

**PART 2A OF FORM ADV**  
**FIRM BROCHURE**

# Eversept Partners

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**This brochure provides information about the qualifications and business practices of Eversept Partners, L.P. (“Eversept”). If you have any questions about the contents of this brochure, please contact Balkir Zihnali at (212) 271-4200 or by email at [bz@eversept.com](mailto:bz@eversept.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

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

**Eversept is registered as an investment adviser with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.**

## **ITEM 2 – MATERIAL CHANGES**

This amendment update to firm brochure (the “Brochure”) amends the Brochure dated March 27, 2019.

Below is a summary and discussion of all material changes from the version that was filed with the SEC on March 27, 2019. In the future, when we amend the Brochure for our annual update, and the amended version contains material changes from the last annual update, we will identify and discuss those changes either on this page or as a separate document accompanying the Brochure. For documentation purposes, we will always provide the date of the last annual update of the Brochure.

Other than the fact that Balkir Zihnali has become the Chief Compliance Officer of Eversept Partners, L.P. in March 2020, no material changes are reflected in this Brochure; however, clients and prospective clients should read this Brochure carefully in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

Eversept Partners, L.P., a Delaware limited partnership (“Eversept”), was founded in September 2015 by Kamran Moghtaderi. Eversept currently provides discretionary investment advisory services, including, but not limited to, managing and directing the investment and reinvestment of assets for the following U.S. and non-U.S. private investment funds:

- Eversept Global Healthcare Fund, L.P., a Delaware limited partnership (the “GHC Master Fund”);
- Eversept Global Healthcare Offshore Fund, Ltd., a Cayman Islands exempted company (the “GHC Offshore Fund”, and together with the GHC Master Fund, the “GHC Funds” or the “GHC Fund”);
- Eversept ELS Master Fund, L.P., a Cayman Islands exempted limited partnership (the “ELS Master Fund” and together with the GHC Master Fund, the “Master Funds” or the “Master Fund”); and
- Eversept ELS Offshore Fund, Ltd., a Cayman Islands exempted company (the “ELS Offshore Fund”, and together with the ELS Master Fund, the “ELS Funds” or the “ELS Fund”).

Eversept also provides non-discretionary investment advisory services to the Chalkstream Insurance Fund Series of the SALI Multi-Series Fund, L.P., Chalkstream Investment Fund, L.P. and Chalkstream Investment Fund (International), Ltd. (collectively, the “Chalkstream Funds”).

An affiliate of Eversept, Eversept GP, LLC (“GP I”), a Delaware limited liability company, acts as the general partner of the GHC Master Fund and Eversept GP II, LLC (“GP II”, together with GP I, the “GPs” or the “GP”), a Delaware limited liability company, acts as the general partner of ELS Master Fund. Kamran Moghtaderi is the managing principal of Eversept, and managing member of GP I and GP II and directly and indirectly owns 100% of these entities.

Each of the GHC Funds and the ELS Funds may be referred to individually in this Brochure as an “Investment Fund” and together as the “Investment Funds”. Each of the Investment Funds and the Chalkstream Funds may be referred to individually in this Brochure as a “Fund” and together as the “Funds”. The terms for each Investment Fund are disclosed in detail in the relevant Investment Fund’s offering documents that are provided to prospective investors prior to investment.

Eversept acts as the investment manager of each Investment Fund and an investment sub-advisor to each Chalkstream Fund. In the future, (i) Eversept or its affiliates may provide discretionary investment advisory services to separately managed accounts (the “Managed Accounts”), (ii) Eversept or its affiliates may act in an investment advisory capacity to certain wholly-owned subsidiaries and trading vehicles of the Investment Funds used to carry out certain investment objectives of the Investment Funds, and (iii) Eversept or its affiliates may provide investment advisory services to other investment funds (all present and future advisory clients of Eversept, including the Funds and the Managed Accounts, the “Advisory Clients”).

As further described in Item 8 below, the primary source of return generation of the Investment Funds comes from investing and trading in a broad array and type of securities and financial instruments, domestic and foreign, publicly traded or privately placed. Additionally, Eversept may allocate certain Funds’ capital to hedging activities designed to preserve capital and mitigate risk. The hedging activities

may involve the Investment Funds owning financial instruments or entering into hedging agreements which may include a wide range of securities, options, futures, swaps and other assets Eversept deems appropriate.

Generally, investors in any of the GHC Funds do not have the ability to individually tailor their investments or impose specific investment restrictions. However, when deemed appropriate, a GHC Fund may create a special class of interests or shares to accommodate a particular investor's or a group of investors' unique investment restrictions.

If Eversept establishes Managed Accounts, the investment objectives, fee arrangements and terms of Managed Accounts are individually negotiated, and any such Managed Account relationships may be subject to significant account minimums.

Eversept does not participate in wrap fee programs.

As of December 31, 2019, Eversept and its affiliates manage approximately \$529 million of Advisory Client assets on a discretionary basis and \$1.9 million of Advisory Client assets on a non-discretionary basis. It should be noted that the assets under management disclosed here has been calculated differently than that of "regulatory assets under management" as disclosed in Eversept's Form ADV Part 1, Item 5.F.

## ITEM 5 – FEES AND COMPENSATION

Unless otherwise provided in the applicable side letters, Eversept is compensated for its advisory services with respect to each Fund as follows:

- **The GHC Funds – Class A/Class F-B:** Eversept receives a management fee, payable quarterly in advance, equal to 0.4375% (1.75% per annum) of the value of each investor's capital account or shares. Eversept also receives an annual incentive allocation or fee equal to 20% of net profits of the GHC Fund subject to the return of any amount in the loss recovery account.
- **The GHC Funds – Class F-A:** Eversept receives a management fee, payable quarterly in advance, equal to 0.3125% (1.25% per annum) of the value of each investor's capital account or shares. Eversept also receives an annual incentive allocation or fee equal to 15% of net profits of the GHC Fund subject to the return of any amount in the loss recovery account.
- **The GHC Funds – Class L-A:** Eversept receives a management fee, payable monthly in advance, equal to 0.0833% (1.00% per annum) of the value of each investor's capital account or shares. Eversept also receives an annual incentive allocation or fee equal to 20% of net profits of the GHC Fund subject to a hurdle and the return of any amount in the loss recovery account.
- **The GHC Funds – Class S/Class L-S:** Individually negotiated.
- **The ELS Funds** – Individually negotiated.

Eversept or its affiliates deduct fees from the GHC Funds' assets. The management fee is generally paid to Eversept from the GHC Funds either quarterly or monthly in advance (adjusted for subscriptions during the calendar quarter). In the event of a mid-month or mid-quarter withdrawal/redemption, Eversept or its affiliates will not refund management fees for that month/quarter. The incentive allocation or fee, as applicable, is generally allocated or paid to Eversept, its affiliates or designated person(s) at the end of each fiscal year (adjusted for any withdrawals or redemptions during the year).

Eversept's fees with respect to the GHC Funds are generally not negotiable. Notwithstanding the foregoing, Eversept has elected to offer reduced fees to certain investors in one or more GHC Funds.

In addition to the management fee and incentive allocation or fee described above, each GHC Fund shall bear its own expenses. Such expenses vary by GHC Fund, but generally include the following (note, however, that this is not a complete list of expenses): (A) all operating expenses of the GHC Fund such as tax preparation fees, governmental fees and taxes, insurance, administrator fees, advisory committee member fees, communications with investors, and ongoing legal, compliance costs of the GHC Fund (including, without limitation, expenses relating to preparation of regulatory filings (such as Schedule 13Gs, Schedule 13Ds, Form PF and Form D) and of third-party compliance consultants to assist with such filings), accounting, auditing, bookkeeping, consulting and other professional fees and expenses; (B) all GHC Fund trading and investment related costs and expenses (e.g. brokerage commissions, margin interest, expenses related to short sales, custodial fees and clearing and settlement charges) and research related expenses including: travel; airfare; car rental; taxi fare; hotel accommodations and meals; market or other data; news and quotation equipment; conferences; subscriptions to publications; consultants; legal; investment research, broker research, and other research related costs and services; (C) all fees to protect or preserve any investment held by the GHC Fund, as determined in good faith by GP I or its

delegate; (D) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against the GHC Fund; and (E) extraordinary expenses. An investor in a GHC Fund may be bearing expenses (including litigation expenses) incurred by the GHC Fund relating to investment(s) that such investor has not participated in. To the extent that expenses to be borne by a GHC Fund are paid by Eversept or GP I, the relevant GHC Fund will reimburse that party for such expenses. Refer to Item 12 – Brokerage Practices for further information relating to trading and investment related costs and expenses.

**It is critical that investors refer to the relevant GHC Fund’s offering documents for a complete understanding of how Eversept is compensated for its advisory services. The information contained in this Item 5 is a summary only and is qualified in its entirety by the relevant GHC Fund’s offering documents.**

## **ITEM 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described in Item 5 above, Eversept or Eversept's affiliates or designated person(s) receive performance-based compensation in the form of an incentive allocation or fee. It should be noted that the possibility that Eversept, its affiliates or designated person(s) could receive performance-based compensation creates a potential conflict of interest in that it may create an incentive for Eversept to effectuate larger and more risky transactions than would be the case in the absence of such form of compensation.

If Eversept provides investment advisory services to the Funds and other Advisory Clients which provide Eversept with varying levels of compensation, there is a potential conflict of interest related to managing accounts that provide Eversept with performance-based fees alongside accounts that charge lower or no performance-based fees. In order to address this potential conflict, Eversept will generally make allocation decisions based upon the best interests of all Funds on a fair and equitable basis consistent with Eversept's fiduciary obligations.



## ITEM 7 – TYPES OF CLIENTS

Eversept provides investment advisory services to the Advisory Clients. The minimum capital contributions or account balances in the Advisory Clients are as follows:

- **The GHC Funds – Class A/Class F-A/Class F-B/Class L-A/Class L-S/Class S:** \$5 million initial capital contribution and \$1 million additional capital contribution, each subject to the sole discretion of GP I or the GHC Fund board to accept lower amounts. Additionally, GP I may disallow the partial withdrawal of capital by any investor, if as a result of, or prior to, such withdrawal, the aggregate balance of such investor's capital account(s) would be less than \$100,000.
- **The ELS Funds** – Individually negotiated.

## ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

*All references to the GHC Fund in this Item 8 may include one or more other Funds, to the extent applicable based on the investment mandate of such other Fund.*

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

The GHC Fund was organized for the purpose of investing and trading in a broad array and type of securities and financial instruments, domestic and foreign, publicly traded or privately placed, including, but not limited to, common and preferred stocks, bonds and other debt securities, convertible securities, limited partnership interests, mutual fund shares, options, warrants, commodities, futures, derivatives (including swaps, forward contracts and structured instruments), currencies, monetary instruments and cash and cash equivalents. Eversept is eligible to trade a limited amount of commodities or financial futures on behalf of the GHC Fund under a provision in Rules adopted by the CFTC pursuant to the Commodity Exchange Act (“CEA”) that provides an exemption from registration as a commodity pool operator and commodity trading adviser.

The following is a general description of the principal types of securities in which the GHC Fund may invest, certain trading techniques that it may employ, the investment criteria that it plans to apply, and the guidelines that it has established with respect to the composition of its investment portfolio. The following description is merely a summary and an investor should not assume that any descriptions of the specific activities in which the GHC Fund may engage are intended in any way to limit the types of investment activities which the GHC Fund may undertake or the allocation of Fund capital among such investments. Eversept reserves the right to alter any GHC Fund investment policy or strategy as deemed appropriate from time to time in its discretion without obtaining investor approval. However, Eversept will notify investors prior to any material alteration of the GHC Fund’s investment policy or strategy.

The GHC Fund’s investment objective is to seek positive absolute returns primarily through a combination of long investment positions and short selling to achieve capital appreciation, while also attempting to preserve capital and mitigate risk through diversification of portfolio investments and hedging activities. No assurance can be given, however, that the GHC Fund will achieve its objective, and investment results may vary substantially over time and from period to period.

*Overview* - Eversept anticipates that most of the GHC Fund’s assets will be invested on a global basis in publicly traded equity securities. In addition, Eversept has a long-term investment horizon and believes this to be a key source of investment “edge.” Furthermore, particularly on the long side, Eversept intends to concentrate investments in their highest conviction ideas. As a result, a significant portion of the GHC Fund’s assets may be invested in securities of a limited number of issuers and the GHC Fund’s investments may experience significant volatility. The GHC Fund will focus the majority of its research efforts towards investments related to the healthcare and life sciences industries, but it will opportunistically participate in other sectors. In carrying out the GHC Fund’s investment objective Eversept focuses on long and short positions which Eversept has a reasonable expectation will produce positive returns. The GHC Fund’s long position purchases are typically securities that Eversept believes to be undervalued or which Eversept believes will increase in value for any other reason, and the GHC Fund’s short position purchases are typically securities that Eversept believes to be overvalued or which Eversept believes will decrease in value for any other reason.

Additionally, Eversept might use long or short trading strategies to generate profits from irrational market behavior or short-term valuation anomalies. Consistent with Eversept’s investment philosophy, the GHC Fund is not constrained by diversification requirements or any other limitations as to the types of securities, other investment instruments, industries, sectors, countries or asset classes that may be invested in by the GHC Fund. The GHC Fund’s investment strategy may also include exchange traded funds,

bonds, convertible securities, contingent value rights, options, event-driven investments, private placements and the use of leverage.

Eversept's investment philosophy is based upon having a long-term focus, concentrating capital behind the strongest ideas and capitalizing on investment ideas ahead of the broader market. Kamran Moghtaderi (the "Portfolio Manager") has nearly a decade and a half of experience investing in healthcare on a global basis in both developed and emerging markets across all capitalization spectra.

Long positions – Eversept takes into consideration and weighs, among other characteristics, an array of stock-specific and economic factors prior to making an investment. Stock-specific factors – In selecting a company as an investment candidate, Eversept will employ a detailed fundamental analysis coupled with behavioral analysis of investor reaction to a stock price, prior to making an investment.

Shorting – Eversept also intends to sell short individual securities as a means of attempting to reduce risk and increase performance. In similar fashion to taking long positions, Eversept takes into consideration and weighs, among other characteristics, an array of stock-specific and economic factors prior to selling short an individual security. Eversept believes that by focusing on specific companies that are experiencing any one or more of these elements, Eversept should be able to identify profitable short sale candidates in most market environments.

Strategies and Diversification – Although the strategy and asset allocation utilized by the GHC Fund is primarily centered on publicly traded equities on a global basis, Eversept will remain flexible in its investment approach in order to place the GHC Fund in the best position to capitalize on opportunities in the financial markets. Eversept may employ other strategies and may take advantage of opportunities in diverse asset classes if they meet Eversept's standards of investment merit. Accordingly and consistent with Eversept's approach, there are no fixed diversification requirements or other limitations as to the types of securities or other instruments, industries, sectors, countries or asset classes that the GHC Fund may invest in. Furthermore, Eversept might find a set of investments that it believes to be so compelling in their reward versus risk profile that it may concentrate the GHC Fund's investment portfolio in a small number of such investments.

Illiquid Investments - From time to time Eversept may make investments in one or more of the following: (i) privately offered securities and other similarly illiquid securities that, in the sole opinion of Eversept, are subject to regulatory, contractual or other restrictions on disposition; (ii) structured products and over-the-counter derivative transactions that, in the sole opinion of Eversept, cannot be replicated by other securities available in the market, thereby making it (in each case) difficult or impossible to value accurately such securities, products or transactions; (iii) investments that are illiquid due to regulatory action, bankruptcy or insolvency of an issuer or counterparty, or otherwise and/or (iv) other investments that GP I, in consultation with Eversept, determines would be in the best interests of the investors not to include in the Net Asset Values of their capital account(s), including, but not limited to, convertible securities and contingent value rights (each such security, product, transaction or investment is referred to herein as a "Illiquid Investment"). Eversept, in its sole discretion, shall determine whether an investment should be categorized as a Illiquid Investment regardless of whether such investment otherwise falls within one of the categories noted above.

The GHC Fund, in the discretion of the GP, may invest in or hold Illiquid Investments through separate or wholly-owned limited liability companies, limited partnerships, liquidating trusts or special purpose vehicles. Furthermore, the GHC Fund may create a separate class of Interests with respect to an Illiquid Investment, in which event (i) the GHC Fund will invest in such Illiquid Investment only with assets attributable to investors who have specifically elected to participate in such Illiquid Investment and (ii) an investment in such Illiquid Investment by the GHC Fund will be subject to such additional terms (including the deduction of management fees and the allocation of the performance allocation) as provided in the Illiquid Investments Supplement to the GHC Fund's offering memorandum applicable to such Illiquid Investment.

Additional information regarding other features of the GHC Fund's investment program is set forth below.

Macro Trades – From time to time, Eversept may use commodities, futures, currencies or other instruments to express a macro view with respect to global economic issues or for hedging purposes. Such positions will represent a small portion of the GHC Fund's overall portfolio.

Event-Driven and Special Situation Investments – Investments in the healthcare sector may be particularly prone to having their price affected by company specific events, including clinical trial outcomes, regulatory decisions, product launches, and product liability lawsuits. Eversept closely follows events such as these and may make investment decisions based upon anticipated outcomes. In addition, the GHC Fund may invest in companies based on the occurrence or non-occurrence of other situations or events, including (but not limited to) spin-offs, mergers and acquisitions, rights offerings, restructurings and bankruptcies. Eversept believes that many such special situations and events carry a high probability of indiscriminate selling or neglect of valuable assets for reasons other than a lack of investment merits.

Occasionally, the GHC Fund may engage in risk arbitrage transactions that Eversept believes represent a favorable risk/reward opportunity. Risk arbitrage opportunities generally arise during corporate mergers, leveraged buyouts or takeovers. Frequently, the stock of the company being acquired will trade at a significant discount to the announced deal price. This discount compensates investors for the time value of money and the risk that the transaction may be canceled. If the discount is significantly greater than Eversept's assessment of the underlying risk, the strategy will be implemented. As with options and fixed income securities, Eversept intends to use event-driven investments as a tactical, opportunistic strategy and not as part of the GHC Fund's primary investment strategy.

Options and Other Derivative Securities – Eversept utilizes derivative securities, primarily options. Eversept may purchase and write put and call options that are traded on national securities exchanges or over-the-counter markets, as well as on electronic communications networks. Options can be used in many ways such as to increase market exposure (i.e., for purposes of leverage), to reduce overall market exposure (i.e., for hedging purposes), to increase the portfolio's current income, or to reduce the cost basis of a new position. The GHC Fund may also utilize certain options, such as various types of index or "market basket" options (both long and short), in an effort to hedge against certain market related risks, as Eversept deems appropriate. Eversept believes that the use of options and other derivatives may help reduce risk and enhance investment performance.

Fixed Income Securities – Eversept may invest in fixed income securities (bonds) as part of the strategic operations of the GHC Fund. Eversept may take advantage of special investment opportunities in the high yield and convertible segments of the fixed income market. Eversept may also seek opportunities in government issued fixed-income securities as deemed appropriate.

Private Placements – In addition to investing in publicly traded common equities, the GHC Fund may invest in privately placed unregistered securities that do not have a readily ascertainable market value or other illiquid securities which may be valued but are not freely transferable (such privately placed and illiquid securities, collectively, "Illiquid Securities").

Leverage – The GHC Fund may increase its use of leverage by various means, which may include: increasing the number and extent of its "long" positions by borrowing (e.g., by purchasing securities on margin) and entering into short sales. Moreover, the amount of any borrowing used to create leverage by the GHC Fund may also be limited by regulations imposed by the Federal Reserve Board and by the availability and cost of credit. Eversept does not anticipate that the GHC Fund will incur indebtedness in connection with its operations, other than interest on margin debts or deposits with respect to securities positions.

Other Investments – Eversept may also invest some of the GHC Fund's assets in short-term United States Government obligations, certificates of deposit, commercial paper and other money market instruments, including repurchase agreements with respect to such obligations, to enable the GHC Fund to make investments quickly and to serve as collateral with respect to certain of its investments. If Eversept

believes that a defensive position is appropriate because of expected economic or business conditions or the outlook for security prices, or Eversept determines that opportunities for investing are unattractive, then a greater percentage of Fund assets may be invested in such obligations. The GHC Fund may also engage in securities lending activities. From time to time, in the sole discretion of Eversept, cash balances in the GHC Fund's brokerage account may be placed in a money market fund.

Set forth below is a review of investment processes that Eversept may employ in carrying out its investment strategy. This review is not comprehensive and the investment processes employed by Eversept may change and evolve as new and existing processes are developed.

*Quantitative and Qualitative Screens* – Eversept employs quantitative and qualitative screens to identify potential long investments and short sale ideas for the GHC Fund's portfolio. Quantitative screens are used to focus on and identify valuation, operating trends and technical factors of an underlying security, its industry and competitors. Eversept tends to utilize independent resources for quantitative screens, such as Bloomberg. Qualitative screens are used to identify security-specific opportunities based on sector trends, supply chains, competitors, and geographic anomalies (finding trends in a particular market that will carry over into other markets). Eversept's primary sources for qualitative screens include: company visits; a network of industry contacts developed through years in the global investment management business; independent industry specialists and consultants; local and global brokers with a niche expertise; industry conferences; investment conferences; internal research; scientific and medical journals; trade and financial publications; and newspapers and other periodicals.

*Identifying and Evaluating Investments* – In general, Eversept conducts research to identify and evaluate potential investments for the GHC Fund. Eversept intends to utilize a fundamental bottom-up investment research process to analyze companies on an individual basis. Eversept will also consider industry and sector themes utilizing the scientific and clinical literature. Company-specific analyses include the review of public filings and relevant research analyst reports. Particular attention is paid to changing industry structures and the relative competitive positioning of the company being researched relative to the anticipated industry changes. In addition, Eversept's fundamental research will focus on many factors, such as, a company's balance sheet, cash position, product offering, bargaining power with customers and suppliers, its valuation relative to its growth and to that of its industry, the historical trading patterns of the company's securities, and forecasts and projections for the relevant industry group. In addition to the previously cited fundamental research criteria, stock price valuation will be assessed from a variety of perspectives, including sales and earnings history and outlook, historical and estimated cash flows, historical and projected earnings growth, comparison with competing and related companies and investor expectations.

*Relationship with Portfolio Companies* – Although Eversept does not anticipate taking an active role in the affairs of the companies in which the GHC Fund has a position, it will be the policy of the GHC Fund to take such steps as are necessary to advance its economic interests. Eversept reserves the option to accept a role on the board of directors of, or any formal or informal advisory position with, any portfolio company in which the GHC Fund holds securities.

*Portfolio Evaluation* – Once an investment opportunity is determined to be attractive, Eversept will evaluate the effect of adding that investment to the GHC Fund's portfolio. Eversept will seek to understand risks and relationships between the various investments within the portfolio. Eversept will monitor the GHC Fund's positions to ensure that the investment thesis behind each is intact. Eversept will also conduct on-going monitoring of investment positions relative to the aggregate portfolio in order to manage overall portfolio risk and to capitalize on trading opportunities.

*Development and Risks of Eversept's Trading Strategy* – The development of a trading strategy is a continuous and evolving process, and the GHC Fund's trading strategy and methods may be modified from time to time. The GHC Fund's trading methods are confidential, and descriptions of them in the GHC Fund's offering memorandum are general in nature. The GHC Fund's trading strategies may differ from those used by Eversept and its affiliates with respect to other accounts they manage. Trading

decisions require the exercise of judgment by Eversept. Eversept may, at times, decide not to make certain trades, thereby foregoing participation in price movements which would have yielded profits or avoided losses. Investors cannot be assured that the strategies or methods utilized by Eversept will result in profitable trading for the GHC Fund.

**The GHC Fund's investment program entails substantial risks and there can be no assurance that its investment objectives will be achieved. The practices of options and derivatives trading, short selling, use of leverage and other investment techniques employed by the GHC Fund can, in certain circumstances, maximize the adverse impact to which the GHC Fund's investment portfolio may be subject.**

### **Risk of Loss**

Operating History. Although the Portfolio Manager has nearly a decade and a half of experience investing in healthcare on a global basis in both developed and emerging markets, and across all capitalization spectra, prior to the Eversept, the Portfolio Manager has not exercised exclusive control over the day-to-day management of an investment management company until the formation of Eversept. Although the GHC Fund has been operating since 2011, the past investment performance of the GHC Fund should not be construed as an indication of the future results of an investment in the GHC Fund. The GHC Fund's investment program should be evaluated on the basis that there can be no assurance that the Portfolio Manager's assessment of the short-term or long-term prospects of investments will prove accurate or that the GHC Fund will achieve its investment objective.

Dependence Upon Eversept and the Portfolio Manager. The GHC Fund's success will depend on the management of Eversept and on the skill and acumen of the Portfolio Manager. If the Portfolio Manager should die, become incompetent or disabled or otherwise cease to participate in the GHC Fund's business, the GHC Fund's ability to select attractive investments and manage its portfolio could be severely impaired.

An investor should be aware that the investor will have no right to participate in the management of the GHC Fund, and the investor will have no opportunity to select or evaluate any of the GHC Fund's investments or strategies. Accordingly, the investor should not invest in the GHC Fund unless the investor is willing to entrust all aspects of the management of the GHC Fund and its investments to the discretion of Eversept.

Limited Liquidity of Interests/Shares. An investment in the GHC Fund involves substantial restrictions on liquidity and its interests/shares are not freely transferable. There is no market for the interests/shares in the GHC Fund, and no market is expected to develop. Additionally, transfers are subject to the consent of the GP, which consent may be granted or withheld in the GP's sole discretion. Consequently, investors will be unable to redeem or liquidate their interests/shares except by withdrawing from the GHC Fund in accordance with the governing document of the GHC Fund (the "Fund Governing Document"). Investors may be unable to liquidate their investment promptly in the event of an emergency or for any other reason. Although an investor may attempt to increase its liquidity by borrowing from a bank or other institution, interests/shares in the GHC Fund may not readily be accepted as collateral for a loan. In addition, the transfer of interests/shares as collateral or otherwise to achieve liquidity may result in adverse tax consequences to the transferor.

If a portion of the GHC Fund's assets are invested in illiquid investments, including securities, obligations, and other instruments and assets for which no market exists and/or which are restricted as to their transferability under federal or state securities laws, the GHC Fund may take longer to liquidate these positions than would be the case for publicly traded investments because of the absence of any trading market for these investments. Although these investments may be resold in privately negotiated transactions, the prices realized on these sales could be less than those originally paid by the GHC Fund.

Further, companies whose securities are not publicly traded may not be subject to public disclosure and other investor protection requirements applicable to publicly traded securities.

**In-Kind Distributions; Liquidating SPVs.** The GHC Fund anticipates that all distributions to investors will be made in cash, but there can be no assurance that the GHC Fund will have sufficient cash to satisfy withdrawal requests. The GHC Fund may make distributions in kind in the sole discretion of GP I and without notifying non-affected investors, including without limitation, due to the inability to liquidate investments during a timeframe which would provide adequate funds to pay requested withdrawals. In-kind distributions may be comprised of, among other things, interests in special purpose vehicles or trading vehicles (each, a “Liquidating SPV”) holding investments that were held or are being held by the GHC Fund, or participations or other derivatives instruments referring to such investments held by the GHC Fund.

If the GHC Fund makes an in-kind distribution to a withdrawing investor then, unless otherwise determined by GP I in its sole discretion, such withdrawing investor will receive interests in a Liquidating SPV or other asset, the value of which will reflect such withdrawing investor’s share of the net asset value of the applicable investment on the relevant withdrawal date.

A distribution in respect of a withdrawal may be made in cash or in-kind, or any combination thereof, as determined by GP I, in its sole discretion. The GP will determine the percentage of any distribution to be made in cash and the percentage to be made in-kind, as well as the particular investments, if any, to be distributed. Unless otherwise determined by GP I in its sole discretion, distributions that are made in-kind will, to the extent practicable, not be disproportionately allocated to any investor. However, a prior or contemporaneous in-kind distribution to some investors will not affect the GHC Fund’s right to distribute cash to the same or other investors.

The GP expects that, in the event that the GHC Fund utilizes a Liquidating SPV to facilitate in-kind distributions, Eversept would manage such Liquidating SPV with the intention of distributing the net proceeds attributable to the investments held by such Liquidating SPV as they are liquidated. The Liquidating SPV would not make new investments.

Investments distributed in kind may be illiquid or difficult to value, may not be readily marketable or salable and may have to be held by such investor for an indefinite period of time. Such investments will continue to be subject to market conditions and may fluctuate in value following the relevant withdrawal date. There can be no assurance that the withdrawing investor will be able to liquidate such investments at a value equal to or greater than the value of the investments determined as of the relevant withdrawal date. The risk of loss and delay in liquidating these investments will be borne by the investor, with the result that such withdrawing investor may ultimately receive significantly less cash than it would have received following the withdrawal date if it had been paid in cash. Furthermore, to the extent that a withdrawing investor receives interests in a Liquidating SPV, such withdrawing investor will generally have no voting rights or any control over when and at what price the investments in such Liquidating SPV are sold.

**Lack of Registration.** The interests/shares in the GHC Fund have neither been registered under the Securities Act of 1933, as amended (the “Securities Act”) nor under the securities or “blue sky” laws of any state and, therefore, are subject to transfer restrictions. In connection with an investor’s purchase of an interest/shares, the investor must represent that the investor is purchasing the interest/shares for investment purposes only and not with a view toward resale or distribution. Neither the GHC Fund nor GP I has any plans nor have they assumed any obligation to register these interests/shares in the GHC Fund. Accordingly, the interests/shares in the GHC Fund may not be transferred without an opinion of counsel to the GHC Fund that the transfer will not involve a violation of the registration requirements of the Securities Act. Ordinarily, this means that transfers will be restricted to instances of death, gift, or passage by operation of law. These restrictions on transfer are in addition to those found in the GHC Fund Governing Document.

**Withdrawal of Capital.** An investor’s right to withdraw funds from the GHC Fund is subject to important limitations.

Substantial withdrawals by investors within a short period of time could require the GHC Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of the GHC Fund's assets and/or disrupting the GHC Fund's investment strategy. Reduction in the size of the GHC Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in the GHC Fund's ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

Limitations on Withdrawals. The GHC Fund may suspend or postpone withdrawals from capital accounts or the payment of any withdrawals (i) during the existence of any state of affairs which, in the opinion of GP I, makes the disposition of the GHC Fund's investments impractical or prejudicial to the investors, or where such state of affairs, in the opinion of GP I, makes the determination of the price or value of the GHC Fund's investments impractical or prejudicial to the investors; (ii) where any withdrawals or distributions, in the opinion of GP I, would result in the violation of any applicable law or regulation; or (iii) for such other reasons or for such other periods as GP I may in good faith determine.

An investor seeking to make a full withdrawal from its capital account (excluding the portion of the investor's capital account attributable to Illiquid Investments) (the "Liquid Capital Account") may be subject to investor-level gate or maximum withdrawal amount.

All amounts not withdrawn as of a withdrawal date by virtue of restrictions imposed by the investor-level gate shall remain invested in, and therefore will remain at risk in the GHC Fund.

Withdrawals, Resignation and Transfers by GP I. Subject to prior notice, GP I may withdraw all or any of the value in GP I's capital account from the Master Fund on any withdrawal date, without the consent of or notice to any of the investors. The GP may resign at any time upon prior notice to the investors. Upon such resignation of GP I, or upon its bankruptcy or dissolution, the remaining investors have the right to appoint a substitute general partner, otherwise the Master Fund shall be dissolved. The GP may appoint additional general partners and to transfer its general partner interest to an affiliate without the consent of investors.

Right to Dissolve the GHC Fund or Expel Investors. The GP or the board of directors of the Offshore Fund (the "Board"), as applicable, has the right to dissolve the GHC Fund at any time upon 30 days' notice to the investors. Accordingly, there is a risk that if the GHC Fund's assets become depleted and, as a result, the management fee and performance allocation become minimal, the GP or the Board, as applicable, may elect to dissolve the GHC Fund and distribute its remaining assets. The GP or the Board also has the right to expel an investor at any time, with or without cause, upon 5 days' notice. Such mandatory withdrawal or expulsion could result in adverse tax and/or economic consequences to such investor. No person will have any obligation to reimburse any portion of an investor's losses -- upon dissolution, expulsion, withdrawal or otherwise. Furthermore, if the Portfolio Manager were to die or become permanently disabled, the GHC Fund would suspend withdrawals, begin an orderly wind-down procedure, and liquidate.

Operating Deficits. The expenses of operating the GHC Fund (including the management fee) may exceed its income, thereby requiring that the difference be paid out of the GHC Fund's capital, reducing the GHC Fund's investments and potential its profitability.

No Distributions. The GHC Fund does not intend to make distributions to the investors, but intends instead to reinvest substantially all Fund income and gain, if any. Cash that might otherwise be available for distribution will also be reduced by payment of Fund obligations, payment of Fund expenses (including fees payable and expense reimbursements to GP I and/or Eversept) and establishment of appropriate reserves. As a result, if the GHC Fund is profitable, investors in all likelihood will be credited with Fund net income, and will incur the consequent income tax liability (to the extent that they are subject to income tax), even though investors receive little or no Fund distributions.

Investment Expenses. The investment expenses (e.g., expenses related to the investment and custody of the GHC Fund's assets, such as brokerage commissions, custodial fees and other trading and investment charges and fees) as well as other Fund fees (e.g., management fees and operating expenses) may, in the



aggregate, constitute a high percentage relative to other investment entities. The GHC Fund will bear these costs regardless of its profitability.

**Substantial Fees and Expenses; Incentive Compensation.** Eversept receives an annual management fee and GP I receives a performance based performance allocation. In addition, the GHC Fund pays all legal, regulatory, filing and accounting expenses, transaction fees and other related expenses. The expenses to which the GHC Fund will be subject could be substantial and will dilute returns realized by investors. Moreover, the performance allocation may provide an incentive for GP I to cause the GHC Fund to make more speculative, higher risk investments than would be the case in the absence of such arrangements.

**Broad Discretionary Power to Choose Investments and Strategies.** While the GHC Fund's strategies focus primarily on the healthcare sector, Eversept has discretion to make investments in other sectors. The GHC Fund Governing Document gives GP I broad discretionary power to decide what investments the GHC Fund will make and what strategies it will use. The GP has delegated such discretionary power to Eversept under the investment management agreement, subject to GP I's supervision. While Eversept currently intends to use the strategies described in the offering memorandum of the GHC Fund, it is not obligated to do so, and it may choose any other investments and strategies that it believes are advisable.

**No Participation in Management.** The investors have no right to take part in the conduct or control of the business of the GHC Fund. In connection with the management of the GHC Fund's business, GP I, Eversept and their principals will devote only such time to Fund matters as they, in their sole discretion, deem appropriate.

**Limitation of Liability and Indemnification of GP I and Eversept.** Under the Partnership Act, a general partner is accountable to the limited partners as a fiduciary and, consequently, is required to exercise good faith and integrity in handling partnership affairs. The GHC Fund Governing Document provides that GP I and Eversept shall be indemnified against, and shall not be liable for, any loss or liability incurred in connection with the affairs of the GHC Fund, so long as such loss or liability arose from acts performed in good faith and not involving gross negligence or willful misconduct. Therefore, an investor may have a more limited right of action against GP I or Eversept than an investor would have had absent these provisions in the GHC Fund Governing Document. It is the policy of the United States Securities and Exchange Commission that indemnification for violations of securities laws is against public policy and therefore unenforceable.

**No Minimum Capitalization.** No minimum level of capital is required to be maintained by the GHC Fund. As a result of losses or withdrawals, the GHC Fund may not have sufficient capital to diversify its investments to the extent desired or currently contemplated by GP I.

**No Minimum Size of Fund.** The GHC Fund may begin operations without attaining any particular level of capitalization. At low asset levels, the GHC Fund may be unable to make its investments as fully as would otherwise be desirable or to take advantage of potential economies of scale, including the ability to obtain the most timely and valuable research and trading information from securities brokers. It is possible that even if the GHC Fund operates for a period with substantial capital, investors' withdrawals could diminish the GHC Fund's assets to a level that does not permit the most efficient and effective implementation of the GHC Fund's investment program.

**Liability of an Investor for the Return of Capital Contributions.** If the GHC Fund should become insolvent, the investors may be required to return any property distributed to them at the time the GHC Fund was insolvent, and forfeit their capital account.

**Lack of Insurance.** The assets of the GHC Fund are not insured by any government or private insurer except to the extent portions may be deposited in bank accounts insured by the United States Federal Deposit Insurance Corporation or with brokers insured by the United States Securities Investor Protection Corporation and such deposits and securities are subject to such insurance coverage (which, in any event, is limited in amount). Therefore, in the event of the insolvency of a depository or custodian, the GHC Fund may be unable to recover all of its funds or the value of its securities so deposited and neither GP I, Eversept nor the Portfolio Manager will be liable for such unrecovered funds and/or securities.

Classes and Side Letters. The GHC Fund has the authority to create new classes of interests/shares and enter into letter agreements or other similar agreements (collectively, "Side Letters") with one or more investors which provide such investors with additional and/or different rights (including, without limitation, with respect to access to information, management fees, incentive allocations, minimum investment amounts, investment portfolios, and liquidity terms) than other investors. As a result, should the GHC Fund experience a decline in performance over a period of time, an investor that is party to a Side Letter that permits less notice and/or different withdrawal times may be able to withdraw interests/shares prior to other investors. The GHC Fund will not be required to notify any or all of the other investors of any such classes or Side Letters or any of the rights and/or terms or provisions thereof, nor will the GHC Fund be required to offer such additional and/or different rights and/or terms to any or all of the other investors. Investors will have no recourse against the GHC Fund, GP I, Eversept and/or any of their affiliates in the event that certain investors receive additional and/or different rights and/or terms as a result of such Side Letters.

Cross-Portfolio or Cross-Class Liability and Associated Conflicts. The GHC Fund may allocate profits and losses attributable to a certain type of investments or transactions to a particular investor or investors. By way of example, GP I may offer other classes of interests whose capital is allocated only to a particular portion of the GHC Fund's overall portfolio, and may invest such capital on a *pari passu* basis with investments made on behalf of other investors.

While each investment made by an investor, regardless of class, represents a separate capital account and will be maintained with separate accounting records, the GHC Fund is one legal entity. Thus, all assets held by the GHC Fund will be subject to potential claims relating to liabilities of the GHC Fund, even if the liability relates to a particular type of investment in the GHC Fund's portfolio and/or a particular class of the GHC Fund in which not all investors participate. In practice, such cross-portfolio or cross-class liability will usually only arise where the capital accounts of investors having an interest in the assets to which such liabilities relate, become insolvent, exhausted or otherwise unable to meet all such liabilities.

To the extent that an investor participates solely in a certain portion of the GHC Fund's portfolio, such investor's investment in the GHC Fund may be subject to greater or different risks than the investments of other investors, due to, among other reasons, geographic concentration of investments, differing degrees of diversification, greater use of borrowing and margin financing or a greater percentage exposure to certain instruments, including derivatives and other instruments with imbedded leverage.

Cybersecurity, Security Breaches and Disruptions. In the ordinary course of business, the GHC Fund, Eversept, the General Partner and their service providers collect and store, on such parties' networks and/or on the networks of their third party vendors, sensitive data including the intellectual property, trading data and personally identifiable information of the investors. The secure processing, maintenance and transmission of this information is critical to the GHC Fund's operations. Eversept has procedures and systems in place that it believes are reasonably designed to protect such information and prevent data loss and security breaches. However, such measures cannot provide absolute security. The techniques used to obtain unauthorized access to data, disable or degrade service, or sabotage systems change frequently and may be difficult to detect for long periods of time resulting in the information stored therein being accessed, publicly disclosed, lost and/or stolen. Hardware or software acquired from third parties may contain defects in design or manufacture or other problems that could unexpectedly compromise information security. Network connected services provided by third parties to Eversept may be susceptible to compromise, leading to a breach of Eversept's network. Eversept's systems or facilities may be susceptible to attacks by hackers and/or breaches as a result of employee error or malfeasance, government surveillance, or other security threats and technological disruptions. On-line services provided by Eversept to the investors may also be susceptible to compromise. Breach of Eversept's information systems may cause information relating to the transactions of the GHC Fund and personally identifiable information of the investors to be lost or improperly accessed, used or disclosed.

The service providers of Eversept and the GHC Fund are subject to the same electronic information security threats as Eversept. If a service provider fails to adopt or adhere to adequate data security

policies, or in the event of a breach of its networks, information relating to the transactions of the GHC Fund and personally identifiable information of the investors may be lost or improperly accessed, used or disclosed.

The loss or improper access, use or disclosure of Eversept's or the GHC Fund's proprietary information may have legal ramifications (including legal claims or proceedings, liability under laws that protect the privacy of personal information and regulatory penalties under federal and/or state securities laws) and may result in the disclosure or misuse of confidential information concerning the investors, cause financial loss, the disruption of its business, liability to third parties, regulatory intervention or reputational harm to the General Partner, Eversept and/or the GHC Fund and increase their respective costs. Any of the foregoing events could have a material adverse effect on the GHC Fund and the investors' investments therein.

Securities of Healthcare-Related Companies; Concentration of Investments. The GHC Fund will invest primarily in companies engaged in the healthcare industry. Investment in the healthcare industry has its unique set of risks, including, but not limited to, risks associated with technical complexity, highly binary outcomes, regulatory scrutiny and clinical trial risks and any combination thereof. As a consequence the GHC Fund's results will be more affected by industry specific events and trends than would be the case with a more diversified fund that invested across a variety of industries or sectors. Despite the GHC Fund's long and short approach to investing, the GHC Fund will likely be affected by directional movements of the healthcare sector. 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 generally 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. Government action is unpredictable and often inconsistent, increasing the risks associated with this process. 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 or reduce the price charged for the product, resulting in lower profits for the original developer. Also, 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.

In addition, the GHC Fund may invest in companies that are engaged in regulatory processes or are conducting clinical trials for potentially important products. In the event that the trials are unsuccessful or the entity is unable to comply with regulatory requirements or is unsuccessful in the regulatory process, the value of the relevant entity may decline significantly causing losses to the GHC Fund. Conversely, a short position could rise significantly, if, despite expectations, the company achieves significant success in such regulatory processes. In addition, certain of the entities in which the GHC Fund invests may have one or more streams of royalty payments. Failure to collect those payments or the discontinuation of payments may cause losses to the GHC Fund.

Recently enacted legislation may significantly impact the profitability of companies operating in the healthcare sector by, among other things, limiting certain procedures eligible for reimbursement, regulating pricing of certain drugs and treatments, regulating reimbursement rates and other similar changes.

In addition to investing primarily in the healthcare industry, the GHC Fund Governing Document does not limit the amount of the GHC Fund's assets that may be invested in a single company, security, sub-sector, region or country. The GHC Fund may also invest outside the healthcare industry. The

concentration of the GHC Fund's portfolio in a small number of issuers would subject the GHC Fund to a greater degree of risk with respect to events adversely affecting such issuers or economic downturns in the healthcare industry as a whole.

The Effect of Healthcare Reform. In addition to historic and well-known regulation of healthcare-related companies, the United States enacted in 2010 a comprehensive set of laws and regulations (the Patient Protection and Affordable Care Act, etc.) that has significant effects (negative or positive) on healthcare-related companies. Among other things, such legislation increased the number of individuals that are expected to be included in the existing private-insurance system; restricted the ability of insurers to deny coverage to individuals with pre-existing conditions; imposed significant new regulations on the operations of healthcare companies in various sub-sectors of the industry; increased tax burdens, regulation and the role of government in setting healthcare policy and made numerous other changes, the effects of which will likely play out over many years. The effect of this legislation on companies in the GHC Fund's portfolios is difficult or impossible to predict, as it represents a significant departure point from historic regulation of companies in this sector, and could have an adverse effect on the GHC Fund's investments or trading positions. The recently enacted healthcare laws and regulations might be repealed in the future and the effect of any subsequent or replacement legislation is unpredictable and unknown and might impair the profitability of the GHC Fund's strategy or the healthcare sector.

Macroeconomic and Other Factors Affecting Healthcare Companies. As is the case for any given portfolio of securities positions, the values of those positions will be determined by a variety of factors: some related specifically to the companies and industries in which investments are made and others being extrinsic to those companies and industries. Healthcare companies at numerous times have been especially subject to such exogenous factors affecting their valuation. For example, large pharmaceutical companies or drug stores, which historically have had relatively stable and reliable series of cash flows, have at times been viewed as "defensive" investments, as those cash flows tend to remain relatively intact even during periods of low or declining economic growth. Thus, in such periods the share prices of those companies may trade at premiums to their fundamental valuations, and, conversely, in periods of robust economic growth, the prices of such companies may decline, even though their business fundamentals may be robust, as investors shift capital away from such "defensive" to more cyclical sectors of the capital markets. Conversely, smaller biotechnology companies, which may, for instance, be experiencing negative cash flow to fund development programs but which may trade based on the promise of future, albeit risky prospects, may thrive in such an economically-robust environment, as investors' appetite for "risky" assets may be correlated with economic expansions of the type that benefit "cyclical" stocks. Other exogenous factors of these types, including levels of interest rates, credit spreads, perceptions of credit market health, sovereign credit risks, tax and regulatory policy and other factors entirely unrelated to the business fundamentals of the healthcare industry – all of which are extremely difficult to analyze and prognosticate – may nonetheless have a material effect on the valuation of the investments held by the GHC Fund.

High Growth Industry-Related Risks. The GHC Fund will have investments in the securities of high growth companies. These securities may be very volatile. In addition, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital or be in the developmental stages of their businesses, have limited ability to protect their rights to certain patents, copyrights, trademarks and other trade secrets, or be otherwise adversely affected by the extremely competitive markets in which many of their competitors operate. A company that has had a high growth rate in the past may trade at a high multiple. If the rate of growth slows the price of the company's stock may suffer a substantial decline.

Hedging Transactions. The GHC Fund may utilize financial instruments such as forward contracts, options and interest rate swaps, caps and floors to seek to hedge against fluctuations in the values of its portfolio positions resulting from changes in currency exchange rates, certain changes in the equity markets and changes in interest rates. Hedging against a decline in the value of portfolio positions does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of such

positions decline, but establishes other positions designed to gain from those same developments, thus moderating the decline in the portfolio positions' value. Such hedging transactions also limit the opportunity for gain if the value of the portfolio positions should increase. Moreover, it may not be possible for the GHC Fund to hedge against a fluctuation at a price sufficient to protect the GHC Fund's assets from the decline in value of the portfolio positions anticipated as a result of such fluctuations. For example, the cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly options on highly volatile securities may be more expensive than options on other securities and of limited utility in hedging against fluctuations in those securities.

Eversept is not obligated to establish hedges for portfolio positions or foreign currency exposure and may choose not to do so. To the extent that hedging transactions are effected, their success is dependent on Eversept's ability to correctly predict movements in the direction of currency and interest rates and the equity markets or sectors thereof and such hedging transactions may cause the GHC Fund to suffer additional losses if Eversept's prediction(s) are inaccurate.

Portfolio Concentration. Because the GHC Fund's investment portfolio will not necessarily be widely diversified, the portfolio may be subject to more, rapid changes in value than would be the case if the GHC Fund were required to maintain a wide diversification among different types of industries, markets, companies and/or securities and other instruments. Losses in one or more large positions in which the GHC Fund is concentrated, could materially adversely affect the GHC Fund's performance in a particular period and could have a material adverse effect on the GHC Fund's overall financial condition. More concentrated positions inherently bring more company-specific risk.

Competition. The securities industry and the varied strategies and techniques to be engaged in by the Portfolio Manager are extremely competitive, with each involving a degree of risk. The GHC Fund will compete with firms, including many of the larger securities and investment banking firms, which have substantially greater financial resources and research staffs.

Market Volatility. The profitability of the GHC Fund substantially depends upon the Portfolio Manager correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities. The Portfolio Manager cannot guarantee that he will be successful in accurately predicting price movements or other external factors that may create volatility.

Fund's Investment Activities. The GHC Fund's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by the Portfolio Manager. Such factors include an array of economic, political, competitive and other conditions (including acts of terrorism or war) which may affect investments in general or specific industries or companies. Securities markets at times may experience increased volatility, which could adversely affect the ability of the GHC Fund to realize profits. Due to the very nature of the GHC Fund's investing activities, it is possible that the GHC Fund's financial performance may fluctuate substantially from period to period.

Accuracy of Public Information. The Portfolio Manager selects investments for the GHC Fund, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to the Portfolio Manager by the issuers or through sources other than the issuers. Although the Portfolio Manager evaluates extensive amounts of information and data and typically seeks independent corroboration when the Portfolio Manager considers it is appropriate and reasonably available, the Portfolio Manager is not in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information is not available. Moreover, fundamental research, coupled with extensive due diligence, may not be sufficient to detect fraud by a portfolio company.

General Economic Risks. General economic conditions of the business and financial condition of the company that issued a particular security may affect the GHC Fund's activities. The GHC Fund's investment activities will involve a variety of risks, including, but not limited to, risks associated with interest rates, default by issuers of securities, yield curve, inflation, liquidity, call options and credit spreads. In addition, general levels of economic activity, the price of securities and participation by other

investors in the financial markets may affect the value and number of investments made by the GHC Fund.

Force Majeure. The GHC Fund's investments may be affected by force majeure events (*i.e.*, events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, outbreaks of an infectious disease, pandemic or any other serious public health concern, war, terrorism, labor strikes, major plant breakdowns, pipeline or electricity line ruptures, failure of technology, defective design and construction, accidents, demographic changes, government macroeconomic policies, social instability, etc.). Some force majeure events may adversely affect the ability of a party (including the GHC Fund a portfolio company or a counterparty to the GHC Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event and/or prompt precautionary government-imposed closures of certain travel and business. In addition, forced events, such as the cessation of the operation of machinery for repair or upgrade, could similarly lead to the unavailability of essential machinery and technologies. These risks could, among other effects, adversely impact the cash flows available from a portfolio company, cause personal injury or loss of life, damage property, or instigate disruptions of service. In addition, the cost to the GHC Fund or a portfolio company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Force majeure events that are incapable of or are too costly to cure may have a permanent adverse effect on the GHC Fund or a portfolio company. Certain force majeure events (such as war or an outbreak of an infectious disease) could create operational difficulties for Eversept, the GHC Fund or a portfolio company, cause the employees of Eversept or a portfolio company to work from home for extended periods and have a broader negative impact on the world economy and international business activity generally, or in any of the countries in which the GHC Fund may invest and the markets the GHC Fund may trade specifically. Additionally, a major governmental intervention into industry, including the nationalization of an industry or the assertion of control over one or more portfolio companies or its assets, could result in a loss to the GHC Fund, including if the investment in such portfolio companies is canceled, unwound or acquired (which could be without adequate compensation). Any of the foregoing may therefore adversely affect the performance of the GHC Fund and its investments.

Material Non-Public Information. By reason of their responsibilities in connection with other activities of Eversept and/or its affiliates, including service as a member of the Board of Directors of a portfolio company and services in a consulting or advisory role to a portfolio company, the Portfolio Manager or other principals or employees of Eversept and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. The GHC Fund will not be free to act upon any such information. Due to these restrictions, the GHC Fund may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.

Investments in Undervalued Securities. The GHC Fund intends to invest in undervalued 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 GHC Fund's investments may not adequately compensate for the business and financial risks assumed. The GHC Fund may make certain speculative investments in securities which the Portfolio Manager believes to be undervalued, however, there are no assurances that the securities purchased will in fact be undervalued. In addition, the GHC Fund 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 GHC Fund's funds would be committed to the securities purchased, thus possibly preventing the GHC Fund from investing in other opportunities.

New Issues. The GHC Fund may invest in securities of companies in initial public offerings of any equity security ("new issues") or shortly thereafter. Special risks associated with these securities may include a limited number of interests available for trading, unseasoned trading, lack of investor

knowledge of the company, and a limited operating history. These factors may contribute to substantial price volatility for the interests of these companies and, thus, the interests/shares in the GHC Fund. The limited number of interests available for trading in some initial public offerings may make it more difficult for the GHC Fund to buy or sell significant amounts of interests without an unfavorable impact on prevailing market prices. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Small Companies. The GHC Fund may invest a portion of its assets in small and/or unseasoned companies with small market capitalizations. While smaller companies generally have potential for rapid growth, they often involve higher risks because they may lack the management experience, financial resources, product diversification, and competitive strength of larger companies. In addition, in many instances, the frequency and volume of their trading may be substantially less than is typical of larger companies. As a result, the securities of smaller companies may be subject to wider price fluctuations. When making large sales, the GHC Fund may have to sell portfolio holdings at discounts from quoted prices or may have to make a series of small sales over an extended period of time due to the lower trading volume of smaller company securities.

Leverage. When deemed appropriate by the Portfolio Manager and subject to applicable regulations, the GHC Fund may use leverage in its investment program, including the use of borrowed funds and investments in certain types of options, such as puts, calls and warrants, which may be purchased for a fraction of the price of the underlying securities while giving the purchaser the full benefit of movement in the market of those underlying securities. While such strategies and techniques increase the opportunity to achieve higher returns on the amounts invested, they also increase the risk of loss. To the extent the GHC Fund purchases securities with borrowed funds, the magnitude of gains and losses associated with such investments will be greater than if borrowed funds were not used. The level of interest rates generally, and the rates at which such funds may be borrowed in particular, could affect the operating results of the GHC Fund. If the interest expense on borrowings were to exceed the net return on the portfolio securities purchased with borrowed funds, the GHC Fund's use of leverage would result in a lower rate of return than if the GHC Fund were not leveraged.

If the amount of borrowings which the GHC Fund may have outstanding at any one time is large in relation to its capital, fluctuations in the market value of the GHC Fund's portfolios will have disproportionately large effects in relation to the GHC Fund's capital and the possibilities for profit and the risk of loss will therefore be increased. Any investment gains made with the additional monies borrowed will generally cause the Net Asset Value of the GHC Fund to rise more rapidly than would otherwise be the case. Conversely, if the investment performance of the additional monies borrowed fails to cover their cost to the GHC Fund, the Net Asset Value of the GHC Fund will generally decline faster than would otherwise be the case.

Certain of the GHC Fund's trading and investment activities may be subject to Federal Reserve Board ("FRB") margin requirements which are computed each day. At present, the FRB's Regulation T permits a broker to lend no more than 50% of the purchase price of "margin stock" bought by a customer. When the market value of a particular open position changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a "margin call" on the customer is made. If the customer does not deposit additional funds with the broker to meet the margin call within a reasonable time, the customer's position may be closed out. In the event of a precipitous drop in the value of the assets managed by the GHC Fund, the GHC Fund might not be able to liquidate assets quickly enough to pay off the margin debt and might suffer mandatory liquidation of positions in a declining market at relatively low prices, incurring substantial losses. With respect to the GHC Fund's trading activities, the GHC Fund, and not the investors personally, will be subject to margin calls.

Overall, the use of leverage, while providing the opportunity for a higher return on investments, also increases the volatility of such investments and the risk of loss. Investors should be aware that an

investment program utilizing leverage is inherently more speculative, with a greater potential for losses, than a program that does not utilize leverage.

Short Sales. The Portfolio Manager intends to sell securities short. Short selling involves the sale of a security that the GHC Fund does not own and must borrow in order to make delivery in the hope of purchasing the same security at a later date at a lower price. In order to make delivery to its purchaser, the GHC Fund must borrow securities from a third party lender. The GHC Fund subsequently returns the borrowed securities to the lender by delivering to the lender the securities it receives in the transaction or by purchasing securities in the open market. The GHC Fund must generally pledge cash with the lender equal to the market price of the borrowed securities. This deposit may be increased or decreased in accordance with changes in the market price of the borrowed securities. During the period in which the securities are borrowed, the lender typically retains his right to receive interest and dividends accruing to the securities. In exchange, in addition to lending the securities, the lender generally pays the GHC Fund a fee for the use of the GHC Fund's cash. This fee is based on prevailing interest rates, the availability of the particular security for borrowing and other market factors.

Theoretically, securities sold short are subject to unlimited risk of loss because there is no limit on the price that a security may appreciate before the short position is closed. In addition, the supply of securities that can be borrowed fluctuates from time to time. The GHC Fund may be subject to losses if a security lender demands return of the lent securities and an alternative lending source cannot be found. In such event, the GHC Fund would be required to close out the short at an inopportune time. Such demands by lenders to return securities typically happen at times that are not advantageous to the GHC Fund and may cause the GHC Fund to incur a significant loss.

Liquidity Risk. If the GHC Fund decides to invest in investments which are non-marketable or illiquid or the GHC Fund invests in securities that are or become non-marketable or illiquid, such that either no market exists for them or they are restricted as to their transferability under federal and state securities laws, the sale of these investments may be made at substantial discounts, delayed or impossible or the GHC Fund may be required to hold such investments for significant periods of time.

In addition, the illiquidity of a security or other instrument held by the GHC Fund may also make it difficult for the Portfolio Manager to value such investments. During periods of market dislocation, the ability to receive reliable, independent third party mark -to -market valuations on assets and the ability to either buy or sell in a short period, if at all, at reasonable execution costs has been severely challenged.

Options and Other Derivative Instruments. The GHC Fund may invest in derivative instruments. The prices of many derivative instruments, including many options and swaps, are highly volatile. Price movements of options contracts and payments pursuant to swap agreements are influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, national and international political and economic events and policies, and assumptions by valuation agents. The value of options and swap agreements also depends upon the price of the securities or currencies underlying them. The GHC Fund is also subject to the risk of the failure of any of the exchanges on which its positions trade or of their clearinghouses or of counterparties. The cost of options is related, in part, to the degree of volatility of the underlying securities. Accordingly, options on highly volatile securities may be more expensive than options on other securities.

Put options and call options typically have similar structural characteristics and operational mechanics regardless of the underlying instrument on which they are purchased or sold. A put option gives the purchaser of the option, upon payment of a premium, the right to sell, and the writer the obligation to buy, the underlying security, commodity, index, currency or other instrument at the exercise price. A call option, upon payment of a premium, gives the purchaser of the option the right to buy, and the seller the obligation to sell, the underlying instrument at the exercise price.

If a put or call option purchased by the GHC Fund were permitted to expire without being sold or exercised, the GHC Fund would lose the entire premium it paid for the option. The risk involved in writing a put option is that there could be a decrease in the market value of the underlying security caused



by rising interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold to the GHC Fund at a higher price than its current market value. The risk involved in writing a call option is that there could be an increase in the market value of the underlying security caused by declining interest rates or other factors. If this occurred, the option could be exercised and the underlying security would then be sold by the GHC Fund at a lower price than its current market value.

Purchasing and writing put and call options and, in particular, writing “uncovered” options are highly specialized activities and entail greater than ordinary investment risks. In particular, the writer of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security or currency above the exercise price of the option. This risk is enhanced if the security being sold short is highly volatile and there is a significant outstanding short interest. These conditions exist in the stocks of many companies. The securities necessary to satisfy the exercise of the call option may be unavailable for purchase except at much higher prices. Purchasing securities to satisfy the exercise of the call option can itself cause the price of the securities to rise further, sometimes by a significant amount, thereby exacerbating the loss. Accordingly, the sale of an uncovered call option could result in a loss by the GHC Fund of all or a substantial portion of its assets.

Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

Market or Interest Rate Risk. The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If the GHC Fund holds a fixed income security to maturity, the change in its price before maturity may have little impact on the GHC Fund’s performance; however, if the GHC Fund has to sell the fixed income security before the maturity date, an increase in interest rates could result in a loss to the GHC Fund.

Call Option Risk. Many bonds, including agency, corporate and municipal bonds, and all mortgage-backed securities, contain a provision that allows the issuer to “call” all or part of the issue before the bond’s maturity date. The issuer usually retains this right to refinance the bond in the future if market interest rates decline below the coupon rate. There are three disadvantages to the call provision. First, the cash flow pattern of a callable bond is not known with certainty. Second, because the issuer will call the bonds when interest rates have dropped, the GHC Fund is exposed to reinvestment rate risk – the GHC Fund will have to reinvest the proceeds received when the bond is called at lower interest rates. Finally, the capital appreciation potential of a bond will be reduced because the price of a callable bond may not rise much above the price at which the issuer may call the bond.

Inflation Risk. Inflation risk results from the variation in the value of cash flows from a security due to inflation, as measured in terms of purchasing power. For example, if the GHC Fund purchases a 5-year bond in which it can realize a coupon rate of 5%, but the rate of inflation is 6%, then the purchasing power of the cash flow has declined. For all but inflation linked bonds, adjustable bonds or floating rate bonds, the GHC Fund is exposed to inflation risk because the interest rate the issuer promises to make is fixed for the life of the security. To the extent that interest rates reflect the expected inflation rate, floating rate bonds have a lower level of inflation risk.

Investments in Non-U.S. Securities. The GHC Fund intends to invest and trade a significant portion of its assets in non-U.S. securities, which will give rise to risks relating to political, social and economic developments abroad, as well as risks resulting from the differences between the regulations to which U.S. and foreign issuers and markets are subject:

These risks may include political or social instability, the seizure by foreign governments of company assets, acts of war or terrorism, withholding taxes on dividends and interest, high or confiscatory tax levels, and limitations on the use or transfer of portfolio assets.

Enforcing legal rights in some foreign countries is difficult, costly and slow, and there are sometimes special problems enforcing claims against foreign governments.

Foreign securities often trade in currencies other than the U.S. dollar, and the GHC Fund may directly hold foreign currencies and may purchase and sell foreign currencies through forward exchange contracts. If the GHC Fund does not hedge its foreign currency exposure, changes in currency exchange rates will affect the GHC Fund's Net Asset Value, the value of dividends and interest earned, and gains and losses realized on the sale of securities. An increase in the strength of the U.S. dollar relative to these other currencies may cause the value of the GHC Fund's investments to decline. Some foreign currencies are particularly volatile. Foreign governments may intervene in the currency markets, causing a decline in value or liquidity of the GHC Fund's foreign currency holdings. If the GHC Fund enters into forward foreign currency exchange contracts for hedging purposes, it may lose the benefits of advantageous changes in exchange rates. On the other hand, if the GHC Fund enters forward contracts for the purpose of increasing return, it may sustain losses.

Non-U.S. securities markets may be less liquid, more volatile and less closely supervised by the government than in the United States. Foreign countries often lack uniform accounting, auditing and financial reporting standards, and there may be less public information about their operations.

The Portfolio Manager may invest in emerging markets, many of which are subject to significant risks due to the general lack of infrastructure in their legal, judicial, regulatory and settlement systems. Investors in emerging market securities are subject to uncertainty regarding their rights and legal recourse. In particular, risks specifically associated with investments made on behalf of the GHC Fund in emerging market securities include: political risk; economic risk; and transaction risk.

**Risk of Default or Bankruptcy of Third Parties.** The GHC Fund may engage in transactions in securities and financial instruments that involve counterparties. Under certain conditions, the GHC Fund could suffer losses if a counterparty to a transaction were to default or if the market for certain securities and/or financial instruments were to become illiquid. In addition, the GHC Fund could suffer losses if there were a default or bankruptcy by certain other third parties, including brokerage firms and banks with which the GHC Fund does business, or to which securities have been entrusted for custodial purposes.

**Strategy Restrictions.** Certain institutions may be restricted from directly utilizing investment strategies of the type the GHC Fund may engage in. Such institutions should consult their own advisors, counsel and accountants.

**Trading Limitations.** For all securities listed on a securities exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the GHC Fund to loss. Also, such a suspension could render it impossible for the Portfolio Manager to liquidate positions and thereby expose the GHC Fund to potential losses.

**Limited Regulatory Oversight.** The GHC Fund is not registered as an "investment company" under the Investment Company Act of 1940, as amended ("Investment Company Act"). Additionally, GP I is not registered as a commodity pool operator pursuant to the exemption provided under Section 4.13(a)(3) of the CEA and Eversept is not registered as a commodity trading adviser. Accordingly, investors will not benefit from some of the protections afforded by these statutes.

**Tax Risk.** The tax aspects of an investment in the GHC Fund are complicated and each investor should have them reviewed by professional advisers familiar with such investor's personal tax situation and with the tax laws and regulations applicable to the investor and private investment vehicles. The GHC Fund is not intended and should not be expected to provide any tax shelter, but is organized as a limited partnership to permit any distributions it might make to be made without being taxed as dividends.

**Tax Exempt Entities.** Certain prospective investors may be subject to federal and state laws, rules and regulations which may regulate their participation in the GHC Fund, or their engaging directly, or indirectly through an investment in the GHC Fund, in investment strategies of the types which the GHC Fund utilizes from time to time. While the GHC Fund believes its investment program may be appropriate for tax-exempt organizations for which an investment in the GHC Fund would otherwise be suitable, each type of exempt organization may be subject to different laws, rules and regulations, and

prospective investors should consult with their own advisers as to the advisability and tax consequences of an investment in the GHC Fund. In particular, exempt organizations should consider the applicability to them of the provisions relating to “unrelated business taxable income.” Investments in the Master Fund by entities subject to ERISA, and other tax-exempt entities require special consideration. Unless GP I determines otherwise, tax exempt investors must invest in the Master Fund’s investment program through the Offshore Fund.

Master Fund Tax Audit Risk. Under the general rule imposed under recently enacted legislation, an audit adjustment by the U.S. Internal Revenue Service (the “**IRS**”) of the Master Fund’s U.S. tax return filed or required to be filed for any tax year beginning during or after 2018 (a “Reviewed Year”) could result in a tax liability (including interest and penalties) imposed on the Master Fund for the year during which the adjustment is determined (the “Adjustment Year”). The tax liability generally is determined by using the highest tax rates under the United States Internal Revenue Code of 1986, as amended (the “Code”) applicable to U.S. taxpayers in effect for the Reviewed Year, in which case any Adjustment Year investors could bear the audit tax liability at significantly higher rates (including interest and penalties) arising from audit adjustments and in amounts that are unrelated to their Reviewed Year economic interests in the Master Fund items that were adjusted.

To mitigate the potential adverse consequences of the general rule, the Master Fund may be able to elect to pass through such audit adjustments for any year to its investors who participated in the Master Fund for the Reviewed Year, in which case each Reviewed Year participating investor (and not the Master Fund) generally would be responsible for the payment of any tax deficiency, determined after including their share of the adjustments on their tax returns for the Adjustment Year.<sup>1</sup> An investor may also be able to mitigate such adverse consequences by, after the audit adjustments are made, filing an amended U.S. tax return for the Reviewed Year and paying tax, if any, on its share of the items adjusted on audit. However, the extent to which the Master Fund and/or any investor will be able to mitigate the operation of the general rule under either of these alternatives is highly uncertain and may depend upon future regulatory guidance and amendments to the legislation.

Business and Regulatory Risks of Hedge Funds. Legal, tax and regulatory developments that may adversely affect the GHC Fund could occur during the term of the GHC Fund. Securities and futures markets are subject to comprehensive statutes, regulations and margin requirements enforced by the SEC, other regulators and self-regulatory organizations and exchanges authorized to take extraordinary actions in the event of market emergencies. The regulation of derivatives transactions and funds that engage in such transactions is an evolving area of law and is subject to modification by government and judicial actions. The regulatory environment for private funds is evolving, and changes in the regulation of private funds and their trading activities may adversely affect the ability of the GHC Fund to pursue its investment strategy, its ability to obtain leverage and financing and the value of investments held by the GHC Fund. There has been an increase in governmental, as well as self-regulatory, scrutiny of the alternative investment industry in general. For instance, the SEC issued an emergency order in September 2008 temporarily banning short-selling of publicly traded securities of certain financial firms and requiring institutional investment managers, including hedge fund managers, to file a report each week disclosing their short selling and short positions in most U.S.-listed equity securities for each day of the prior week. On or about the same time, other jurisdictions (e.g., United Kingdom, Australia, Ireland) enacted emergency regulations, imposing similar regulations to those enacted by the SEC. It is impossible to predict what, if any, changes in regulations may occur, but any regulations which restrict the ability of the GHC Fund to trade in securities or the ability of the GHC Fund to employ, or brokers and other counterparties to extend, credit in its trading (as well as other regulatory changes that result) could have a material adverse impact on the GHC Fund’s portfolio.

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<sup>1</sup> If such an election is made by the Master Fund, interest on any deficiency will be at a rate that is 2 percentage points higher than the otherwise applicable interest rate on tax underpayments.

The GHC Fund, the Investment Manager and/or the General Partner may also be subject to regulation in jurisdictions in which the GHC Fund and the Investment Manager engage in business. Investors should understand that the GHC Fund's business is dynamic and is expected to change over time. Therefore, the GHC Fund may be subject to new or additional regulatory constraints in the future. This Memorandum cannot address or anticipate every possible current or future regulation that may affect the Investment Manager, the General Partner, the GHC Fund or their businesses. Such regulations may have a significant impact on the investors or the operations of the GHC Fund, including, without limitation, restricting the types of investments the GHC Fund may make, preventing the GHC Fund from exercising its voting rights with regard to certain financial instruments, requiring the GHC Fund to disclose the identity of its investors or otherwise. The General Partner may, in its sole discretion, cause the GHC Fund to be subject to such regulations if it believes that an investment or business activity is in the GHC Fund's interest, even if such regulations may have a detrimental effect on one or more investors. Prospective investors are encouraged to consult their own advisors regarding an investment in the GHC Fund.

MiFID II. The European Union's (the "EU") second Markets in Financial Instruments Directive 2014/65/EU, laws and regulations introduced by Member States of the EU to implement it and the EU's Markets in Financial Instruments Regulation 600/2014 (together "MiFID II"), which came into force on 3 January 2018, impose new regulatory obligations and costs on EU trading venues and investment firms such as broker-dealers and distributors.

While the AIFM Directive provides the legislative framework for alternative investment fund management, MiFID II covers virtually all other investment services and activities. MiFID II also encompasses market structural reforms and trading obligations, enhanced transparency requirements both pre- and post-trade and numerous investor protection-type requirements which extend to product design and governance to conflicts of interest and inducements.

The United States is not part of the EU and has not implemented MiFID II. Nevertheless, MiFID II has extra-territorial reach beyond the EU and does impact non-EU entities depending on extent of nexus with the EU. Any regulatory changes arising from implementation of MiFID II may increase the expenses of the GHC Fund or the Investment Manager related to compliance with MiFID II and may have a negative impact.

In particular, MiFID II requires certain standardised OTC derivatives to be executed on regulated trading venues. The overall impact of MiFID II is uncertain and it is unclear how the OTC derivatives markets will adapt to these new regulatory regimes. MiFID II also introduces for the first time within the EU position limit and position reporting requirements in relation to certain commodity derivatives. These measures will impose restrictions on the positions that the GHC Fund may hold in certain commodity derivatives and will be required to more actively monitor such positions. If positions reach the position limit thresholds, the positions will have to be reduced in order to comply with such limits.

In addition, MiFID II introduces wider transparency regimes in respect of trading on EU trading venues and with EU counterparties. MiFID II extends the pre- and post-trade transparency regimes from equities traded on a regulated market to cover equity-like instruments such as depositary receipts, ETFs and certificates that are traded on regulated trading venues as well as to cover non-equities such as bonds, structured finance products, emission allowances and derivatives. The increased transparency regime under MiFID II, together with the restrictions on the use of "dark pools" and other trading venues, will mean a wealth of new information relating to price discovery becoming available. Such increased transparency and price discovery may have macro effects on trading globally, which may have an adverse effect on the net asset value.



## **ITEM 9 – DISCIPLINARY INFORMATION**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Eversept's advisory business or the integrity of Eversept's management.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Eversept is not registered, and does not have an application pending to register, as a broker-dealer.

Subject to compliance with applicable law, Eversept receives operational support from Chalkstream Capital Group, L.P. (“Chalkstream”), who is the investment manager of the Chalkstream Funds which invested in the GHC Funds. Eversept pays Chalkstream compensation (including a portion of fees/allocations received by Eversept from its Advisory Clients) for such services. Eversept does not believe that the receipt of such services from Chalkstream would impact Eversept’s ability to act in the best interest of its Advisory Clients.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Eversept has adopted a Code of Ethics, which is a part of Eversept's compliance manual and has been designed to comply with the requirements of Advisers Act Rule 204A-1. Among other things, the Code of Ethics (i) requires that all employees comply with federal securities laws, (ii) requires that all employees submit to Eversept reports containing their personal securities holdings and transactions in reportable securities, and that Eversept review such reports, (iii) requires all employees to obtain pre-approval of all personal investments, with limited exceptions; and (iv) contains policies and procedures designed to prevent the misuse of material, non-public information. All personnel of Eversept are required to certify their compliance with the Code of Ethics. Clients may request a copy of Eversept's Code of Ethics by contacting Eversept at the address or telephone number listed on the first page of this Brochure.

Under the Code of Ethics, Eversept, its employees, affiliates or their related persons may buy, sell or otherwise invest in securities for their own accounts that they also recommend to Advisory Clients. Each such related person transaction is separately identified and made strictly in accordance with Eversept's Code of Ethics. In order to manage this conflict of interest, Eversept's Code of Ethics requires access persons of Eversept to obtain prior approval from the Chief Compliance Officer (or his designee) before engaging in all securities transactions in their personal accounts in reportable securities, with limited exceptions. Such employee transactions will be reviewed in the best interests of the Advisory Clients to assess whether any potential conflict of interests exist, and will be denied by the Chief Compliance Officer (or his designee) if there is a deemed risk of potential adverse consequences to the Advisory Clients. Since it is Eversept's primary intent and priority to manage the Investment Fund's portfolio, Eversept currently does not intend to, and does not intend to allow employees of Eversept to, engage in personal trading activities (other than investing in mutual funds, ETFs and/or certain privately placed investments). To the extent Eversept determines that a privately placed investment opportunity is not suitable for the Investment Fund for liquidity reasons or otherwise, (i) employee(s) of Eversept (including the Portfolio Manager) and/or other investors (who may be investors in the Investment Fund) may invest in such investment opportunity directly or through a separate investment vehicle, and (ii) any securities acquired by such employee and/or such investors in connection with such investment opportunity may become publicly traded securities in the future. If Eversept recommends that the Investment Fund buy or sell securities of an issuer in which an employee of Eversept and/or other advisory clients have an interest, Eversept shall consult with an Investment Fund's board of directors or advisory committee in connection with such investments. If Eversept decides to change its personal trading policy in the future, Eversept and/or its employees may use trading and investment methods that are similar to, or substantially different from, the methods used by them to direct the Investment Fund's account and the records of these personal accounts will not be made available to investors.

Eversept serves as the investment manager or sub-advisor to each Fund. The activities of a Fund may be in competition with the other Advisory Clients and/or may involve substantial time and resources of Eversept. Eversept, its employees, affiliates or their related persons may also invest directly or indirectly in any one, some or all of the GHC Funds. The fact that Eversept, its employees, affiliates or their related persons have a financial ownership interest in the GHC Funds creates a potential conflict in that it could cause Eversept to make different investment decisions than if they did not have such a financial ownership interest. Further, Eversept or its affiliates charge the GHC Funds fees based on a percentage of assets under management via the management fee and based on performance via the incentive allocation or fee. The management fee is payable without regard to the overall success or income earned by the GHC Funds and therefore may create an incentive on the part of Eversept to raise or otherwise increase assets under management to a higher level than would be the case if Eversept were receiving a lower or no management fee. The receipt of an incentive allocation or fee by Eversept or its affiliates may create



an incentive for Eversept to make investments for the GHC Funds that are riskier or more speculative than it otherwise would.

Furthermore, Eversept and its affiliates are not restricted from forming additional investment funds, from entering into other investment advisory relationships, or from engaging in other business activities, even though such activities may be in competition with the existing Advisory Clients and/or may involve substantial time and resources of Eversept. These activities could be viewed as creating a conflict of interest in that the time and effort of the members of Eversept and its affiliates are not devoted exclusively to the business of the existing Advisory Clients, but are allocated between the business of the existing Advisory Clients and the management of the monies of future Advisory Clients of Eversept. Eversept uses its best judgment to be fair and equitable to all Advisory Clients to minimize this conflict of interest. A Chalkstream employee may directly or indirectly invest in one or more of the Investment Funds. Eversept will use its best judgment to address or minimize any potential conflict of interest that may arise as a result of such investment.

## ITEM 12 – BROKERAGE PRACTICES

Eversept is responsible for the placement of the portfolio transactions of the Investment Fund and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price. Eversept may utilize the services of one or more introducing brokers who will execute the Investment Fund's brokerage transactions through the broker and custodian who will clear the Investment Fund's transactions.

Securities transactions for the Investment Fund are executed through brokers selected by Eversept in its sole discretion and without the consent of the Investment Fund. In placing portfolio transactions, Eversept will seek to obtain the best execution for the Investment Fund, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services and other soft dollar items considered to be of value in accordance with the safe harbor discussed below; and the competitiveness of commission rates in comparison with other brokers satisfying Eversept's other selection criteria.

Eversept is authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide it with such investment and research information or to pay higher commissions to such firms if Eversept determines such prices or commissions are reasonable in relation to the overall services provided. Research services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing or appraisal services; discussions with research personnel; and invitations to attend conferences or meetings with management or industry consultants. Eversept is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by Eversept, and the management fee is not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Investment Fund may be utilized by Eversept and its affiliates in connection with their investment services for other clients and, likewise, research services provided by broker-dealers used for transactions of other clients may be utilized by Eversept in performing its services for the Investment Fund. Since commission rates in the United States are negotiable, Eversept's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in the Investment Fund being charged higher transaction costs than it could otherwise obtain.

Eversept may also direct some Fund brokerage business to brokers who refer prospective investors to the Investment Fund. Because such referrals, if any, are likely to benefit Eversept but will provide an insignificant (if any) benefit to investors, Eversept will have a conflict of interest with the Investment Fund when allocating Fund brokerage business to a broker who has referred investors to the Investment Fund. To prevent Fund brokerage commissions from being used to pay investor referral fees, Eversept will not allocate Fund brokerage business to a referring broker unless Eversept determines in good faith that the commissions payable to such broker are reasonable in relation to those available from non-referring brokers offering services of substantially equal value to the Investment Fund.

The GP or Eversept may sell Interests through broker-dealers, placement agents and other persons and pay a marketing fee or commission in connection with such activities, including ongoing payments, at the GP or Eversept's own expense (except in circumstances involving directed brokerage). In certain cases, the GP or Eversept reserves the right to pay a one-time fee or sales charge, on a fully disclosed basis, with the consent of the affected investor, to a broker-dealer or placement agent based upon the capital contribution of the investor introduced to the Investment Fund by such broker-dealer or agent. Any such

sales charge would be assessed against the referred investor and would reduce the amount actually invested by the investor in the Investment Fund.

Eversept may at times determine that certain securities will be suitable for acquisition by the Investment Fund and by other accounts managed by Eversept, and, possibly, including Eversept's and/or the GP's own accounts or accounts of an affiliate. If that occurs, and Eversept is not able to acquire the desired aggregate amount of such securities on terms and conditions which Eversept deems advisable, Eversept will endeavor to allocate in good faith the limited amount of such securities acquired among the various accounts for which Eversept considers them to be suitable. Eversept shall make such allocations among the accounts on a pro rata basis, except in circumstances where Eversept determines that a pro rata allocation would not be suitable given the investment policies, strategies and circumstances particular to the various accounts involved. In those circumstances, Eversept may make such allocations among the accounts in a manner which it considers to be fair under the circumstances, including, but not limited to, allocations based on relative account sizes, the degree of risk involved in the securities acquired, and the extent to which a position in such securities is consistent with the investment policies and strategies of the various accounts involved.

Eversept may aggregate purchase and sale orders of securities held by the Investment Fund with similar orders being made simultaneously for other accounts or entities if, in Eversept's reasonable judgment, such aggregation is reasonably likely to result in an overall economic benefit to the Investment Fund based on an evaluation that the Investment Fund will be benefited by relatively better purchase or sale prices, lower commission expenses or beneficial timing of transactions, or a combination of these and other factors. In many instances, the purchase or sale of securities for the Investment Fund will be affected simultaneously with the purchase or sale of like securities for other accounts or entities. In such instances, Eversept will average the price of all units of such security bought or sold by the Investment Fund and other advisory clients of Eversept in any single trading day (the "Average Price"). The price that the Investment Fund and such other advisory client(s) pay or receive for such securities bought or sold in the same trading day will be the Average Price multiplied by the number of units of such security bought or sold by the Investment Fund and such other advisory client(s), respectively. In rare circumstances, Eversept may elect to use the actual purchase or sale price instead of the Average Price, if it determines, in its sole discretion, that using the Average Price would be unfairly prejudicial to the Investment Fund or such other advisory client(s). An individual trade may be effected at a price that is higher than would have been the case without the aggregation of orders, as contemplated by this paragraph. Eversept, however, believes that the relationship as a whole will result in a net benefit to the Investment Fund.

Eversept does not permit Fund investors to direct brokerage.

## **ITEM 13 – REVIEW OF ACCOUNTS**

The Investment Funds' accounts are reviewed by the following individuals: Kamran Moghtaderi, Managing Principal of Eversept; Balkir Zihnali, Chief Operating Officer and Chief Compliance Officer of Eversept; Ron Rosenstrauss, Principal, Chief Financial Officer and Chief Operating Officer of Chalkstream, and Xiao-Hong Jing, General Counsel and Chief Compliance Officer of Chalkstream.

Specifically, Mr. Moghtaderi is responsible for managing the portfolios of Eversept's portfolios and the risk management of such portfolios. Mr. Moghtaderi reviews the portfolios and research pipeline on an ongoing basis. In addition, Mr. Moghtaderi uses an internally developed proprietary risk system to view the portfolio and exposures on a regular basis. Mr. Rosenstrauss, in his capacity as Chief Financial Officer of Chalkstream, in coordination with the independent administrator, reconciles all trades. Balkir Zihnali, in his capacity as Chief Operating Officer and Chief Compliance Officer of Eversept, and Xiao-Hong Jing, in her capacity as Chief Compliance Officer of Chalkstream, periodically review Eversept's investments with respect to consistency with applicable law and regulations.

Eversept provides monthly statements, periodic unaudited performance information, no less frequently than quarterly, and annual audited financial statements to investors in the Investment Funds. All such reports are written. The Investment Funds may agree to provide additional information to certain investors upon request.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

Eversept may enter into written arrangements with third parties to solicit investors into Eversept's private investment funds. All such compensation will be fully disclosed to each investor consistent with applicable law. All such referral activities will be conducted in accordance with SEC Rule 206(4)-3 under the Advisers Act as well as relevant SEC guidance. In general, third party solicitors may receive a portion of the fees otherwise payable to Eversept.

## **ITEM 15 – CUSTODY**

Eversept or its affiliates, by virtue of their status as the investment manager or general partner (as applicable) of the Investment Funds, are deemed to have custody of client funds and securities because they have the authority to obtain client funds or securities, for example, by deducting advisory fees from a client's account or otherwise withdrawing funds from a client's account. Account statements related to clients are sent by qualified custodians to Eversept.

To ensure compliance with Rule 206(4)-2 under the Advisers Act, all investors in the Investment Funds will be provided with audited financial statements, prepared by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days, of the end of the Investment Funds' fiscal years. Additionally, the administrator for the Investment Funds sends monthly account statements to investors. Investors should carefully review the audited financial statements of the Investment Funds and monthly account statements upon receipt. Eversept may use additional qualified custodians in the future.

The Investment Funds have engaged a third-party administrator whose responsibilities include sending account statements to investors. Fund investors do not receive custodial or prime brokerage statements from the administrator; however, the administrator reconciles the Investment Funds accounting records with the records of the prime brokers or custodians. As described under Item 13, investors receive monthly unaudited statements from the administrator.

## **ITEM 16 – INVESTMENT DISCRETION**

Eversept has discretionary authority to manage the investments of the Investment Funds. Eversept is authorized to make purchase and sale decisions for the Investment Funds. As explained in Item 4 above, individual investors in the Investment Funds do not have the ability to impose limitations on Eversept's discretionary authority. Prospective investors are provided with an offering memorandum prior to their investment and are encouraged to carefully review the offering memorandum, along with all other relevant offering documents, and to be sure that the proposed investment is consistent with their investment goals and tolerance for risk. Prospective investors must also execute a subscription agreement, which constitutes a legal, valid and binding obligation of the investor, enforceable in accordance with its terms, and a limited partnership agreement.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Eversept understands and appreciates the importance of proxy voting and ensuring that its proxy voting procedures are clearly described to investors. To the extent that Eversept has discretion to vote the proxies of the Investment Funds it manages and has a reason to vote, Eversept will vote any such proxies in the best interests of the Investment Funds and investors. Prior to voting any proxies and if applicable, Eversept's Chief Compliance Officer (or his designee) will identify any potential conflicts of interest related to the proxy in question. If a conflict is identified, the Chief Compliance Officer (or his designee) will then decide (which may be in consultation with outside legal counsel or third party compliance consultants) as to whether the conflict is material or not. If no material conflict is identified, the Portfolio Manager will make a decision on how to vote the proxy in question. Eversept has retained a custodian to assist it with the receipt, processing and record-keeping of any proxies received on behalf of the Investment Funds. Additionally, Eversept may retain an independent third party to vote proxies in certain situations (including situations where a material conflict of interest is identified).

Please let us know if you have any questions about, or would like to be provided with a copy of, our proxy voting procedures. Also, please let us know if you would like detailed information about how any proxies were actually voted by calling the Chief Compliance Officer, Balkir Zihnali, at (212) 271-4200.



## **ITEM 18 – FINANCIAL INFORMATION**

Eversept is not required to include a balance sheet for its most recent fiscal year, is not currently aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients, and has never been the subject of a bankruptcy petition.