund.

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

### **OTHER FEES AND EXPENSES**

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

All other expenses are paid by the Funds (or with respect to the Onshore Fund and Offshore Fund by the Master Fund and allocated to the respective Funds) and may include, but will not be limited to: the Management Fee; Fund legal, compliance (including consultants' fees), risk management expenses (including software licensing and consultants' fees), administrator (including, but not limited to, middle and back office services and software necessary for trade

capture and portfolio management), audit and tax preparation (including third-party tax preparation) and accounting expenses (including third party accounting services and accounting software); Organizational Expenses (as defined below); execution and order management system fees and expenses; investment expenses such as commissions and other brokerage fees, research fees and expenses (including Bloomberg and other research subscriptions, medical and industry conference registration fees, research data services, consultant fees and compensation, compensation and reimbursement to executive in residence personnel and scientific advisory board and research-related travel (including meals and lodging)); interest on margin accounts and other indebtedness; borrowing charges on securities sold short; custodial fees; bank service fees; Fund-related insurance costs (including pro rata share of premiums for D&O and E&O insurance for the Adviser, the General Partner and members of the Master Fund's Governance Committee); independent Master Fund's Governance Committee members' fees and expenses; expenses of the Funds' regulatory compliance (including compliance with AIFMD and AEOI and expenses related to various filings (or portions thereof) that the Adviser is required to make as a result of managing the Funds' portfolio, such as Section 13, Section 16 and Form PF filings); proxy voting services fees; pricing service fees; portfolio valuation expenses (including data feeds and third-party valuation agents); and any other expenses related to the purchase, sale or transmittal of Fund assets. The Onshore Fund and Offshore Fund will also bear their pro rata share of the Master Fund's expenses. Any expenses attributable to a particular Special Investment, as determined by the General Partner, will be charged solely to those limited partners participating in that Special Investment.

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

As noted above, each Fund is generally responsible for and pays all brokerage commissions and other transaction costs. A portion of the commissions generated on the Funds' brokerage transactions may generate "soft dollar" credits that we are authorized to use to pay for research and other non-research related services and products used by the General Partner or Avidity, including such overhead costs. It is our current policy to limit such use of soft dollars to fall within the safe harbor of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise reasonably related to the investment decision making process. **See "Item 12: Brokerage Practices."**

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

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

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

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

### **PERFORMANCE-BASED ALLOCATIONS**

As noted under “**Item 5: Fees and Compensation**” above, we generally are entitled to receive performance allocations with respect to the Funds. Performance allocations could motivate us to make investment decisions that are riskier or more speculative than would be the case if these arrangements were not in effect. Our individual employees and affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflict. Because the performance allocation is calculated on a basis that includes unrealized appreciation in a Fund’s portfolio based upon values assigned by us, we face a conflict of interest in valuing the Funds’ portfolio. We address these conflicts through full and fair disclosure in the Funds’ offering and/or governing documents and/or this brochure.

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

We currently do not manage accounts for which we are entitled to receive performance-based fees or allocations alongside accounts for which we are not entitled to receive any performance-based fees or allocations. The potential that differences in terms of performance-based compensation could incentivize us to favor one Fund over another in their investment allocations is mitigated by the fact that the Funds generally are required to invest and trade on a parallel basis with each other subject to different guidelines.

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

### **DESCRIPTION**

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

### **ACCOUNT REQUIREMENTS**

The minimum initial capital contribution generally required from an investor in Onshore Fund and Offshore Fund is \$5,000,000, although capital contributions of lesser amounts may be accepted at our discretion.

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



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

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

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

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

### **Special Investments**

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

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

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

### **CERTAIN RISK FACTORS**

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

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

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

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

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

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

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

security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

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

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

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

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

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

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

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

*Non-U.S. Securities.* The Funds may invest outside of the United States. Investing in securities of non-U.S. governments and companies which are generally denominated in non-U.S. currencies and utilization of options and swaps on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

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

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

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

*Commodity and Futures Contracts.* The Funds may also invest in commodity or futures contracts. Trading in commodity and futures contracts and options thereon are highly specialized activities which while they may increase the total return in the Funds' investments, may entail greater than ordinary investment risks. Commodity futures markets are highly volatile and are influenced by factors such as changing supply and demand relationships, governmental programs and policies, national and international political and economic events and changes in interest rates. In addition, because of the low margin deposits normally required in commodity futures trading, a high degree of leverage may be typical of a commodity futures trading account. As a result, a relatively small price movement in a commodity futures contract may result in substantial losses to the trader. Commodity futures trading may also be illiquid. Certain commodity exchanges do not permit trading in particular futures contracts at prices that represent a fluctuation in price during a single day's trading beyond certain set limits. If prices fluctuate during a single day's trading beyond those limits, the Adviser could be prevented from promptly liquidating unfavorable positions and thus be subject to substantial losses. Commodity options, like commodity futures contracts, are speculative, and their use involves risk. Specific market movements of the cash commodity or futures contract underlying an option cannot be predicted, and no assurance can be given that a liquid offset market will exist for any particular futures option at any particular time.

*Derivatives.* To the extent that the Funds invest in swaps, derivative or synthetic instruments, or enter into repurchase agreements or other over-the-counter transactions, the Funds may take a credit risk with regard to parties with whom

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

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

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

Unlike the purchase of freely tradable common stock in the open market, PIPEs generally involve contractual obligations by the issuer of such securities requiring the issuer to take certain actions, such as registering the securities or, in the case of convertible securities, issuing the underlying securities upon exercise of convertible securities and registering the convertible securities and the underlying securities with the appropriate federal and state authorities for resale. In order for the Funds’ investment strategy to be effective, the issuer of such securities must abide by its contractual obligations. If an issuer fails to meet its contractual obligations, in addition to the possibility of being involved in costly litigation, the Funds may be unable to dispose of the securities at appropriate prices, if at all, or may experience substantial delays in doing so, and thus the Funds may not be able to realize the anticipated, or any, profit with respect to such investment for a substantial period of time, if ever. There can be no assurances that any issuer will succeed in registering for public resale the securities held by the Funds or that registration of securities pursuant to any such arrangement will create liquidity.

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

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

Governments use a variety of techniques, such as intervention by their central banks or imposition of regulatory controls or taxes, to affect the exchange rate of their currencies. Foreign exchange rates can either be fixed by sovereign governments or floating. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the value of other currencies. However, governments do not always allow their currencies to float

freely in response to economic forces. They may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by devaluation or revaluation of a currency. The value of the Funds could be affected by the actions of sovereign governments, which could change or interfere with theretofore freely determined currency valuation, fluctuations in response to other market forces and the movement of currencies across borders. Additionally, market perceptions of the relative strength or cohesion of a specific political state or monetary union can dramatically affect the value of a currency. Fluctuations in exchange rates may negatively impact the value of an investment in the Funds to the extent the Funds have currency exposure in the form of a hedge, a non-U.S. dollar denominated instrument or as a standalone position.

*Inside Information.* We (through our representatives or otherwise) may receive information that would restrict our ability to cause the Funds to buy or sell securities of a company for substantial periods of time when profit could otherwise be realized or loss avoided, which may adversely affect the Funds' flexibility with respect to buying or selling securities.

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

*Litigation.* The Funds' investment activities may subject them, the General Partner and the Adviser to the risks of becoming involved in litigation with third parties. The expense of defending against claims against the Funds by third parties and the payment of any amounts pursuant to settlements or judgments would be borne by the Funds, reduce distributions and could require investors in the Funds to return distributed capital and earnings to the Funds. The General Partner, the Adviser and their respective affiliates and the Funds' administrator will generally be indemnified by the Funds in connection with any such litigation, subject to certain conditions.

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

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

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

### **Item 9: Disciplinary Information**

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

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

### **OTHER ACTIVITIES AND AFFILIATIONS**

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

### **AFFILIATED GENERAL PARTNER**

As noted in Item 4 above, Avidity Capital Partners Fund (GP) LP, a Delaware limited partnership, serves as the general partner of the Master Fund, Onshore Fund and Fund II.

### **OTHER REGISTRATIONS**

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



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

### **CODE OF ETHICS**

Pursuant to SEC Rule 204-A-1, we have adopted and implemented a code of ethics, which sets forth standards of business conduct for our employees. Our code of ethics is primarily designed to emphasize our fiduciary duties to clients, encourage employees to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address conflicts of interest that arise from personal trading by employees. Among other things, we impose restrictions on employees and the Principals relating to the purchase or sale of securities for accounts with respect to which they have beneficial ownership and the accounts of certain affiliated persons. Such individuals are required to disclose, and in certain instances seek pre-approval for, their personal securities transactions and personal securities holdings. Employees and the Principals are generally prohibited from engaging in personal securities trading of, or holding any reportable security of issuers in, the healthcare industry with the exception of healthcare exchange-traded funds. We strictly prohibit “front running.” We also maintain policies and procedures designed to prevent employees and principals from misusing material non-public information and to address certain actual and potential conflicts of interest that may arise when supervised persons engage in outside business activities; make political contributions; or accept, provide, offer or give gifts or entertainment events. We will devote such time to the Funds’ affairs as is consistent with achieving the Funds’ investment objectives. However, except as otherwise provided in the Funds’ offering and/or governing documents, we and any of our affiliates may engage in any activity permitted by applicable law. A copy of our code of ethics is available to current and prospective clients and investors upon request.

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

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

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

Avidity employees may from time-to-time make political or charitable contributions. Employees are required to seek approval for and report political contributions made to any political official, candidate for political office, political party or political action committee (“PAC”). Political contributions are generally permitted except where such contributions may raise issues under the pay-to-play rule.

## **Item 12: Brokerage Practices**

### **SELECTING BROKERAGE FIRMS**

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

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

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

### **BEST EXECUTION**

In placing orders for the purchase and sale of securities, we seek best net execution, which includes both commissions and execution prices. Orders are placed with brokers or dealers which we believe to be responsible and provide effective execution of Fund orders under conditions most favorable to the Funds. The Funds generally invest and trade on a parallel basis with each other subject to different guidelines.

### **SOFT DOLLAR PRACTICES**

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

In some instances, the Adviser may receive a product or service that may be used only partially for functions within Section 28(e) (*e.g.*, an order management system, trade analytical software or proxy services). In such instances, the

Adviser will make a good faith effort to determine the relative proportion of the product or service used to assist the Adviser in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting the Adviser in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by the Adviser from its own resources, unless otherwise a Fund expense.

Using soft dollars to obtain investment research and/or related services creates a conflict of interest between the Funds and us. Soft dollars may be used to acquire products and services that are not exclusively for the benefit of the Funds which paid the commissions and that may primarily or exclusively benefit us. If we are able to acquire these products and services without expending our own resources (including management fees paid by the Funds), our use of soft dollars would tend to increase our profitability. Furthermore, we may have an incentive to select or recommend brokers based on our interest in receiving research or other products or services, rather than on the Funds' interest in receiving most favorable execution. We may cause the Funds to pay commissions (or markups or markdowns) higher than those charged by other brokers in return for soft dollar benefits. During the last fiscal year, we acquired research from brokers used to execute Fund transactions.

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

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

#### **DIRECTED BROKERAGE**

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

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

When appropriate, the Adviser may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Funds participating in aggregated trades will be allocated securities based on the average price achieved for such trades. Avidity generally seeks to execute orders for the Funds on an equitable basis. Avidity generally places combined orders for the Funds simultaneously and if all such orders are not filled at the same price, it generally averages the prices paid. Similarly, if an order on behalf of the Funds cannot be fully executed under prevailing market conditions, Avidity allocates the trade among the Funds on a basis that it considers equitable.

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

#### **TRADE ERRORS**

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

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

### **REVIEWS OF ACCOUNTS**

We invest the Funds' capital in securities and other financial instruments. We continually conduct reviews of the Funds and their investments. In monitoring the performance of the investments, we perform various levels of review. Among other items, we consider short and long-term rates of return, investment diversification and risk allocations as part of our regular review. The Adviser prepares and reviews risk reports on an ongoing basis to inform the investment team of portfolio risks. With respect to accounting matters, we have engaged an independent public accounting firm to conduct annual audits of the Funds.

### **ADDITIONAL REVIEWS**

While Avidity generally conducts continuous reviews of the Funds and their investments, we may conduct additional or more frequent reviews in the event of any withdrawal or capital contribution by an investor in the Funds, significant market or economic events or under various other circumstances.

### **REPORTS TO INVESTORS**

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

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

### **THIRD PARTY COMPENSATION**

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

### **REFERRALS**

We currently do not compensate any third party for client or investor referrals.

## **Item 15: Custody**

We have, or may be deemed to have, custody of the Funds' cash and securities for purposes of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended. In accordance with Rule 206(4)-2, the Funds cash and securities (except for privately placed securities) are maintained with one or more qualified custodians. We may change the custodians at any time and from time to time without the consent of, or notice to, investors. We have engaged an independent public accounting firm, to conduct an annual audit of the Funds, and audited financial statements (prepared in accordance with generally accepted accounting principles) are provided to investors on an annual basis. The name of the independent public accounting firm currently engaged with respect to the Funds is set forth in Section 7.B. of Schedule D of Part 1 of our Form ADV. We endeavor to provide such statements to investors within 120 days after the end of each fiscal year, but there can be no assurance that we will be successful in this regard. Qualified custodians do not provide statements directly to investors in the Funds.

## **Item 16: Investment Discretion**

### **DISCRETIONARY AUTHORITY**

We have discretionary power and authority over the types of financial instruments to be bought or sold, as well as the amount to be bought or sold on behalf of the Funds. We have authority to determine the broker-dealer or other counterparty to be used for Fund transactions and the negotiation of commission rates and other consideration to be paid by the Funds.

### **LIMITED POWER OF ATTORNEY**

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

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

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

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

Investors may obtain copies of our proxy voting policy, together with information regarding how we have voted past proxies, by contacting us.



## **Item 18: Financial Information**

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