



*Part 2A of ADV:
Avoro Capital Advisors LLC Brochure*

Item 1 – Cover Page

Avoro Capital Advisors LLC

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March 10, 2020

This Brochure provides information about the qualifications and business practices of Avoro Capital Advisors LLC (*formerly known as venBio Select Advisor LLC*) (“AVCAP” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at 212-937-4970 or sepstein@avorocapital.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

AVCAP is a registered investment adviser with the SEC. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about AVCAP also is available on the SEC’s website at www.adviserinfo.sec.gov.



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Item 2 – Material Changes

This firm brochure (“Brochure”) is AVCAP's annual updating amendment to its last filing, which was filed on September 6, 2019. AVCAP is currently registered as an investment adviser with the SEC.

While this update to our Brochure contains changes and updates to certain information, we do not feel that they constitute material changes from the last filing of our Brochure. However, clients and prospective clients should review the Brochure carefully.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. Currently, our Brochure may be requested by contacting Scott Epstein, Chief Financial Officer and Chief Compliance Officer, at 212-937-4970 or sepstein@avorocapital.com.

Additional information about AVCAP is also available via the SEC's web site www.adviserinfo.sec.gov. The SEC's web site also provides information about any persons affiliated with AVCAP who are registered, or are required to be registered, as investment adviser representatives of AVCAP.



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Item 4 – Advisory Business

A. & B. Description of the Advisory Firm and Types of Advisory Services

Avaro Capital Advisors LLC (“AVCAP” or the “Firm”) is a Delaware limited liability company initially formed on September 24, 2009 as venBio Select Advisor LLC. AVCAP is managed and fully controlled, by Dr. Behzad Aghazadeh.

On May 3, 2019, a strategic transaction (the “Transaction”) was closed whereby venBio Select Advisor LP entered into an agreement to sell its wholly owned subsidiary, venBio Select Advisor LLC, the investment manager of the venBio Select Funds (the “Funds”), to a newly-formed holding company, Avaro Capital L.P. (the “Holding Company”). The Holding Company will be jointly owned by Dr. Behzad Aghazadeh and Dr. Garheng Kong, who is the founder and Managing Partner of HealthQuest Capital Management, LLC (“HealthQuest”). In conjunction with closing the Transaction, the SEC registered investment manager, venBio Select Advisor LLC, has been renamed Avaro Capital Advisors LLC, a subsidiary of the Holding Company. The venBio Select Funds are now called Avaro Life Sciences Fund LLC (our Delaware master fund) and Avaro Life Sciences Offshore Fund Ltd. (our Cayman feeder fund), respectively. After consummation of such Transaction, Dr. Aghazadeh remains responsible for managing the Firm, the business and investments of which is operated independently of HealthQuest. Dr. Kong does not have day-to-day involvement in the business and affairs of AVCAP, and the Transaction did not result in any changes to the terms of the Funds.

AVCAP provides investment advice and management to privately placed investment funds, including a Delaware limited liability company (the “Master Fund”) and a non-U.S. company (the “Feeder Fund”, together with the Master Fund, “the Avaro Life Sciences Funds” or “Funds”). The Feeder Fund pursues its investment activities by investing all or a portion of its assets into the Master Fund. AVCAP also provides investment advisory services to a separately managed account, and may in the future manage additional separately managed accounts (the “Separate Accounts”). AVCAP may decide in the future to sponsor or manage additional private investment funds (collectively with the Funds and Separate Accounts, the “Clients”).

The Clients’ investment objective is to achieve attractive returns with moderate risk. AVCAP’s Clients invest primarily in the equity, debt and associated derivatives of companies operating in the life sciences sector and related industries. AVCAP’s strategy and the risks involved are described in response to Item 8, below. The Funds are offering interests (the “Interest(s)”) to certain qualified investors as described in response to Item 7, investors in the Funds or Separate Accounts, including prospective investors, are referred to herein as “Investors”.



C. Client Tailored Services and Client Imposed Restrictions

Advisory services are tailored to achieve the Clients' investment objectives as described more fully in each Fund's offering and governing documents or a Separate Account investment management agreement (the "Constituent Documents"). Generally, AVCAP has the authority to select which and how many securities and other instruments to buy or sell without consultation with the Clients or their Investors.

D. Wrap Fee Programs

AVCAP does not participate in wrap-fee programs.

E. Amounts under Management

As of December 31, 2019, VBSA had approximately \$3,105,087,986 in net assets under management:

Discretionary Amounts:	Non-Discretionary Amounts:	Date Calculated:
\$3,105,087,986	\$0	December 31, 2019

Item 5 – Fees and Compensation

A. Fee Schedule

The fees and compensation payable to AVCAP are negotiable and vary among its Clients. However, the range of compensation is generally as follows:

1. Management Fee

From the Avoro Life Sciences Funds, AVCAP typically receives a monthly asset-based management fee calculated as a percentage of each Investor's capital account, payable quarterly in advance. The management fee is typically about 0.5% per quarter (approximately 2.0% annually). From Separate Accounts, AVCAP generally receives management fees comparable to those paid by the Funds; however, fee structures are subject to negotiation and may vary from those paid by the Funds.

2. Incentive Allocation

AVCAP, or its affiliate, generally receives a performance allocation from the Avoro Life Sciences Funds equal to a percentage of the net income allocated to each Investor in the Funds for the year, subject to a "high water mark" procedure such that the incentive allocation is taken only to the extent net income



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allocated to that Investor exceeds any cumulative losses that were allocated to that Investor for earlier periods and that have not been recovered. This performance allocation is generally 20% and is typically made at the end of each calendar year. From Separate Accounts, AVCAP generally receives performance fees comparable to those paid by the Funds; however, fee structures are subject to negotiation and may vary from those paid by the Funds.

The incentive allocation will only be charged to accounts of those Investors and Separate Account clients who are "qualified clients" as defined in Rule 205-3 of the Investment Advisers Act of 1940.

Fees and other compensation are negotiable in certain circumstances and arrangements with any particular Investor or Separate Account client may vary. Although AVCAP believes its fees are competitive, lower fees for comparable services may be available from other investment advisers.

B. Payment of Fees

Advisory fees, incentive allocations, and third-party fees (discussed below) are generally deducted from Client assets. From the Avoro Life Sciences Funds, advisory fees, which are paid in advance, are withdrawn at the beginning of the month. Incentive allocations are allocated as of the last business day of the calendar year and as of any date on which an Investor makes a withdrawal or receives a distribution from such Investor's capital account(s). Arrangements with Separate Accounts may vary.

1. Side Letters

AVCAP has entered into separate "side letter" agreements (each, a "Side Letter") with certain investors in the Avoro Life Sciences Funds in connection with such investors' admission to a Fund, which modify, alter or amend the terms attributable to such investor's investment in the applicable Fund, and differ from interests offered by the Funds in terms of, among other things, withdrawal rights, access to information about the Funds' investments, the fees, expenses or performance allocation charged to the capital account of such investor, or any other matter relating to an investment by such investor in the applicable Fund. Provided that any such Side Letter shall not adversely affect the rights or interests of any other investor, Side Letters may be entered into by the Fund or the Firm without providing prior notice to, or receiving consent from, existing investors. The terms of such Side Letters will be determined by the Firm in its sole discretion. To date, the Fund has entered into Side Letters primarily with respect to matters such as capacity rights; lower Management Fee and Performance Allocation rates (in exchange for longer lock-up commitments, specified subscription amounts, or otherwise); informational/notification rights with respect to certain events involving the Firm and/or the Fund; rights with respect to transfers of



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interests; “most favored nations” rights; and clarifications and confirmations as to certain policies of the Firm and/or the Fund.

C. Third Party Fees

The Funds shall pay such costs and expenses as AVCAP shall reasonably determine to be necessary, appropriate, advisable or convenient to carry on its business and realize its objective, including but not limited to: (i) advisory fees; (ii) all general investment expenses (i.e., expenses which AVCAP reasonably determines to be directly related to the investment of a Client’s assets); (iii) all administrative, legal, accounting, auditing, record-keeping, tax form preparation, compliance and consulting costs and expenses; (iv) fees, costs and expenses of third-party service providers that provide such services; and, (v) any extraordinary expenses, among other expenses.

AVCAP’s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the Clients. Such charges, fees and commissions are exclusive of and in addition to AVCAP’s advisory fee, and AVCAP shall not receive any portion of these commissions, fees, and costs. Investors should refer to a Client’s Constituent Documents for a full disclosure of costs and expenses that may be borne by the Clients.

Please see Item 12 of this Brochure for more information about AVCAP’s brokerage arrangements for its Clients.

D. Prepayment of Fees

AVCAP generally does not permit withdrawals from the Avoro Life Sciences Funds on dates other than the last day of each calendar quarter. In the event that AVCAP makes an exception to this policy, it will not refund the prepaid management fee for Interests held for less than a full quarter. Arrangements with Separate Accounts may vary.

E. Outside Compensation for the Sale of Securities

Neither AVCAP nor its supervised persons accept compensation for the sale of securities or other investment products outside of its association with AVCAP.

The foregoing response to Item 5 represents AVCAP’s basic compensation arrangements. The management fees and incentive allocations described above are structured to comply with Rule 205-3 under the Advisers Act and applicable state laws.



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

As discussed in Item 5.A., in addition to advisory fees, AVCAP, or its affiliate, generally receives a performance allocation equal to a percentage of the net income allocated to each Investor for the year from the Avoro Life Sciences Funds.

The performance allocation may provide a possible incentive for AVCAP to make riskier or more speculative investments on behalf of a Client than those which would be recommended under a different fee arrangement. In addition, this arrangement may cause Clients to pay a greater expense than if such fees were not charged. Notwithstanding this potential incentive, AVCAP will evaluate investments in a manner that it considers to be in the best interest of the Clients, given those Clients' investment objectives, investment strategies, suitability of the investment, and risk profile.

To the extent that there may be differences in AVCAP's compensation arrangements, such circumstances could create an incentive for AVCAP to manage Client portfolios so as to favor a portfolio that pays performance-based compensation over one that did not. Notwithstanding this conflict, AVCAP will allocate transactions and opportunities among the Clients' accounts in a manner it believes to be as equitable as possible, considering each Client's objectives, programs, limitations and capital available for investment.

Item 7 – Types of Clients

AVCAP provides investment advice and management to the Master Fund and the Feeder Fund. In addition, AVCAP provides investment advice to a separately managed account for a high net worth individual. AVCAP may in the future provide the same or similar services to other privately placed investment funds and/or separately managed accounts.

Prospective Investors in the Clients must meet eligibility criteria and are subject to certain withdrawal requirements and limitations. Investors generally must be (i) "accredited investors" (as defined in Regulation D under the Securities Act of 1933); and (ii) "qualified purchasers" (as defined in the Investment Company Act of 1940). The minimum initial investment is \$1,000,000, subject to waiver at the discretion of AVCAP (in no event less than \$100,000). Prospective Investors are encouraged to thoroughly review the applicable Constituent Documents which set forth all of the terms in detail. Though the Clients generally pursue the same strategy, offering terms may differ. Terms for Separate Accounts are generally similar to the Funds, but can be negotiated on a case by case basis and may differ from those of the Funds.

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

A. Methods of Analysis and Investment Strategies

Investment Objective:

The Clients' objective is to achieve attractive returns with moderate risk. The Clients invest primarily in the equity, debt and associated derivatives of companies operating in the life sciences sector and related industries. However, the Clients' investment program is speculative and entails risk, and there can be no assurance that the investment objective of the Clients will be achieved.

The Clients will generally invest in securities of a broad range of life science companies that AVCAP believes can occupy leading positions in their markets and have the potential to return multiples on invested capital. AVCAP anticipates that the primary emphasis will be on companies engaged in the key sectors of the life sciences industry: biotechnology and pharmaceuticals, and to a lesser degree medical devices and instruments, healthcare services and healthcare information technology.

Sector Themes:

The Clients intend to invest their assets in securities of U.S. and foreign life science companies, regardless of their stock market value (or "market capitalization"). The life sciences industry includes biotechnology and pharmaceuticals, medical devices and instruments, healthcare services and healthcare information technology. Companies described as Health Care Equipment and Supplies, Health Care Provider Services, Pharmaceutical or Biotechnology Companies under the North American Industry Classification system are considered healthcare or biotechnology companies for purposes of investment by the Clients. These companies are principally engaged in: the design, manufacture or sale of products or services used for or in connection with health, medical, or personal care such as medical, dental and optical supplies or equipment; research and development of pharmaceutical products and services; the operation of healthcare facilities such as hospitals, and clinical test laboratories;; and the design, manufacture, or sale of healthcare-related products and services, research, development, manufacture or distribution of products and services relating to human health care, pharmaceuticals, agricultural and veterinary applications, and the environment; and manufacturing and/or distributing biotechnological and biomedical products, devices or instruments or provide materials, products or services to the foregoing companies.

The Clients will pursue investment opportunities provided by the expansion of the healthcare market through an aging and consumer oriented patient population, important scientific and technological advances, and the fact that most major diseases including cardiovascular disease and cancer are poorly treated and remain largely unmet medical needs. The following is a summary of the Clients' investment strategies by sector:

Biotechnology/Biopharmaceuticals. The biotech industry has expanded the understanding of causes and potential cures for many previously untreatable or poorly treated diseases and as such continues to be a rich source of innovation. Small and medium-size biotech companies are becoming the primary discovery engine for both large pharmaceutical (“Large Pharma”) and large biotech companies (“Large Biotech”). Large Pharma, and to a lesser but growing degree Large Biotech, innovation infrastructures have been inefficient and caused a pronounced productivity gap represented by increasingly anemic drug development pipelines. Large Pharma’s need for continued sales growth, compounded by patent expirations and diminished in-house R&D productivity, have made the in-licensing of new therapeutics a more important priority. Large Pharma has looked to biotech companies for products to fill their pipelines. Small biotech is increasingly becoming the leading source of drug discovery innovation and drug pipeline creation while Large Pharma and Large Biotech increasingly focus on executing large pivotal clinical studies and subsequent commercialization of products acquired from small biotech. The Clients expect to take full advantage of this development by focusing on investing in securities of the companies with novel therapeutics addressing significant unmet medical needs and diseases.

Medical Devices. The medical device segment is maturing from its historical concentration on cardiovascular and orthopedic products, to include several more multi-billion dollar product categories such as ophthalmology, diabetes, and various minimally invasive and/or endoluminal technologies in the areas of GI/GU, respiratory, CNS, etc. Medtech companies are under constant pressure to innovate in order to maintain growth and remain competitive. However, large medtech companies have not proven to be effective innovators, and similar to Large Pharma, are stymied by the inertia of their own size. Investing successfully in medical device companies requires a specialized understanding of the needs of the large medtech companies, and the key issues that drive patient and physician adoption.

Healthcare Services and Healthcare Information Technology. Investment opportunities in healthcare services are likely to arise from the impact of market forces, which demand both lower cost and better care, and from changes in government regulation and reimbursement policies. Healthcare information technology companies, driven by wireless technology and the internet, growth in bandwidth, microprocessor power, hardware miniaturization and commoditization, can deliver qualitative and quantitative benefits to the healthcare market. The Clients may invest in securities of healthcare services and healthcare information technology companies, such as: pharmaceutical outsourcing providers and innovative service businesses such as laser eye surgery, outpatient chemotherapy and renal dialysis. The Clients intend to focus on investing in securities of the companies with experienced management teams with clearly defined clinical and regulatory pathways and products that are strategically and commercially relevant.

Investment Process:

The Avoro Life Sciences Funds employ a hedged strategy by taking both long and short positions. The Avoro Life Sciences Funds investment strategy is fully described in each Client's Constituent Documents. The information below is a general summary of AVCAP's investment process and risk management strategy for the Clients. Investors must review each Client's Constituent Documents for information regarding the investment strategy, investment process and risk management.

Feeder Fund; Master Fund; Separate Account

The Clients will invest primarily (but not exclusively) in long and short positions in equity securities of U.S. and non-U.S. publicly traded companies. The Clients may also invest in debt securities, convertible securities, options and warrants, currencies, forward currency contracts, swaps, physical commodities, or derivative instruments in respect of any of the foregoing. However, the Clients typically will not make speculative investments in macro instruments, such as foreign currencies, futures, sovereign fixed income securities or physical commodities.

AVCAP does not employ a single investment style, such as value or growth investing, but relies on the investment expertise of its investment professionals to select investment themes considered to represent attractive long or short positions. AVCAP uses a hybrid of traditional "value" and "growth" styles in an effort to identify opportunities that are mispriced relative to their intrinsic value, but generally emphasizes increasing, rather than compressing, earnings and margins.

AVCAP seeks to identify an investible universe of securities using screening techniques emphasizing tangible metrics, such as earning-growth-to-price-earnings ratio, cash flow dynamics, net asset values and other fundamental issuer data. AVCAP then seeks to understand the resource end-user supply and demand picture to gain insight into the macro context in which the issuer is operating and to assess growth projections. When the investment universe has been narrowed by these two processes, AVCAP begins deeper fundamental analysis of each issuer, emphasizing unique company attributes such as management teams, resource properties and/or physical plant, geopolitical aspects of an issuer's business, and similar issuer-specific data. AVCAP believes strongly that the quality of a company's management can greatly affect security performance, and therefore generally, but not always, seeks to develop long-term relationships with senior management of investee companies. Where AVCAP's investment process indicates an investment opportunity, AVCAP considers the macro and resource-specific environment to inform timing of position entry, sizing and exit.

Securities are selected for the portfolio based primarily on fundamental analysis, although AVCAP may also employ other techniques to identify fundamental opportunities, evaluate portfolio sizing and risk and structure hedging transactions. The analysis process may include, without limitation, a detailed review of a company's financial statements, interviews with its management team, background

checks on key management members, discussions with suppliers, customers and competitors, discussions with industry experts, and evaluation of comparative and historical price levels. Although AVCAP does not seek to “filter” investment opportunities based on macro perspectives, macro trends affecting an investment opportunity may form a fundamental part of any investment decision. Investments will generally take the form of long or short positions in equity, debt or convertible securities and associated derivatives. In addition to investment ideas generated internally, AVCAP and its personnel may also source ideas from established relationships with company managements, third party investment managers, industry experts, boutique research providers, published financial information and brokerage firm research.

AVCAP seeks to quantify and manage risk at both the position and portfolio levels. Position level risk management seeks to minimize the probability that large losses will develop without frequent reassessment by AVCAP, and to manage risk through alternative forms of investment, where appropriate.

Although the Clients focus primarily on equity investments, it is not limited to such investments, and there are no material restrictions on the particular types of investing in which the Clients may engage, on the percentage of the Clients’ assets that may be committed to a particular type of investing, or on the particular trading markets in which the Clients may invest. The Clients’ investment approach may uncover investment or short sale opportunities in other asset classes, including bonds, high yield debt, distressed securities, convertible bonds and privately placed securities. The Clients may attempt to take advantage of these opportunities when they arise.

Separate Account clients will be generally managed pari-passu to the Avoro Life Sciences Funds, except for investments in certain privately offered securities, where the Separate Account clients may not receive any allocation of those securities.

The investment program of the Clients is speculative and may entail substantial risks. Since market risks are inherent in all securities investments to varying degrees, there can be no assurance that the investment objective of the Clients will be achieved. In fact, certain investment practices described above can, in some circumstances, potentially increase the adverse impact on the Clients’ investment portfolio.

B. Risks of Investments and Strategies Utilized

Investing in securities involves risk of loss that Clients and Investors should be prepared to bear. The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment with AVCAP. Prospective Investors and Clients should read the entire Brochure as well the Funds’ governing documents and any other material provided by AVCAP, and consult with their own advisers prior to engaging AVCAP’s services.

Concentration in Life Sciences and Healthcare Technology. The focus of the Clients on companies in the life sciences sector means that the Clients' performance is closely tied to and affected by events occurring in the life science sector. The Clients will be affected to a greater extent by factors affecting such companies than would be the case if the Clients held a more diversified portfolio.

Regulatory Approvals. Companies in the life science industry are typically subject to governmental regulation and approval of their products and services, which can have a significant effect on their market price. Usually, the companies require the approval of agencies such as the U.S. Food and Drug Administration prior to marketing their products to the public. The approval process is very lengthy and very costly, and there can be no guarantee that a portfolio company will obtain the necessary approvals for its products. If a company is unable to obtain these approvals in a timely fashion, the company may experience significant adverse effects, which in turn could negatively affect the performance of the Clients.

Risk of Early-Stage Investments. While early-stage investments offer the opportunity for significant gains, such investments also involve a high degree of business and financial risk and can result in substantial losses. Among these risks are the general risks associated with investing in companies operating at a loss or with substantial variations in operating results from period to period, and companies with the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Such companies may face intense competition, including from companies with greater financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel. Although the AVCAP intends to focus on mid- and later-stage companies, it may invest in early-stage companies in the life sciences and related industries. Such investments pose more risk than later-stage investments in companies with more proven business models. Such early stage companies may have unproven products and/or services with uncertain markets, may need to expend significant capital to develop a market or consumer base with no assurance of either market or consumer acceptance, and may have more difficulty expanding its management team compared to more established commercial entities. Moreover, even if a portfolio company succeeds in developing a product or service with market and/or consumer acceptance, it is likely to face intense competition, including competition from companies with greater brand recognition, significant customer bases, financial resources, more extensive development, manufacturing, marketing and service capabilities and a larger number of qualified managerial and technical personnel.

Intellectual Property Considerations. The Clients may invest in securities of the companies that will need to obtain patents for their products, both in the U.S. and in other countries. The patent protection of the intellectual property of healthcare technology companies in many countries is highly uncertain and involves complex legal, scientific and factual issues. The policy regarding allowable claim matter of life sciences or health care technology patents varies from jurisdiction to jurisdiction.

Therapeutics Development Risk. The Clients may have significant exposure to development stage companies. Investing in such companies involves greater risk than is customarily associated with investing in established companies with commercialized product lines, as the value of the security is often significantly attributed to the prospects of the development program, and clinical setbacks, unanticipated safety risks or lack of therapeutic efficacy, for example, can result in significant negative price performance of the security. The Clients may have exposure in these securities during periods when critical data is released by the company.

Product Liability. Liability of life science companies for products that are later alleged to be harmful or unsafe may be substantial, and may have a significant impact on a life science company's market value and/or share price.

Small and Medium Capitalization Companies. The Clients may invest in U.S. and foreign small and medium capitalization securities. Investing in lesser known, small and medium capitalization companies may involve greater risk of volatility of the Clients' investment results than is customarily associated with investing in larger, more established companies.

Issuer-Specific Risks. The price of an individual security or particular type of security can be more volatile than the market as a whole and can fluctuate differently than the market as a whole. An individual issuer's securities can rise or fall dramatically with little or no warning based upon such things as a better (or worse) than expected earnings report, news about the development of a promising product, or the loss of key management personnel. There is also a risk that the price of a security may never reach the level that AVCAP believes is representative of its full value or that it may even go down in price.

Short Selling. Short selling can result in profits when the prices of the securities sold short decline. In a generally rising market, the Clients' short positions may be more likely to result in losses because the environment would be more conducive for the securities sold short to increase in value. It is possible that the Clients may hold long and short positions in the same security for hedging, operational or fundamental purposes. A short sale involves the theoretically unlimited risk of an increase in the market price of the securities sold short.

Leverage. The Clients may borrow funds in order to increase the amount of capital available for investment. Borrowing will tend to magnify the profits or losses of the Clients. The level of interest rates at which the Clients can borrow will affect the operating results of the Clients. If securities pledged to brokers to secure the Clients' margin accounts decline in value, the Clients could be subject to a "margin call," pursuant to which the Clients must either deposit additional funds with the broker, or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden precipitous drop in the value of the Clients' assets, the Clients might not be able to liquidate assets quickly enough to pay off its margin debt.

Hedging Transactions. The Clients may utilize financial instruments such as forward contracts, options, futures, swaps and tracking securities such as ETFs for hedging purposes or as part of its trading strategies. Hedging against a decline in the value of a portfolio position 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. Hedging transactions may also limit the opportunity for gain if the value of the portfolio position should increase.

Illiquid Assets. Certain investment positions of the Clients may be illiquid or have limited liquidity. The Clients may invest in "restricted" or non-publicly traded securities, securities traded on non-U.S. exchanges, securities that are acquired directly from companies in private placements that are not registered under U.S. securities laws, or securities traded off established exchanges on an "over the counter" basis. The Clients may not be readily able to dispose of such non-publicly traded or less-liquid securities, and in some cases, may be contractually prohibited from disposing of such securities for a specified period of time. Such securities may only be traded by a limited number of institutional investors, or may not be traded at all, and the market for such securities, or for the common shares into which they are convertible, may be "thin" or may be dominated by a limited number of broker-dealers acting as market-makers. An exchange or regulatory authority may suspend trading in a particular security or contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only.

The ability of the Clients to transact in securities it holds may be impacted by regulatory requirements, which may also require that certain of the Clients' holdings be publicly disclosed. The Clients (separately or together with other entities or accounts managed by AVCAP) may own more than a certain percentage of a class of securities of an issuer, as a result of which the Clients could be limited in transacting in such securities for a period of time. The Clients or AVCAP may receive non-public information regarding an issuer, which would restrict the Clients' ability to trade in the securities of the issuer. These and other regulatory requirements may cause the Clients to be unable to transact in securities of an issuer when doing so would otherwise be in the best interests of the Clients.

Non-U.S. Investments. Securities issued by non-U.S. issuers, denominated in non-U.S. currencies and/or traded outside of the United States require consideration of certain risks typically not associated with investing in U.S. securities or property. Such risks include, among other things, trade balances and imbalances and related economic policies, unfavorable currency exchange rate fluctuations, imposition of exchange control regulation by the United States or non-U.S. governments, withholding or other taxes, limitations on the removal of funds or other assets, policies of governments with respect to possible nationalization of their industries, political difficulties, including expropriation of assets, confiscatory taxation and economic or political instability in other non-U.S. nations.

There may be less publicly available information about certain non-U.S. companies than would be the case for comparable companies in the United States and certain non-U.S. companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to or as uniform as those of U.S. companies. Securities markets outside the United States, while growing in volume, have for the most part substantially less volume than U.S. markets, and many securities traded on these non-U.S. markets are less liquid and their prices more volatile than securities of comparable U.S. companies.

Additional costs could be incurred in connection with international investment activities. Non-U.S. brokerage commissions generally are higher than in the United States. Expenses also may be incurred on currency exchanges when the Clients changes investments from one country to another. Increased custodian costs as well as administrative difficulties (such as the applicability of non-U.S. laws to non-U.S. custodians in various circumstances, including bankruptcy, ability to recover lost assets, expropriation, nationalization and record access) may be associated with the maintenance of assets in non-U.S. jurisdictions.

Currencies. The Clients may invest a portion of its assets in debt and equity securities denominated in currencies other than the U.S. dollar and in other financial instruments, the price of which is determined with reference to currencies other than the U.S. dollar. However, the Clients value their securities and other assets in U.S. dollars. To the extent unhedged, the value of the Clients' assets will fluctuate with U.S. dollar exchange rates as well as with price changes of the Clients' investments in the various local markets and currencies. Thus, an increase in the value of the U.S. dollar compared to the other currencies in which the Clients makes its investments will reduce the effect of increases and magnify the effect of decreases in the prices of the Clients' securities in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect of magnifying the effect of increases and reducing the effect of decreases in the prices of the Clients' non-U.S. dollar securities.

Forward Currency Contracts. Forward currency contracts may not be liquid in all circumstances, so that in volatile markets, to the extent the Clients wish to do so, it may not be able to close out a position by taking another position equal and opposite to such position on a timely basis or without incurring a sizeable loss.

Options. The purchaser of a put or call option runs the risk of losing his entire investment in a relatively short period of time. The uncovered writer of a call option is subject to a risk of loss should the price of the underlying security increase, and the uncovered writer of a put option is subject to a risk of loss should the price of the underlying security decrease.

Swaps. A swap is an agreement between the Clients and a financial intermediary whereby cash payments periodically are exchanged between the parties based upon changes in the price of an underlying asset (such as an equity security, an index of securities, or another asset or group of assets with a readily determinable value). For example, an interest rate swap involves one party agreeing to make periodic

fixed payments to the other party in return for the other party agreeing to make periodic payments to the first party that vary with the prime rate or another variable interest rate indicator. Swaps are subject to the risk of non-performance by the swap counterparty, including risks relating to the financial soundness and credit worthiness of the swap counterparty.

Bonds. Bonds or other fixed income securities, including commercial paper and “higher yielding” (and, therefore, higher risk) debt securities. Such securities may be below “investment grade” and face ongoing uncertainties and exposure to adverse business, financial or economic conditions that could lead to the issuer’s inability to meet timely interest and principal payments. The market values of lower rated debt securities tend to reflect individual corporate developments to a greater extent than do higher rated securities, and tend to be more sensitive to economic conditions than are higher rated securities. Companies that issue such securities often are highly leveraged and may not have available to them more traditional methods of financing.

Convertible Securities. The Clients may invest in convertible instruments, including privately placed convertible instruments. A convertible instrument is a bond, debenture, note, preferred stock or other security that may be converted into or exchanged for a prescribed amount of common stock of the same or a different issuer within a particular period of time at a specified price or formula. Issuers of convertible debt or preferred stock may default on their obligation to issue the common shares into which such debt or preferred stock is convertible. The same may apply to issuers of other types of securities including, but not limited to, options and warrants. Issuers may also be unable, or default in their obligation, to register securities held by the Clients or to meet other obligations required by such securities.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment in the Clients. Investors should read the entire Brochure as well as the Clients’ Constituent Documents and consult with their own advisers prior to engaging AVCAP’s services.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose any legal or disciplinary events that are material to a client’s or prospective client’s evaluation of our advisory business or the integrity of our management. AVCAP and its management personnel have no reportable disciplinary events to disclose.

Item 10 – Other Financial Industry Activities and Affiliations

A. Registration as a Broker-Dealer or Broker-Dealer Representative

Neither AVCAP nor its management persons are registered as a broker-dealer or broker-dealer representative.



B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor

Neither AVCAP nor its management persons are registered as futures commission merchant, commodity pool operator, or a commodity trading advisor.

C. Relationships Material to this Advisory Business and Possible Conflicts of Interest

Avoro Capital Partners LLC, an affiliate of AVCAP, receives the incentive allocation from the Funds, as described in Item 5 and Item 6.

None of AVCAP nor its management persons have any other relationships or arrangements with any related persons that are material to AVCAP's advisory business.

1. Relationship between AVCAP and HealthQuest.

As previously discussed, on May 3, 2019, venBio Select Advisor LP completed a strategic transaction whereby the Firm was sold to the Holding Company. The Holding Company is jointly owned by Dr. Aghazadeh and Dr. Garheng Kong, the founder and principal of HealthQuest. More information regarding HealthQuest and Dr. Kong can be found at www.healthquestcapital.com. After consummation of such transaction, Dr. Aghazadeh remains responsible for managing AVCAP, the business and investments of which is operated independently of HealthQuest. Dr. Aghazadeh will spend a portion of his business time and attention on the business and affairs of the Holding Company, including development of future products.

HealthQuest manages a number of alternative investment products, including closed-end "venture growth" funds. Generally, HealthQuest and AVCAP are expected to maintain a "wall" or "information barrier" among the teams that manage their respective alternative investment vehicles in order to facilitate compliance with the Exchange Act, the Securities Act, the Investment Company Act and similar laws by prohibiting the sharing of material non-public information and/or preventing any coordinated investment activities. As a result, AVCAP's Clients are not expected to benefit from information held by the HealthQuest team(s) managing the HealthQuest vehicles and generally are not expected to have insight into the investments that are sourced by the HealthQuest team(s) prior to the HealthQuest vehicles completing such investments. Nevertheless, it is possible that conflicts of interest may arise from time to time in connection with the investment activities and decisions of HealthQuest, which will be addressed by the compliance policies and procedures of the Firm.



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AVCAP gives advice and recommends securities to a number of Clients. The advice or securities may be identical or different among the Clients, even though their investment objectives may be the same or similar. The Clients are subject to different fees and expenses, and AVCAP or its affiliates may own interests in some Clients. In the ordinary course of its activities, AVCAP may, from time to time, buy or sell the same securities for a number of Clients.

Certain investment opportunities may also be appropriate for more than one Client. AVCAP will determine how investment and trading opportunities are allocated among the Clients that it manages, even though it may face potential conflicts of interest in making such allocations. AVCAP will act in a manner that it considers fair and equitable in allocating investment opportunities among the Clients, although situations may arise in which the account activities of AVCAP or a Client may disadvantage another Client, such as the inability of the market fully to absorb orders for the purchase or sale of particular securities placed by AVCAP for multiple Clients at prices and in quantities that would be obtainable if the same were being placed only for one Client. AVCAP may aggregate orders of a Client with orders for another Client. Such aggregation of orders may not always be to the benefit of the Client with regard to the price or quantity executed. The performance of different accounts managed by AVCAP may vary.

AVCAP may purchase on behalf of its Clients different classes of debt and/or equity of the same borrower or issuer. These and other investments may be deemed to create a conflict of interest. AVCAP may be required to take certain actions for some Clients with respect to one class of debt or equity that may be adverse to other Clients who hold other classes of debt or equity of the same borrower or issuer.

AVCAP manages Clients that may have similar investment strategies. In connection with the investment activities on behalf of a Client, AVCAP may, from time to time, receive material non-public information about a company which would restrict a Client's ability to invest in such company or to dispose of an investment in such company if the Client then maintains an investment therein.

AVCAP determines how certain expenses are allocated among the Clients. AVCAP may cause accounts managed by AVCAP to enter into transactions with each other.

D. Selection of Other Advisers or Managers

AVCAP does not utilize nor select other advisers or third party managers. All assets are managed by AVCAP.

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

A. Code of Ethics

AVCAP has adopted a Code of Ethics and Compliance Manual (the “Manual”) to govern its ethical obligations regarding personal securities transactions pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended.

The Code of Ethics and Manual covers a range of topics which may include: (1) Personal Securities Transactions with topics including: Personal Trading Accounts and Reports; Personal Trading Approvals; Review of Personal Trading Information; Client Priority; Front Running; Restricted List; Principal Transactions; Private Placements; Initial Public Offerings; (2) Code of Employee Conduct with topics including: Outside Activities; Conflicts of Interest; Communications; Protection of Client Assets; Confidentiality, Proprietary Data and Privacy of Customer Personal Information; Involvement in Litigation/Contacts with the Press; Favoritism and Gifts; Registration, Licensing and Testing Requirements; Qualification of Solicitors; E-Mail, Instant Messaging and Internet Chat Rooms/Message Boards Communication; and (3) Insider Trading with topics including: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Manual, review and enforcement processes, amendments to Form ADV and supervisory procedures Policy Statement on Insider Trading; Procedures to Implement AVCAP’s Policies against Insider Trading; Employee or Family Member Serving as Director, Officer or Consultant; Client Serving as Director, Officer or Consultant; and Supervisory Procedures.

AVCAP will provide its Code of Ethics to Clients and prospective Clients upon request. Such a request may be made by submitting a written request to AVCAP at the address on the cover page to this Brochure.

B. Recommendations Involving Material Financial Interests

AVCAP doesn’t recommend to Clients, or buys or sells for Client accounts, securities in which AVCAP has a material financial interest.

Cross Trades & Principal Transactions

In general, AVCAP does not typically enter into principal or cross transactions. If AVCAP believes a principal or cross trade is in the best interests of the relevant Clients, AVCAP may enter into such trades and will take steps to ensure that the transaction is consistent with the duty to obtain best execution for each of those Clients, and that any required consents are obtained. AVCAP may engage in a cross trade for a variety of reasons including, without limitation, tax purposes, liquidity purposes, portfolio rebalancing, or reducing transaction costs that may arise in open market transactions.

AVCAP monitors allocation levels among Client accounts, with similar investment strategies, that are traded pari-passu, and at times may initiate transactions utilizing an independent third party broker to rebalance the AVCAP's securities positions among those Clients. The third-party broker is instructed to execute such trades in the open market, at the prevailing market price, and such trades are subject to the same commission rates.

C. Investing Personal Money in the Same Securities as Clients

AVCAP or its Employees may personally buy or sell the same instruments that AVCAP buys or sells for Client accounts, and it or they may own securities, or options on securities, of issuers whose securities are subsequently bought for Client accounts because of AVCAP's recommendations regarding a particular security. This presents several potential conflicts. One is the risk that an Employee (or an Employee's immediate family member) knows that AVCAP intends to purchase a security on behalf of certain clients and then "front-runs" AVCAP and its clients by purchasing the security before AVCAP does. In the case where the size of the Employee's transaction is large enough, based on factors such as the trading volume of the security, this could cause the price of the security to rise and AVCAP and its clients to pay more for the security.

To address these and other conflicts of interest, AVCAP maintains the Code (as described above) and requires pre-approval of equity trades. AVCAP's policy is designed (i) to prevent potential legal, business or ethical conflicts; (ii) to minimize the risk of unlawful trading in any account where Employees have an interest and (iii) to guard against the misuse of confidential information. All personal trading and other activities must avoid any conflict or potential conflict of investor interest. Employees are prohibited from engaging in unlawful trading and any trading that may appear to be improper. Further, Employees are encouraged to invest for the long-term through instruments and opportunities that will not conflict with their responsibility to serve AVCAP's trust.

D. Trading Securities At/Around the Same Time as Clients' Securities

As discussed above, from time to time, AVCAP or its Employees may buy or sell securities for themselves that AVCAP also recommends to the Client. AVCAP documents all transactions and conducts diligence to ensure that Client business is transacted before the business of its Employees and/or related persons of AVCAP when similar securities are being bought or sold. To address such conflicts of interest, AVCAP maintains the Code and requires pre-approval of certain equity trades.

Item 12 – Brokerage Practices

A. Factors Used to Select or Recommending Broker-Dealers

AVCAP must execute securities transactions for the Client so that brokerage transactions represent the best qualitative execution for the Client, based on such factors as the efficiency of execution, the timing of the transaction, the price of the security purchased or sold, the commission rate, and the financial responsibility and responsiveness of the broker. The lowest possible commission cost is not by itself the determinative factor, and as discussed below, the Client may not always pay the lowest possible commission rates.

In most or all cases, AVCAP has complete discretion to select the brokers to be used for executing securities transactions on behalf of the Client and the commission rates to be paid to those brokers. In selecting a broker for any transaction or series of transactions, AVCAP may consider a number of factors, including, for example, net price, clearance, settlement, reputation, financial strength and stability, efficiency of execution and error resolution, block trading and block positioning capabilities, willingness to execute related or unrelated difficult transactions in the future, special execution capabilities, order of call, offering to AVCAP on-line access to computerized data regarding Client accounts, computer trading systems, the availability of stocks to borrow for short trades and other matters involved in the receipt of brokerage services generally. AVCAP also may purchase from a broker or allow a broker to pay for soft-dollar items, as discussed below.

AVCAP periodically reviews the quality of brokerage executions.

1. Research and Other Soft Dollar Benefits

AVCAP receives research or other products or service other than execution from a broker-dealer or third-party in connection with Client securities transactions (“soft dollar benefits”). AVCAP has the right if, in good faith, it considers it to be in the best interest of the Client and consistent with AVCAP’s obligations to do so, to enter into “soft dollar” arrangements with one or more broker-dealers. All “soft dollar” arrangements fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act, as that safe harbor is currently interpreted by the Securities and Exchange Commission.

AVCAP may effect transactions with broker-dealers who provide research services (collectively, “soft-dollar items”) to AVCAP that assist AVCAP in making investment and trading decisions on behalf of its Clients. The negotiated commissions paid to broker-dealers supplying soft-dollar items may not represent the lowest obtainable commission rates. In any such arrangement, the amount of the commission paid must be reasonable in relation to the value of the brokerage and soft-dollar items provided by the broker-dealer, viewed in terms of either the particular transaction or AVCAP’s overall responsibilities with respect to its Clients. For all current and future soft dollar arrangements, AVCAP intends to comply with the soft-dollar “safe harbor” afforded by Section 28(e) under the 34 Act.

When AVCAP uses Client brokerage commissions to obtain soft-dollar items, it receives a benefit because it does not have to produce or pay for such soft-dollar items. However, AVCAP believes that such soft dollar items may provide the Clients with benefits by supplementing the research and services otherwise available to the Clients. In addition, the research and other benefits resulting from a brokerage relationship benefit all Client accounts or AVCAP's operations as a whole, including any Client accounts that direct AVCAP to use a broker that does not provide soft dollar benefits.

AVCAP may have an incentive to select or recommend a broker-dealer based on its interest in receiving the soft-dollar items, rather than on the Client's interest in receiving most favorable execution. AVCAP periodically reviews the execution performance of its brokers to ensure that any potential conflicts of interests are resolved.

To the extent that AVCAP does engage in such "soft dollar" arrangements, the Client may incur a brokerage commission in excess of that which another broker might charge for effecting the same transaction if AVCAP determines in good faith that such commission is reasonable in relation to the value of the brokerage, research, other services and soft dollar relationships provided by that broker, viewed in terms of either the specific transaction or AVCAP's overall responsibilities to the portfolios over which AVCAP exercises investment authority.

Soft-dollar items, whether provided directly or indirectly, may be utilized for the benefit of AVCAP's and its affiliates' other accounts. Soft-dollar items are not limited to those Clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits. AVCAP may receive soft dollar credits based on principal, as well as agency, securities transactions with brokerage firms.

A broker from which AVCAP obtains soft dollar services generally establishes "credits" based on past transactional business (including markups and markdowns on principal transactions), which may be used to pay for specified expenses. In some cases the process is less formal and a broker simply may suggest a level of future business that would fully compensate the broker for services or products it provides. AVCAP monitors the soft dollar services provided to ensure that appropriate transactions are executed with a soft dollar provider.

2. Brokerage for Client Referrals

In selecting broker dealers AVCAP may consider the broker dealer's referrals of prospective Client accounts or Investors. To the extent that AVCAP would otherwise be obligated to pay for "finding"



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services, it has a conflict of interest in considering those services when selecting a broker-dealer. It also faces a conflict because it benefits from increases in the size of its assets under management.

3. Directed Brokerage

AVCAP does not allow investors in the Funds to direct brokerage. Securities transactions are executed by brokers selected by AVCAP in its discretion and without the consent of the Client or Investors.

B. Aggregating Trading for Multiple Client Accounts

AVCAP may (but is not required to) aggregate orders for Client accounts for which it or its principals have trading authority, and if it believes that aggregation is in the overall best interest of the Client accounts that participate in the aggregated order. AVCAP does not aggregate securities transactions for Client accounts, unless it believes that aggregation is consistent with its duty to seek best execution for Client accounts and is consistent with the applicable agreements of the Client accounts for which AVCAP aggregates securities transactions.

AVCAP will allocate buy or sell programs of a particular security among all Client accounts for which the program is appropriate. When it does so, each Client Account that participates in an aggregated securities transaction participates at the average share price for all transactions in the security for which that aggregated order is placed on the day that such aggregated order is placed. Subject to minimum ticket charges, transaction costs are shared in proportion to Client accounts' participation. AVCAP believes combining orders in this way will, over time, be advantageous to all participants. However, the average price could be less advantageous to a Client than if that Client had been the only account effecting the transaction or had completed its transaction before the other participants. Because of AVCAP's relationship to the Clients it manages by virtue of its position as an investment manager, there may be circumstances in which transactions for those entities may not, under certain laws, regulations and internal policies, be combined with those of some of AVCAP's and its affiliates' other Clients, which may result in less advantageous execution for those Clients.

To ensure that no Client account is disadvantaged as a result of such aggregation, AVCAP has adopted certain policies and procedures that include, among other things:

AVCAP receives no additional compensation or remuneration of any kind as a result of aggregating securities transactions for Client accounts. Accounts of AVCAP employees are not included in any aggregated securities transaction.

In addition, AVCAP may place orders for the same security for different Clients at different times and in different relative amounts due to differences in investment objectives, cash availability, size of order and practicability of participating in "block" transactions. The level of participation by different Clients in the

same security may also be dependent upon other factors relating to the suitability of the security for the particular Client.

Finally, AVCAP and/or its related persons or Clients may buy or sell specific securities for its or their own account that are not deemed appropriate for Client accounts at the time, based on personal investment considerations that differ from the considerations on which decisions as to investments in client accounts are made. Where execution opportunities for a particular security are limited, AVCAP attempts in good faith to allocate such opportunities among Clients in a manner that, over time, is equitable to all clients.

C. Trade Error Policy

AVCAP reviews trade errors to determine what corrective steps to take, if any. AVCAP maintains a Trade Error Policy in its Compliance Manual to help ensure that AVCAP satisfies its obligation to place orders correctly for Clients. Generally, Client accounts will be responsible for any losses resulting from trading errors and similar human errors, absent willful misconduct, gross negligence or reckless disregard of AVCAP's duties. Trading errors might include, for example, keystroke errors that occur when entering trades into an electronic trading system or typographical or drafting errors related to derivatives contracts or similar agreements. Given the volume of transactions executed by AVCAP and its affiliates on behalf of the Clients, investors should assume that trading errors (and similar errors) will occur and that the Clients will be responsible for any resulting losses, even if such losses result from the negligence but not gross negligence of AVCAP. To the extent that any agreement with a Client imposes trade error reporting or reimbursement obligations that conflict with or are inconsistent with the Trade Error policies in the Compliance Manual, the provisions of such agreement, with respect to the affected Client, will supersede the trade error policies in the Compliance Manual.

Item 13 – Review of Accounts

A. Frequency and Nature of Periodic Review and Who Makes Those Reviews

All accounts are managed and reviewed daily. Particular attention is given to changes in company earnings, industry and company outlook, market outlook and price level. For the Avoro Life Sciences Funds and Separate Accounts, the reviews are conducted by Behzad Aghazadeh. Clients' accounts are reviewed in the context of the Clients' stated investment objectives and guidelines.

B. Factors That Will Trigger a Non-Periodic Review of Client Accounts

A review of a Client account may be triggered by any unusual activity or special circumstances, including, without limitation, changes in economic, market, or political conditions, as well as the specific circumstances affecting each Client.

C. Content and Frequency of Regular Reports

Investors in the Avoro Life Sciences Funds will generally receive the following reports: (i) annual financial statements, (ii) quarterly summaries of the Clients' performance (after the first full calendar year (12 months) of operations), (iii) copies of his or her Schedule K-1 to the Master Fund's tax return, and (iv) other reports as determined by AVCAP in its sole discretion. The Avoro Life Sciences Funds shall bear all fees incurred in providing such tax returns and annual reports. AVCAP will afford Investors additional transparency upon request, at its discretion. Arrangements with Separate Accounts may vary.

Item 14 – Client Referrals and Other Compensation

Registered investment advisers are required to disclose all material facts regarding any compensation or other benefits it receives, directly or indirectly, for client referrals. AVCAP had previously entered into a placement agreement pursuant to which the Placement Agent agreed to introduce potential investors to the Funds. Pursuant to the terms of the Placement Agreement, AVCAP paid the Placement Agent a placement fee equal to a percentage of the Management Fees and Incentive Allocations borne by each investor introduced to a Fund by the Placement Agent.

Item 15 – Custody

Pursuant to Rule 206(4)-2 under the Advisers Act (the "Custody Rule"), AVCAP is deemed to have custody of certain Client funds and securities because AVCAP has the authority to obtain Client funds or securities, for example, by deducting advisory fees from a Client's account. All Client assets are held by a qualified custodian. To the extent AVCAP is subject the Custody Rule, AVCAP will not be required to comply (or will be deemed to have complied) with certain requirements of the Custody Rule with respect to each Client because AVCAP complies with the provisions of the so-called "Pooled Vehicle Annual Audit Exception". Pursuant to the Pooled Vehicle Annual Audit Exception, AVCAP arranges for each of its pooled vehicles to be subject to audit at least annually by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and distributes its audited financial statements to all investors in each vehicle within 120 days of the end of its fiscal year.

Item 16 – Investment Discretion

AVCAP is typically authorized to invest and trade the Clients' assets in a broad range of investments, to be selected at AVCAP's sole discretion. Further, AVCAP may enter into any type of investment transaction and employ any investment methodology or strategy it deems appropriate, subject to the investment objectives and guidelines set forth in the Clients' governing documents or investment management agreements.

Pursuant to the Clients' Constituent Documents, investment management agreements between AVCAP and the Clients, each Investor designates AVCAP as its attorney-in-fact to execute, certify, acknowledge, file, record and swear to all instruments, agreements and documents necessary or advisable to carrying out the Clients' business and affairs., including execution of the Clients' governing documents.

Item 17 – Voting Client Securities

AVCAP has adopted proxy voting policies and procedures in accordance with Rule 206(4)-6 of the Investment Advisers Act of 1940, as amended. The policies require AVCAP to vote proxies received in a manner consistent with the best interests of the Clients. The policies also require AVCAP to vote proxies in a manner intended to enhance the economic value of the assets of the Client. However, the policies permit AVCAP to abstain from voting proxies in the event that the Client's economic interest in the matter being voted upon is limited relative to the Client's overall portfolio or the impact of the Client's vote will not have an effect on its outcome or on the Client's economic interests.

Certain of AVCAP's proxy voting guidelines are summarized below:

AVCAP votes for a proposal when it believes that, on balance, the following factors predominate: the proposal would have a positive economic effect on shareholder value; the proposal would pose no threat to existing rights of shareholders; the dilution, if any, of existing shares that would result from adoption of the proposal is warranted by the benefits of the proposal; and the proposal would not limit or impair the accountability of management and the board of directors to the shareholders.

AVCAP votes against a proposal when it believes that, on balance, the following factors predominate: the proposal would have an adverse economic effect on shareholder value; the proposal would limit the rights of shareholders in a manner or to an extent that is not warranted by the benefits of adopting the proposal; the proposal would cause significant dilution of shares that is not warranted by the benefits of the proposal; the proposal would limit or impair the accountability of management or the board of directors to shareholders; or the proposal is a shareholder initiative that AVCAP believes wastes time and resources of the company or reflects the grievance of one individual.



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Where a proxy proposal raises a material conflict between AVCAP's interests and the interests of the Client, AVCAP will seek to resolve the conflict in accordance with AVCAP's proxy voting guidelines.

AVCAP will provide, upon request, a copy of those policies and procedures and/or information concerning its voting record on account proxy matters. Such a request may be made by calling Scott Epstein, Chief Financial Officer and Chief Compliance Officer, at 212-937-4970 or by email: sepstein@avorocapital.com.

With regard to all matters (other than proxies) for which shareholder action is required or solicited with respect to securities beneficially held by the Clients' accounts, such as (i) all matters relating to class actions, including without limitation, matters relating to opting in or opting out of a class and approval of class settlements and (ii) bankruptcies or reorganizations, to date AVCAP has affirmatively disclaimed responsibility for voting (by proxies or otherwise) on such matters and does not currently anticipate taking any action with regard to such matters.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide Investors with certain financial information or disclosures about AVCAP's financial condition. AVCAP has no financial commitment that is reasonably likely to impair its ability to meet contractual commitments to Clients, and has not been the subject of a bankruptcy petition.

Item 19 – Requirements for State-Registered Advisers

Not applicable.