

Item 1. Cover Page

Brochure of

EcoR1 Capital, LLC

**357 Tehama Street, Suite 3
San Francisco, CA 94103**

March 30, 2020

This brochure provides information about the qualifications and business practices of EcoR1 Capital, LLC (“EcoR1”). If you have any questions about the contents of this brochure, please contact us at sarah@ecor1cap.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about EcoR1 also is available on the SEC’s website at www.adviserinfo.sec.gov.

Although EcoR1 is a “Registered Investment Adviser,” that registration does not imply a certain level of skill or training.

Item 2. Material Changes

The Following are the material changes to this brochure since its last annual update on March 29, 2019: None.

Item 3. Table of Contents

	Page
Item 1. Cover Page	1
Item 2. Material Changes	1
Item 3. Table of Contents	2
Item 4. Advisory Business	3
Item 5. Fees and Compensation	3
Item 6. Performance-Based Fees and Side-By-Side Management	5
Item 7. Types of Clients	5
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9. Disciplinary Information.....	11
Item 10. Other Financial Industry Activities and Affiliations	11
Item 11. Code of Ethics, Participation or Interest In Client Transactions and Personal Trading	11
Item 12. Brokerage Practices	12
Item 13. Review of Accounts.....	15
Item 14. Client Referrals and Other Compensation	15
Item 15. Custody	16
Item 16. Investment Discretion	16
Item 17. Voting Client Securities.....	16
Item 18. Financial Information.....	17
Item 19. Requirements for State-Registered Advisers	17
Privacy Policy	17

Item 4. Advisory Business

EcoR1 Capital, LLC (“**EcoR1**”) is a limited liability company that has been in business since 2012. EcoR1’s manager, controlling owner and portfolio manager is Oleg Nodelman. As of December 31, 2019, EcoR1 had total discretionary net assets under management of approximately \$1.315 billion. EcoR1 only manages assets on a discretionary basis.

EcoR1 serves as the general partner of and investment adviser to the EcoR1 Capital Funds (the “**Capital Funds**”), which invest principally, but not solely, in equity and equity-related securities that are issued by biotechnology companies and traded publicly in U.S. and non-U.S. markets. The Capital Funds also invest in illiquid securities (generally, restricted securities of public and private companies). EcoR1 also serves as the investment adviser to the EcoR1 Venture Opportunity Funds (the “**Venture Funds**”), which invest principally, but not solely, in restricted equity and equity-related securities issued by privately-held biotechnology companies globally. EcoR1 intends to allocate investment opportunities in such restricted securities between the Capital Funds and the Venture Funds pro rata based on their “available capital” (as defined in each fund’s offering materials).

EcoR1 also continues to manage a “special opportunities” fund that was formed before the Venture Funds launched. That fund made a single investment (and may make related investments in the future). In the future, EcoR1 may offer one or more investors in its funds or clients (or any other persons) the right to participate in investments in which the Capital Funds or the Venture Funds participate if (a) EcoR1 believes that such participation would benefit those funds or the portfolio company or (b) EcoR1 determines that those funds have been allocated the full amount of such investment in the portfolio company in light of their risk-return profiles, available capital and other considerations EcoR1 determines to be relevant. The existing fund and any similar fund that may be established in the future is called an “**SPV**” and collectively, the “**SPVs**.”

The Capital Funds, the Venture Funds and the SPVs are collectively referred to herein as “**clients**” or “**funds**.”

EcoR1 selects all fund investments and strategies. While the offering documents for each fund describes the specific investment strategy that EcoR1 intends to follow for that fund, EcoR1 is generally authorized to enter into any type of investment transaction that it deems appropriate under the terms of the applicable fund’s or client account’s governing documents. The investors in the funds that EcoR1 manages have no opportunity to select or evaluate any fund investments or strategies.

EcoR1 does not participate in wrap fee programs.

Item 5. Fees and Compensation

With respect to the Capital Funds, EcoR1 charges an annual management fee of 2.0% of each investor’s capital account balance, which amount is payable in quarterly installments at the beginning of each calendar quarter based on each investor’s capital account balance on that date. EcoR1 also typically receives a performance-based allocation with respect to each investor equal to 20% of net profits (including both realized and unrealized gains and losses) otherwise allocable to such investor. Performance allocations are assessed in arrears on an annual basis (and on

withdrawals with respect to the amount withdrawn), and are only applied to the portion of profits that exceed the cumulative losses previously allocated to or incurred by clients. EcoR1 complies with Rule 205-3 under the Investment Advisers Act of 1940, to the extent required by applicable law. Performance allocations and fees may create an incentive for EcoR1 to make more risky and speculative investments than it would otherwise make.

Investors in the Venture Funds and the SPVs are all “qualified purchasers” as defined in Section 2(a)(51) of the Investment Company Act of 1940. As a result, detailed information regarding the fees and compensation payable to EcoR1 and its affiliates by those funds is not required to be provided herein. EcoR1 and its affiliates are entitled to management fees and performance-based distributions from the Venture Funds that are calculated differently from the Capital Funds. EcoR1 does not receive a management fee from the existing SPV and the performance-based distributions are calculated differently from the Capital Funds.

EcoR1 may waive or reduce all or any portion of the management or performance-based allocations and distributions with respect to any investor or client.

EcoR1 deducts management fees and performance-based allocations and distributions directly from client accounts.

To the extent that a client invests in mutual funds or ETFs, such client also bears indirectly the investment advisory fees to the managers of those funds.

EcoR1 and its affiliates (including Mr. Nodelman) sit on company boards of directors or act as consultants to companies, in which companies EcoR1’s clients may have invested or may invest in the future. In such cases, EcoR1 or its affiliates may receive consideration for such services (including cash and securities). EcoR1 will waive a portion of the management fees to which it otherwise would be entitled in an amount equal to the value of such consideration. EcoR1 may choose to value the securities (such as options or warrants) and apply the management fee waiver as of the grant date, the exercise date or the date on which those securities are sold or become freely tradable.

EcoR1 believes that its fees are competitive with fees charged by other investment advisers for comparable services. Comparable services may be available, however, from other sources for lower fees.

The disclosure in this Item 5, together with the disclosure in Item 12, allow a plan that is subject to the Employee Retirement Income Security Act of 1974 and that invests in an investment limited partnership of which EcoR1 is general partner, to use the “alternative reporting option” to report EcoR1’s compensation as “eligible indirect compensation” on the Schedule C of the plan’s Form 5500 Annual Return/Report of Employee Benefit Plan.

Relationships with EcoR1’s investment fund clients are terminable on the termination of the applicable investment management agreement and, with respect to EcoR1’s investment partnership clients, on expiration of the partnership’s term, dissolution of the partnership or on EcoR1’s withdrawal as general partner. An investor in a Capital Fund may withdraw/redeem from that fund over four consecutive withdrawal/redemption dates, on specified prior written notice, on the last day of any June or December beginning on or after the day preceding the first anniversary

of such investor's admission to the fund. Investors in the Venture Funds and the SPVs generally cannot withdraw from those funds but receive distributions when provided in the governing documents for those funds.

In all cases, expenses, the pro rata portion of the management fee and the performance allocation or fee through the date of termination are charged to the account. All prepaid but unearned advisory fees are refunded on termination of a client's account. An investor who withdraws from a fund on a date other than the last day of a quarter or other appropriate period, however, does not receive a refund of the management fee previously paid.

Each fund or other client is responsible for its own costs and expenses as detailed in the governing documents for such fund. Such costs and expenses include, but are not limited to, trading costs and expenses (such as brokerage commissions, expenses related to short sales, and clearing and settlement charges), ongoing legal, accounting and bookkeeping fees and expenses, and the fees and expenses charged by any fund administrator for its accounting, bookkeeping and other services.

The Capital Funds and the Venture Funds will likely bear more than their pro rata share of investment expenses (compared to the SPVs). For example, when EcoR1 identifies an investment opportunity, it will incur research and other out-of-pocket expenses, and will allocate those expenses between the Capital Funds and the Venture Funds on such basis as it determines fair and equitable. If an SPV is subsequently established and participates in that investment opportunity, that SPV may benefit from some or all of those earlier expenses without having to reimburse the Capital Funds or the Venture Funds. If an investment opportunity for an SPV is identified but not made, the Capital Funds and/or the Venture Funds would likely bear more than their pro rata share of any "broken deal" expenses.

EcoR1 bears its own operating, general, administrative and overhead costs and expenses, other than the expenses described above. All or part of these costs and expenses may be paid, however, by securities brokerage firms and futures commission merchants that execute clients' securities trades, as discussed in Item 12 below.

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

EcoR1 currently manages only accounts that pay performance-based compensation as described in Item 5. It does not manage accounts that do not pay performance-based compensation.

Item 7. Types of Clients

EcoR1 provides investment advice to investment funds and may provide investment advice to other accounts. Investors in the funds are required to invest a minimum of \$2,000,000, but EcoR1 may waive this minimum. EcoR1 generally requires a minimum of \$100 million to open an individually managed account, but may waive this minimum. EcoR1's separate account clients may include high-net-worth individuals, institutions, trusts, endowments and pension plans.

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

Investment Strategy

EcoR1 invests (long and short) in securities, consisting principally, but not solely, of equity and equity-related securities that are issued by biotechnology companies globally. EcoR1 also may invest in preferred stocks, convertible securities, warrants, rights, options (including covered and uncovered puts and calls and over-the-counter options), swaps, and other derivative instruments, bonds and other fixed income securities, currencies, and money market instruments. EcoR1 also engages in margin trading, hedging and other investment strategies. The specific investment strategies of the Capital Funds, the Venture Funds and the SPVs differ, and are described in more detail in Item 4 above and in each fund's offering materials.

The investment strategies summarized above represent EcoR1's current intentions, are general in nature and are not exhaustive. There are no limits on the types of securities in which EcoR1 may take positions on behalf of its clients, the types of positions that it may take, the concentration of its investments or the amount of leverage that it may use. EcoR1 may use any trading or investment techniques, whether or not contemplated by the expected investment strategies described above. In addition, there are limitations in describing any investment strategy due to its complexity, confidentiality and indefinite nature. Depending on conditions and trends in securities and commodities markets and the economy generally, EcoR1 may pursue any objectives or use any techniques that it considers appropriate and in clients' interest.

Risk Factors

Investing in securities involves risk of loss that clients should be prepared to bear. Below are some of the risks that investors should consider before investing in any account that EcoR1 manages. Any or all of such risks could materially and adversely affect investment performance, the value of any account or any security held in an account, and could cause investors to lose substantial amounts of money. Below is only a brief summary of some of the risks that a client or an investor may encounter. Potential investors in a fund should review such fund's offering circular or private offering memorandum carefully and in its entirety, and consult with their professional advisers before deciding whether to invest. The risks described below also generally apply to individually managed accounts. A potential client should discuss with EcoR1's representatives any questions that such person may have before opening an account.

- Client accounts may not achieve their investment objectives. A strategy may not be successful and investors may lose some or all of their investment.
- Client accounts are concentrated in securities of biotechnology sector companies, many of which are affected by regulatory, patent, product liability, rapidly changing competition, and similar risks, and may have micro- to small-sized market capitalizations. Those securities involve substantially higher risks than do investments in securities of non-biotechnology sector and larger companies.
- Investor sentiment on the market, an industry or an individual stock, fixed income or other security is not predictable and can adversely affect an account's investments.

- An account may hold stocks that disappoint earnings expectations and decline, and may short stocks that beat earnings expectations and rise.
- EcoR1 may not be able to obtain complete or accurate information about an investment and may misinterpret the information that it does receive. EcoR1 also may receive material, non-public information about an issuer that prevents it from trading securities of that issuer for a client when the client could make a profit or avoid losses.
- EcoR1 takes positions in securities of small, unseasoned companies that are less actively traded and more volatile than those of larger companies.
- EcoR1 invests in securities of private companies and other restricted securities that are subject to long holding periods or that are not traded in public markets. There is no assurance that a private company will complete a public offering or be sold, and EcoR1 may not be able to realize value on such positions for several years after the date of the initial investment, if at all. In addition, a fund may be subject to, or may agree to become subject to, lockup-up periods subsequent to an initial public offering or other liquidity event that may restrict a fund's ability to sell a position and distribute realized gains. In any case, the Capital Funds and the Venture Funds may continue to hold positions after they become liquid.
- In addition to being illiquid, private companies are subject to a number of other risks, including, but not limited to: (i) extraordinarily high degree of business and financial risk and potential need for additional capital; (ii) substantial variation in operating results from period to period; (iii) additional funding requirements (which may not be available) and potential dilution; and (iv) significant time required for investments to mature and profits (if any) to be realized.
- The funds may be exposed to a variety of litigation risks, due to, for example, actions that EcoR1 or its personnel take as shareholders or as board members of private companies, particularly in consequence of the substantial likelihood that one or more private company will face financial or other difficulties during the term of the funds' investment. The applicable funds may be required to indemnify EcoR1 and its personnel for their losses and defense costs and expenses in connection with such litigation.
- EcoR1 may engage in hedging, which may reduce profits, increase expenses and cause losses. Price movement in a hedging instrument and the security hedged do not always correlate, resulting in losses on both the hedged security and the hedging instrument. EcoR1 is not obligated to hedge a client's portfolio positions, and it frequently may not do so.
- An account may have higher portfolio turnover and transaction costs than a similar account managed by another investment adviser. These costs reduce investments and potential profit or increase loss.
- EcoR1 sells securities short, resulting in a theoretically unlimited risk of loss if the prices of the securities sold short increase.

- Management and stockholders of an issuer may sue short sellers to prevent short sales of the issuer's securities. EcoR1 could be subject to such actions, even if they are baseless, and clients could incur substantial costs defending them.
- EcoR1 uses leverage by borrowing on margin or through capital call facilities, selling securities short and trading and derivatives, which increases volatility and risk of loss. These instruments can be difficult to value. An incorrect valuation could result in losses.
- EcoR1 may sell covered and uncovered options on securities. The sale of uncovered options could result in unlimited losses.
- Counterparties such as brokers, dealers, futures commission merchants, custodians and administrators with which EcoR1 does business on behalf of clients may default on their obligations. For example, a client may lose its assets on deposit with a broker if the broker, its clearing broker or an exchange clearing house becomes bankrupt.
- EcoR1 may cause a client to enter into repurchase agreements or reverse repurchase agreements. These instruments can have effects similar to margin trading and leveraging strategies.
- EcoR1 invests in securities of non-U.S. issuers. The risks of these investments include political risks; economic conditions of the country in which the issuer is located; limitations on foreign investment in any such country; currency exchange risks; withholding taxes; limited information about the issuer; limited liquidity; and limited regulatory oversight.
- Changes in economic conditions can adversely affect investment performance. Global economic conditions in the U.S. and elsewhere have recently deteriorated significantly, resulting in volatile securities markets and large investment losses. Prolonged economic stagnation or government actions in response to such conditions could adversely affect the companies in which EcoR1 invests or lead to other negative consequences for investors.
- EcoR1 may acquire for a client a large position in an issuer's securities but the client nevertheless is unlikely to have any control over the issuer's management. In addition, if EcoR1 holds a large position in an issuer's securities, it could depress the market for those securities.
- Some of an account's positions may be or become illiquid, in which case EcoR1 may not be able to sell such positions.
- An account's investments may not be diversified. Therefore, a loss in any one position, industry or sector in which a fund has invested may cause significant losses.
- EcoR1 determines the value of securities and commodities held in client accounts, whether or not a public market exists for such instruments. If EcoR1's valuation is inaccurate, it might receive more compensation than that to which it is entitled, a new investor in a fund might receive an interest that is worth less than the investor paid and an investor that is

withdrawing assets might receive more than the amount to which the investor is entitled, to the detriment of other investors.

- The client and not EcoR1 is responsible for any trade errors that EcoR1 makes in an account, even when the error hurts the client.
- EcoR1 and its affiliates and agents generally are not responsible to any client or investor for losses incurred in an account unless the conduct resulting in such loss breached EcoR1's fiduciary duty constituted gross negligence, fraud or willful misconduct to the client or investor.
- There is not and will not be an active market for fund interests. It may be impossible to transfer any such interests, even in an emergency.
- The Capital Funds may not be able to generate cash necessary to satisfy investor withdrawals and redemptions. Substantial withdrawals and redemptions in a short period could force EcoR1 to liquidate investments too rapidly, and may so reduce the size of a fund that it cannot generate returns or reduce losses. The Venture Funds and the SPVs do not offer withdrawal rights.
- A fund may limit or suspend withdrawals or redemptions of an investor's assets from the fund.
- A fund may establish a reserve for contingencies if EcoR1 considers it appropriate. Investors may not withdraw or redeem assets covered by that reserve until it is lifted.
- If the assets that EcoR1 and its affiliates manage grow too large, it may adversely affect performance, because it is more difficult for EcoR1 to find attractive investments as the amount of assets that it must invest increases.
- No client or investor has been represented by separate counsel. The attorneys who represent EcoR1 or its manager do not represent clients or investors. Clients and investors must hire their own counsel for legal advice and representation.
- A fund may dissolve or expel any investor at any time, even if such actions adversely affect one or more investors.
- EcoR1, an administrator or any government agency may freeze assets that any of them believes a client holds in violation of anti-money laundering laws or rules or on behalf of a suspected terrorist, and may transfer such assets to a government agency. None of EcoR1, a fund or an administrator will be liable for losses related to actions taken in an effort to comply with anti-money laundering regulations.
- EcoR1 (as well as service providers to EcoR1 or its clients) rely heavily on information systems and technology. Disruptions to these systems or resources may make it difficult or impossible to implement a client's investment strategy and could materially and

adversely affect such client account. Examples of such circumstances include natural disasters, terrorism, cybersecurity attacks, public service or utility disruptions.

- The Capital Funds do not intend to make distributions, but intend instead to reinvest substantially all income and gain. The Venture Funds and the SPVs expect to make distributions over time but are not required to make distributions until any assets they hold become liquid. Therefore, an investor may have taxable income from a fund without a cash distribution to pay the related taxes.
- Federal, state and international governments may increase regulation of investment advisers, private investment funds and derivative securities, which may increase the time and resources that EcoR1 must devote to regulatory compliance, to the detriment of investment activities.
- The equity interests in the funds are not registered under the Securities Act of 1933, and the funds are not registered investment companies under the Investment Company Act of 1940. EcoR1 believes that none of these registrations is required because exemptions are available under applicable law. If a regulatory authority deems that any of these registrations is required, EcoR1 and any fund could be subject to expensive legal action and potential termination. In addition, investors in the funds do not have certain regulatory protection that they would have if these registrations were in place.
- EcoR1's activities could cause adverse tax consequences to clients and investors, including liability for interest and penalties.
- EcoR1's activities may cause an account that is subject to the Employee Retirement Income Security Act of 1974 to engage in a prohibited transaction under that Act.
- If a fund client becomes insolvent, investors may be required to return with interest any distributions and forfeit any undistributed profits.
- EcoR1 and its affiliates may spend time on activities that compete with a fund without accountability to investors, including investing for other clients and their own accounts. If EcoR1 receives better compensation and other benefits from managing other assets or client accounts compared to managing a fund, it has incentive to allocate more time to those other activities. These factors could influence EcoR1 not to make investments on a fund's behalf even if such investments would benefit the fund.
- EcoR1 may provide certain investors or clients more frequent or detailed reports and withdrawal or redemption rights that it does not provide to other investors or clients. EcoR1 also provides special compensation arrangements to certain investors, including its affiliates and personnel.

The above is only a brief summary of some of the important risks that a client or an investor may encounter. Before deciding to invest in a fund that EcoR1 manages, you should consider carefully all of the risk factors and other information in the fund's offering circular or private offering memorandum.

Item 9. Disciplinary Information

This Item is not applicable, because EcoR1 has no reportable disciplinary information.

Item 10. Other Financial Industry Activities and Affiliations

Biotech Opportunity GP, LLC, an affiliate of EcoR1 that is indirectly owned primarily by Mr. Nodelman, is the general partner of the two Venture Funds that are structured as limited partnerships.

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

EcoR1 has adopted a Code of Ethics in compliance with Rule 204A-1 under the Investment Advisers Act of 1940, that establishes standards of conduct for EcoR1's supervised persons. The Code of Ethics includes general requirements that EcoR1's supervised persons comply with their fiduciary obligations to clients and applicable securities laws, and specific requirements relating to, among other things, personal trading, insider trading, conflicts of interest and confidentiality of client information. It requires supervised persons to comply with the personal trading restrictions described below and periodically to report their personal securities transactions and holdings to EcoR1's Compliance Officer, and requires the Compliance Officer to review those reports. It also requires supervised persons to report any violations of the Code of Ethics promptly to the Compliance Officer. Each supervised person of EcoR1 receives a copy of the Code of Ethics and any amendments to it and must acknowledge in writing having received those materials. Annually, each supervised person must certify that he or she complied with the Code of Ethics during the preceding year. Clients and prospective clients may obtain a copy of EcoR1's Code of Ethics by contacting Sarah Marriott at sarah@ecor1cap.com.

Under EcoR1's Code of Ethics, EcoR1 and its managers, members and employees may personally invest in securities of the same classes as EcoR1 purchases for clients and may own securities of issuers whose securities that EcoR1 subsequently purchases for clients. This practice creates a conflict of interest in that any of such persons can use his or her knowledge about actual or proposed securities transactions and recommendations for a client account to profit personally by the market effect of such transactions and recommendations. To address this conflict, except as described in Item 12 regarding aggregating securities transactions, EcoR1 and its managers, members and employees typically must obtain pre-approval before engaging in most securities transactions in biotechnology companies. EcoR1 and its managers, members and employees may also buy or sell specific securities for their own accounts based on personal investment considerations aside from company or industry fundamentals, which EcoR1 does not believe appropriate to buy or sell for clients.

EcoR1 solicits investors who may or may not be EcoR1's clients to invest in its investment fund clients. EcoR1 has an incentive to cause a client to invest in one of those funds instead of an individually managed account because of the reduced expenses and administrative burdens of managing a fund compared to an individually managed account, EcoR1's performance compensation from a fund receives more favorable tax treatment than that from an individually managed account and investors have less transparency and liquidity than individual account

clients. In addition, if a fund investor also has an individually managed account with EcoR1 that uses an investment strategy that is similar to that of the fund, the investor may use knowledge of the other account's portfolio to decide if and when to make an additional investment or withdraw or redeem assets from the fund at times when other fund investors would have made similar decisions had they had similar transparency. EcoR1 discloses these conflicts of interest to clients and investors.

Because EcoR1 manages more than one account, there may be conflicts of interest over its time devoted to managing any one account and allocating investment opportunities among all accounts that it manages. For example, EcoR1 selects investments for each client based solely on investment considerations for that client. As described in Item 4, the Capital Funds, the Venture Funds and the SPVs have differing investment strategies and expected levels of trading. EcoR1 may buy or sell a security for one type of client but not for another, or may buy (or sell) a security for one type of client while simultaneously selling (or buying) the same security for another type of client. EcoR1 attempts to resolve all such conflicts in a manner that is generally fair to all of its clients. EcoR1 may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client. It is EcoR1's policy, however, to the extent practicable, to allocate investment opportunities to its clients fairly and equitably over time based on the allocation methodology in each client's offering materials and summarized in Item 4. EcoR1 is not obligated to acquire for any account any security that EcoR1 or its managers, members or employees may acquire for its or their own accounts or for any other client, if in EcoR1's absolute discretion, it is not practical or desirable to acquire a position in such security for that account.

Item 12. Brokerage Practices

EcoR1 has complete discretion in selecting the broker or futures commission merchant that it uses for client transactions and the commission rates that clients pay such brokers and futures commission merchants. In selecting a broker or futures commission merchant for any transaction or series of transactions, EcoR1 may consider a number of factors, including, for example:

- special execution capabilities;
- willingness to execute related or unrelated difficult transactions in the future;
- willingness to commit capital;
- knowledge of buyers and sellers;
- block trading and block positioning capabilities;
- efficiency of execution and error resolution;
- order of call;
- offering to EcoR1 on-line access to computerized data regarding clients' accounts;
- computer trading systems;
- clearance, settlement and reputation;
- financial strength and stability;
- quotation services; and
- the availability of stocks to borrow for short trades.

EcoR1 may also purchase from a broker or futures commission merchant or allow a broker or futures commission merchant to pay for the following (each a “soft dollar” relationship):

- research reports, services and conferences, including third-party research fees;
- economic and market information; portfolio strategy advice; industry and company comments;
- technical data; consultations;
- periodical subscription fees;
- performance measurement data;
- on-line pricing;
- news wire and data processing charges;
- custody, recordkeeping and similar services;
- proxy voting services;
- computer hardware and software; and
- office equipment.

EcoR1 may receive soft dollar credits based on principal, as well as agency, securities transactions with brokers and futures commission merchants or direct a broker or futures commission merchant that executes transactions to share some of its commissions with a broker or futures commission merchant that provides soft dollar benefits to EcoR1.

EcoR1 has retained certain brokerage firms to serve as some clients’ prime brokers and custodians. The services that they provide as prime broker and custodian may include providing custody, margin financing, clearing, settlement and stock borrowing in accordance with the terms of the prime brokerage and custody agreements entered into with the client. EcoR1 receives other services from them. These services may include: technology services (such as internet access, IT support, Bloomberg connections, wireless networking, email archiving and disaster recovery systems), capital introduction services, portfolio reporting and access to Electronic Communications Networks. The arrangement may be deemed to be a soft dollar arrangement. EcoR1 expects to use a substantial portion of these services for research and trading on behalf of its clients, but some may be used for administrative purposes, which would not be within the safe harbor of section 28(e). Although many prime brokers and custodians provide similar services to investment advisers in exchange for brokerage, custody and clearance fees and other charges, such services may include services that EcoR1 would otherwise be required to pay for. EcoR1 expects to direct some client securities transactions to them and their affiliates, but is not required to direct a particular number of trades to them or to continue to use them as its client’s prime broker and custodian, but it has an incentive to do so based on their prior and continued services.

A client’s obligations to those custodians and their affiliates will be secured by way of a first priority perfected security interest over all of the client’s assets held in custody by them and their affiliates may transfer to themselves all rights, title and interest in and to those assets as collateral and may deal with, lend, dispose of, pledge or otherwise use all such collateral for their own purposes. If any such transfer occurs, the client will rank as such custodian’s (or affiliate’s) unsecured creditor. If such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent securities in full. In addition, the client’s cash held by a custodian may not be segregated from such custodian’s own cash and, if not so segregated, may be used by such

custodian or affiliate in the course of its business and the client will therefore rank as an unsecured creditor in relation thereto.

If any of the client's investments are registered in the name of a custodian or affiliate due to the nature of the law or market practice of a particular jurisdiction, such investments will not be segregated from the custodian's or affiliate's own investments and if such custodian or affiliate becomes insolvent, the client may not be able to recover such equivalent investments in full.

EcoR1 may select a broker to act as a "trading broker" for a client. In such cases, EcoR1 or the trading broker may select the executing broker, and the trading broker would then place or manage the order. The trading broker is compensated (through commissions or otherwise) for this trading service in addition to the commissions paid to the executing brokers. As with all soft dollar arrangements, using a trading broker in this manner causes the client to pay brokerage commissions, mark-ups and other transactions fees that are higher than might otherwise be paid if brokers were selected solely based on lowest execution cost. In addition, using a trading broker (rather than an employee of EcoR1) to provide those services may allow EcoR1 to reduce its own personnel expenses.

Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" to investment advisers who use commission dollars of their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the adviser in performing investment decision-making responsibilities. Conduct outside of the safe harbor of section 28(e) is subject to the traditional standards of fiduciary duty under state and federal law. If EcoR1 uses commission dollars to pay for products or services that provide administrative or other nonresearch assistance to itself or its affiliates, such payments may not fall within the section 28(e) safe harbor.

EcoR1 may pay to a broker or futures commission merchant commissions and mark-ups that exceed those that another broker or futures commission merchant might charge for effecting the same transaction because of the value of the brokerage, research, other services and soft dollar relationships that such broker or futures commission merchant provides. EcoR1 determines in good faith that such compensation is reasonable in relation to the value of such brokerage, research, other services and soft dollar relationships, in terms of either the specific transaction or EcoR1's overall fiduciary duty to its clients. An account may, however, pay higher commissions and mark-ups than are otherwise available or may pay more commissions or mark-ups based on account trading activity. The research and other benefits resulting from EcoR1's brokerage relationships benefit EcoR1's operations as a whole and all accounts that it manages, including those that do not generate the soft dollars that pay for such research and other benefits and accounts of clients that direct EcoR1 to use a broker or futures commission merchant that does not provide EcoR1 with soft dollar services. EcoR1 does not allocate soft dollar benefits to client accounts proportionately to the soft dollar credits that the accounts generate.

EcoR1's relationships with brokers and futures commission merchants that provide soft dollar services influence EcoR1's judgment and create conflicts of interest in allocating brokerage business between firms that provide soft dollar services and firms that do not. EcoR1 has an incentive to select or recommend a broker or futures commission merchant based on EcoR1's interest in receiving soft dollar services rather than clients' interest in receiving the most favorable

execution. These conflicts of interest are particularly influential to the extent that EcoR1 uses soft dollars to pay expenses it would otherwise be required to pay itself.

EcoR1 addresses these conflicts of interest by annually evaluating the trade execution services that EcoR1 receives from the brokers and futures commission merchants that it uses to execute trades for clients. Such evaluation includes comparing those services to the services available from other brokers and futures commission merchants. EcoR1 considers, among other things, alternative market makers and market centers, the quality of execution services, the value of continuing with various soft dollar services and adding or removing brokers or futures commission merchants, increasing or decreasing targets for each broker or futures commission merchant and the appropriate level of commission rates.

EcoR1 may aggregate securities sale and purchase orders for a client with similar orders being made contemporaneously for other accounts that EcoR1 manages or with accounts of its affiliates. In such event, EcoR1 may charge or credit a client the average transaction price of all securities purchased or sold in such transactions. As a result, however, the price may be less favorable to the client than it would be if EcoR1 were not executing similar transactions concurrently for other accounts. EcoR1 may also cause a client to buy or sell securities directly from or to another client, if such a cross-transaction is in the interests of both clients.

EcoR1 may direct a certain amount of brokerage to a broker or futures commission merchant that refers prospective clients or investors to EcoR1 (although not in a *quid pro quo* relationship).

EcoR1 does not currently have any separately-managed account clients and therefore does not have any clients that direct EcoR1 to use a specific broker.

Item 13. Review of Accounts

EcoR1's Portfolio Manager reviews all accounts weekly. Those reviews take into account such matters as asset allocation, cash management, the prospects of individual securities, changes in issuer earnings, industry outlook, market outlook and price levels.

Each investor in the Capital Funds receives a monthly capital account statement and a quarterly letter discussing performance and investment commentary. Each investor in the Venture Funds receives a quarterly capital account statement and letter discussing performance and investment commentary. Each investor in the SPVs receives an annual capital account statement and letter discussing performance and investment commentary.

Item 14. Client Referrals and Other Compensation

EcoR1 may engage solicitors to whom it pays cash or a portion of the advisory fees paid by clients referred to it by those solicitors. In such cases, this practice is disclosed in writing to the client and EcoR1 complies with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940, to the extent required by applicable law.

Item 15. Custody

Except for certain privately offered securities, neither EcoR1 nor its affiliates maintains physical possession of the funds or securities of the funds. To the extent required by Rule 206(4)-2 under the Investment Advisers Act of 1940, physical custody of each fund's assets (other than certain privately offered securities) is maintained with a bank, trust company, broker-dealer or other qualified custodian. Each fund is subject to an annual audit and the audited financial statements are distributed to each investor.

Item 16. Investment Discretion

EcoR1 has discretionary authority to manage investment accounts on behalf of clients pursuant to a grant of authority in each fund's limited partnership agreement or a limited power of attorney in each client's account agreement. Except for EcoR1's investment fund clients, such discretion is limited by the requirement that clients advise EcoR1 of:

- the investment objectives of the account;
- any changes or modifications to those objectives; and
- any specific investment restrictions relating to the account.

A client must promptly notify EcoR1 in writing if the client considers any investments recommended or made for the account to violate such objectives or restrictions. A client may at any time direct EcoR1 to sell any securities or take such other lawful actions as the client may specify to cause the account to comply with the client's investment objectives. In addition, a client may notify EcoR1 at any time not to invest any funds in the client's account in specific securities or specific categories of securities.

Item 17. Voting Client Securities

EcoR1 votes all proxies on behalf of each account over which EcoR1 has proxy voting authority based on EcoR1's determination of such account's best interests. In determining whether a proposal serves an account's best interests, EcoR1 considers a number of factors, including:

- the proposal's economic effect on shareholder value;
- the threat that the proposal poses to existing rights of shareholders;
- the dilution of existing shares that would result from the proposal;
- the effect of the proposal on management or director accountability to shareholders; and
- if the proposal is a shareholder initiative, whether it wastes time and resources of the company or reflects the grievance of one individual.

EcoR1 abstains from voting proxies when EcoR1 believes that it is appropriate to do so.

If a material conflict of interest over proxy voting arises between EcoR1 and a client, EcoR1 will vote all proxies in accordance with the policy described above. If EcoR1 determines that this policy does not adequately address the conflict of interest, EcoR1 will notify the client of the

conflict and request that the client consent to EcoR1's intended response to the proxy solicitation. If the client consents to EcoR1's intended response or fails to respond to the notice within a reasonable time specified in the notice, EcoR1 will vote the proxy as described in the notice. If the client objects in writing to EcoR1's intended response, EcoR1 will vote the proxy as the client directs.

A client can obtain a copy of EcoR1's proxy voting policy and a record of votes cast by EcoR1 on behalf of that client by contacting EcoR1.

Item 18. Financial Information

This Item is not applicable, because EcoR1 is not required to report financial information.

Item 19. Requirements for State-Registered Advisers

This Item is not applicable, because EcoR1 is SEC-registered.

Privacy Policy

EcoR1 and the investment funds for which it serves as general partner and/or investment adviser:

- collect non-public personal information about their clients and investors from the following sources:
 - information received from clients or investors on applications or other forms, and
 - information about clients' or investors' transactions with EcoR1, its affiliates or others;
- do not disclose any non-public personal information about their clients or investors or former clients or investors to anyone, except as permitted by law;
- restrict access to non-public personal information about their clients and investors to their employees who need to know that information to provide services to clients; and
- maintain physical, electronic and procedural safeguards that comply with federal standards to guard clients' and investors' personal information.