

## Item 1 – Cover Page

# TORREYCOVE CAPITAL PARTNERS LLC

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March 12, 2020

This Brochure provides information about the qualifications and business practices of TorreyCove Capital Partners LLC (“TorreyCove”). If you have any questions about the contents of this Brochure, please contact us at (858) 456-6000.

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information which you may use to determine whether to hire or retain an Adviser.

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

## Item 2 – Material Changes

The following material change has been made to the former brochure dated November 12, 2019:

- **Item 4 – Advisory Services:** added the discretionary assets that TorreyCove has under management

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## Item 4 – Advisory Business

TorreyCove Capital Partners LLC ("TorreyCove" or the "Firm") was formed in August 2011 under the laws of the State of Delaware and is an independent, management-owned entity. TorreyCove's principal owner, as defined in Schedule A of Part 1A of Form ADV, is TorreyCove Capital Advisors LLC. Managers<sup>1</sup> and additional employee owners of TorreyCove Capital Advisors LLC are as follows: **David Fann, Michelle Davidson, Kara King, Thomas Martin**, Michael Krems, Jeffrey Goldberger, Thomas Bernhardt, Heidi Poon, Kyson Hawkins, Matthew Coyne, Nic DiLoretta, Craig Occhialini, and Kiersten Pinard.

Since inception, TorreyCove has been exclusively focused on private equity, private credit, and real asset investments, which are illiquid holdings in non-public companies. Its primary client base consists of large institutional investors, most of which are public defined benefit programs. TorreyCove's clients are domiciled in the United States and other countries. See Item 7 of this Brochure for additional information about TorreyCove's clients. TorreyCove generally provides advisory services on a non-discretionary basis; however, the Firm provides fully discretionary services as well.

TorreyCove maintains offices in California and Massachusetts.

As of December 31, 2019, the Regulatory Assets Under Management<sup>2</sup> as reported in Form ADV Part 1 is approximately \$35,168,723,733, of which less than 1% or \$16,549,757 is discretionary. As of December 31, 2019, the Firm had approximately \$75,784,618,547 of non-discretionary Assets Under Advisement<sup>3</sup> and approximately \$2,200,000,000 of discretionary Assets Under Management.<sup>4</sup>

TorreyCove provides a full suite of services designed to assist clients with the development and management of their private equity, private credit, and real asset investments. TorreyCove provides services on a discretionary and non-discretionary basis. Such services usually include:

- *Investment policy development and implementation* – Key components of the client's private equity investment program, including return targets, risk tolerance, and important constraints, are identified and codified in a formal document.
- *Portfolio management* – This relates to the implementation of the client's private equity investment policy. It is an active and ongoing process designed to ensure that the risk and

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1) Managers are identified in bold.

2) As defined in Form ADV 1A instruction 5.b.

3) Assets Under Advisement represent all assets where TorreyCove has an ongoing active non-discretionary advisory and monitoring or monitoring-only relationship with clients.

4) Assets Under Management represent all assets that TorreyCove has discretion to deploy.

return targets for a client's private equity portfolio are being met and that other factors important to the client (e.g. liquidity requirements, exclusions relating to certain investments, special programs) are being implemented appropriately. A major part of this process involves selecting suitable investments for a client's private equity portfolio and ensuring that appropriate diversification of risk (by geography, investment type, sector, etc.) exists within the portfolio. Another important element of the portfolio management process involves estimating the cash flows associated with a client's private equity portfolio for use in the pacing of investment over multiple periods.

- *Investment selection and due diligence* – This involves identifying, evaluating, and selecting appropriate private equity fund investments to satisfy client needs. Usually these investments are made in independent private market funds rather than directly in private companies, but TorreyCove provides both types of services. Once an investment is selected as a potential recommendation to a client, TorreyCove performs detailed and comprehensive due diligence to substantiate the appropriateness of the investment more thoroughly for the client. The Firm also assists and advises on how to improve the structure of the investment (from a business/investment perspective), including expressing recommendations relating to the legal documents governing the agreements between investors and private market managers, as applicable.
- *Monitoring, reporting, and risk-control* – Once a client makes an investment, TorreyCove undertakes the ongoing monitoring of the performance of that investment (including whether it is complying with any and all contractual agreements) as well as the reporting of such performance to the client. Risk-control relates to ensuring compliance with legal agreements and identifying important negative developments in performance or other factors (key person departures, conflicts of interest, organizational instability, etc.) that may impact performance materially.

Additional Services Include:

- *Education and Training* – At the request of a client, TorreyCove will organize training sessions and/or seminars that typically involve relevant and prominent keynote speakers and roundtable discussions amongst its senior investment professionals.
- *Publications and Customized Research* – The Firm publishes periodic pieces on topics of relevance to our general client constituency related to market trends, developments, and more specific outlooks related to sectors, geographies, and strategies. TorreyCove also engages with clients on specific customized research projects on an as requested basis.
- *Co-Investment Advisory* – TorreyCove offers its clients co-investment services that encompass sourcing, due diligence, and monitoring and reporting.

- *Secondary Solutions* – TorreyCove offers clients the ability to more actively manage their private markets portfolios through its secondary market services. TorreyCove will custom tailor its secondary service offerings for each client and has capabilities related to both purchase and sale activities.

TorreyCove provides investment advice in connection with our client's investments in private equity, private credit, and real asset funds. In addition, TorreyCove also serves as the adviser to the manager of several private equity investment fund-of-funds on a non-discretionary basis. It should be noted that any of the above services can be offered as one-off projects for new or existing clients.

TorreyCove tailors its advisory services to the individual needs of its clients by providing a high level of customization to meet specific client mandates, taking into account each client's unique risk tolerances, liquidity requirements, and return targets. For this reason, each client's private markets portfolio will be constructed somewhat differently in terms of investments selected. Further, most clients have certain restrictions or parameters that must be taken into account when constructing portfolios. For instance, a client may restrict investments domiciled in certain geographies, or may restrict certain investment strategies, such as hostile takeovers or buyouts that are viewed as hostile to certain parties.

TorreyCove does not assume any responsibility for the accuracy of the information provided by the client. TorreyCove is not obligated to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Under all circumstances, clients are responsible for promptly notifying TorreyCove in writing of any material changes to the client's financial situation, investment objectives, time horizon, or risk tolerance. In the event that a client notifies TorreyCove of changes in the client's circumstances or information, TorreyCove will review such changes and recommend any necessary revisions to the client's portfolio.

TorreyCove does not provide investment management services to WRAP programs.

## Item 5 – Fees and Compensation

TorreyCove charges fees based upon the scope of the engagement and services required by its clients.

**Private Markets Non-Discretionary and Discretionary Services:** The specific way fees are charged by TorreyCove is established in a client's written agreement with TorreyCove; which is typically a 1- to 5-year contract and includes extension options ranging between one to four years. All fees are subject to negotiation. Generally, TorreyCove will bill its fees on a monthly or quarterly basis, payable in arrears or advance.

Generally, TorreyCove is compensated via a contractual fee which is not directly calculated from the size of assets under management of the client. While such fees will take the size of the mandate into account, they will also reflect an assessment of the resources, personnel, and expenses associated with the advisory mandate. These fees are set out in a contract with the client and are fixed retainer fees. There is usually no incentive component to such fee arrangements.

Compensation received from clients that are asset managers typically consists of two parts, an advisory fee based upon a percentage of assets under management within the vehicle and a variable incentive fee that is based on the performance of the separate account or fund-of-funds.

A client will generally be able to terminate TorreyCove's advisory services upon 30 to 90 days written notice. In such a case, the fees owed to TorreyCove will be adjusted pro rata, unless otherwise agreed to by the client in writing. Accounts initiated during a billing period will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

**Project Based Advisory Services:** TorreyCove has several project-based accounts and from time-to-time, TorreyCove will be engaged on a project- specific basis and will receive project-specific fees and/or hourly fees on either a one-time or ongoing basis. Generally, project fees and/or hourly fees will be agreed upon via a contractual agreement and paid when the project is completed or on an ongoing basis.

TorreyCove's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, fund administration fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to TorreyCove's fee, and TorreyCove shall not receive any portion of these commissions, fees, and costs.

**Education and Training:** These services are included as part of a larger-scope client arrangement, and TorreyCove does not charge a separate fee for Education and Training services.

**Publications and Customized Research:** TorreyCove does not charge a separate fee relating to its publications. Customized research services can be provided upon request, and fees relating to such services will be negotiated by TorreyCove and the client.

**Co-Investment Advisory:** These services can be included as part of a larger-scope client arrangement or as a separate project-based fee. Potential fees relating to such services will be

negotiated by TorreyCove and the client.

**Secondary Solutions:** These services can be included as part of a larger-scope client arrangement or as a separate project-based fee. Potential fees relating to such services will be negotiated by TorreyCove and the client.

See Item 12 of this Brochure for additional information about brokerage fees and how we select broker-dealers for client transactions.

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

In relation to certain non-discretionary client advisory agreements under which TorreyCove advises the manager of a private equity separate management account and three fund-of-funds, TorreyCove is entitled to receive incentive compensation (if generated) as a portion of its compensation, which is based on the performance of each vehicle's investments. (The fund-of-funds are no longer in their investment period).

On one specific project-based engagement, should the client act on TorreyCove advice for a co-investment, TorreyCove is entitled to receive incentive compensation. For this particular client, the incentive compensation is not in addition to a retainer fee. (As of March 12, 2020, TorreyCove has not received incentive compensation from this arrangement).

The amount of the advisory fee and incentive compensation payable to TorreyCove will vary depending on the structure and attributes of the particular fund and the terms of TorreyCove's written advisory contract. Specific information with respect to the calculation of the advisory fees and incentive fees is included in the governing documents of each fund or separate account. TorreyCove's fees for private market fund services are negotiated separately with each client and documented in written advisory agreement.

Incentive compensation fee arrangements may create an incentive for TorreyCove to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities.

TorreyCove has policies and procedures designed and implemented to ensure that all clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among clients. These policies and procedures require that investment and allocation decisions are made based on the merits of the investment and appropriate fit with the client's portfolio. All investment recommendations by TorreyCove are made by its Investment Committee which is comprised of senior TorreyCove investment professionals. In



addition, as an additional safeguard, TorreyCove's Investment Committee is monitored by TorreyCove's compliance function. With respect to allocation, TorreyCove advises clients to make commitments to certain funds, but the general partners of those funds determine the allocation that is made available to each client. TorreyCove does not have discretion over the final investment selection of any of its clients. In the unlikely case that TorreyCove does have control over the allocation process, the Firm will apply its Allocation Policy (available upon request), which provides for pro-rata allocations based on the ratio of each client's recommended and requested allocation to the aggregate amount of recommended and requested allocations for all clients for which the investment is deemed appropriate, subject to portfolio constraints.

Further, the various performance hurdles that are also part of such arrangements, and that are a precondition to the receipt of any incentive compensation, mitigate conflict of interest issues, and impel TorreyCove to provide advice designed to balance return and risk, seeking the highest risk-adjusted returns in the relevant markets, consistent with the best interests of the clients.

TorreyCove recognizes that in certain circumstances strict compliance with these procedures may not be feasible and that unusual or extraordinary conditions may warrant deviation from its standard practices and procedures described in this Item. In such circumstances, senior management charged with investment decision-making responsibility, in collaboration with TorreyCove's Chief Compliance Officer, shall determine the most appropriate action which, in their reasonable judgment, will serve the best interests of, and be fair and equitable to all clients involved.

## **Item 7 – Types of Clients**

TorreyCove's primary client relationships are with state and municipal government defined benefit pension plans within the United States. TorreyCove also currently provides or may provide in the future investment services to private markets investment funds, private markets funds-of-funds, separate accounts, pooled investment vehicles, public pension plans, financial institutions, funds, trusts, sovereign wealth funds, family offices, endowments, foundations, foreign funds such as SICARs, and other U.S. and international institutional investors.

TorreyCove does not have formal requirements for new client relationships, such as a minimum account size; however, we focus our efforts on clients that are qualified, institutional investors that have an allocation to private markets investments.

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

Investing in securities involves risk of loss that clients should be prepared to bear. TorreyCove analyzes private equity, private credit, and real asset investments to formulate advice and recommendations for its advisory clients. TorreyCove's investment strategies involve the construction of diversified fund portfolios that are designed to provide above market returns at reasonable risk when compared to other potential investments.

TorreyCove devotes substantial resources to identifying and evaluating private equity, private credit, and real asset fund managers. Our analytical method combines both qualitative and quantitative elements and is focused on the following key areas:

- *Management* – evaluation of the experience of the key investment team members (particularly as it relates to principal investing), interaction and decision-making amongst these key members, distribution of profits and other compensation amongst the team, organizational structure, and contributions of various team members to the success of prior investments.
- *Track record* – evaluation of the historical principal investment track records of the key investment professionals and/or prior fund vehicles, developing an attribution of these investments to various team members, analyzing the key factors which led to positive or negative performance, and determining whether the track record is relevant as a predictor of potential future performance of the investment team.
- *Strategy* – assessment of the appropriateness of an investment strategy in light of current and prospective market conditions, determination of whether the investment fund can demonstrate a differentiating advantage in sourcing, selecting, and/or managing investments, and evaluating a fund in comparison to its peers with similar strategies.
- *Terms* – business and investment review of the offering and legal documents pertaining to a fund in order to ensure that the interests of the fund and the investors are aligned, fees and expenses are appropriate and reasonable for the fund size and strategy, and key investor protections are included.

TorreyCove also implements direct private equity, private credit, and real assets investment strategies, as part of a co-investment advisory service offering. For direct investments that are sponsored by a private markets fund manager, as well as for those that are not, the key elements of analysis include an evaluation of the following, among other things: the company's business plan and model, historical financial performance, pro-forma/projected financial performance, sources and uses of proceeds, market environment, competitive universe, SWOT analysis (strengths, weaknesses, opportunities, and threats), key company management, capital expenditure requirements, scenario analysis, downside protections, and exit strategy. In a case where there is a general partner sponsor of the transaction, many of the elements of the fund

due diligence protocol are utilized to evaluate the quality of the sponsor along with the investment specific analysis. In addition to all of the risks associated with private equity that have been previously noted, direct investments pose additional risk when compared to fund investments, due to their lack of diversification. Since an investment is concentrated in one company rather than in a portfolio of such companies, the susceptibility of the investment return to unique business risk is significantly heightened and may lead to a loss of some or all of the invested capital. See below in this Item for additional information about Risk Factors.

**Risk Factors:** Prospective clients should be aware that investing in private equity, private credit, and real assets entails a high degree of risk. There can be no assurance that a client's investment objectives will be achieved or that any investor will receive a return of its original invested capital or a gain on its investment. In addition, there may be occasions when TorreyCove and/or its members may encounter potential conflicts of interest. The following considerations are among those that should be carefully evaluated before engaging TorreyCove.

- **Prior Performance:** Past performance is not indicative of future results, and there can be no assurance that TorreyCove will achieve investment results comparable to those previously achieved.
- **Highly Competitive Market for Investment Opportunities:** The activity of identifying, completing, and realizing attractive private equity investments is highly competitive, difficult and involves a high degree of uncertainty. There can be no assurance that TorreyCove will be able to execute on its strategy to satisfy a client's rate of return objectives or realize upon their values.
- **Long-Term Nature of Investment in Fund Interests: No Assurance of Return:** An investment in a private markets fund requires a long-term commitment, with no certainty of return.
- **Access to Private Markets Investments:** Access to private markets investments that are managed by high quality fund managers is limited, and there can be no assurance that TorreyCove will be able to secure sufficient opportunities for its clients to invest in all or any desirable fund investments.
- **Lack of Information:** There generally will be little or no publicly available information regarding the prospects of an alternative asset fund.
- **No Market for Interests; Restrictions on Transferability:** A private market fund's interests will not be registered under the Securities Act of 1933 or the securities laws of any state or other jurisdiction and cannot be publicly resold. There is no public market for the interests in a private market fund, and none is expected to develop.
- **Multiple Levels of Fees and Expenses:** Private equity fund-of-funds, as well as the underlying

funds in which those funds invest, will each impose management fees and “carried interest,” and each will incur operating and administrative costs and expenses. Investors will be required, directly or indirectly, to bear their proportionate share of all such amounts. Management fees and expenses will also be charged even if a private equity fund or its investments perform negatively.

- **Terms of Fund Investments:** The terms and conditions of a fund investment may not be subject to negotiation, and therefore terms of such investments may be favorable to the fund managers.
- **No Control Over Fund Investments:** TorreyCove or its managers, will not have (i) the right to participate in the management, control or operation of a portfolio fund’s investments, (ii) the opportunity to evaluate the relevant economic, financial and other information that will be used by those funds’ managers in their selection, structuring, monitoring and disposition of investments, or (iii) sole authority to remove the manager of any of such fund investments.
- **Market Risks:** Certain private markets investments may be in securities that become publicly traded. Such investments may involve economic, political, interest rate and other risks, any of which could result in an adverse change in the market price.
- **Passive Investment in Interests; Reliance on Personnel:** The success of a private market investment depends in substantial part upon the skill and expertise of the manager and the manager’s personnel. There can be no assurance that any or all of the personnel will continue to be associated with the manager throughout the life of a private equity investment.
- **Legal, Tax and Regulatory Risks:** The regulatory considerations affecting the ability of TorreyCove’s clients to achieve their investment objectives are complicated and subject to change. In addition, other legal, tax and regulatory changes could occur that may adversely affect the private markets asset class.

The information about Risk Factors above addresses, in brief and in part, the material risks related to the alternative products and investments on which TorreyCove advises clients. More complete information about risks associated with private equity, private credit, and real asset investing may be available in prospectuses, offering memoranda, or other disclosure documents relating to TorreyCove-recommended private markets investment vehicles.

## **Item 9 – Disciplinary Information**

TorreyCove has no material items to disclose regarding disciplinary actions taken by official entities, including U.S. or state courts, federal or state regulatory agencies, the SEC, self-

regulatory organizations, or foreign regulatory entities. Neither TorreyCove nor any of its employees has been the subject of any actions or administrative proceedings before any such agencies or entities.

## **Item 10 – Other Financial Industry Activities and affiliations**

TorreyCove has no other financial industry activities and affiliations to disclose.

## **Item 11 – Code of Ethics**

TorreyCove has adopted a Code of Ethics Policy and an Insider Trading and Code of Conduct Policy (“Code of Conduct”). These policies apply to all supervised persons of the Firm and describe TorreyCove’s high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics and Code of Conduct include provisions relating to, among other things, a prohibition of insider trading and personal securities trading procedures. (TorreyCove also maintains a separate Gift Policy that contains restrictions on the acceptance and delivery of gifts by TorreyCove or its personnel and requires the reporting of gifts and business entertainment items received). All supervised persons at TorreyCove must attend an annual training that covers the Code of Ethics and provide a written certification acknowledging the terms of the Code of Ethics annually, or as amended.

The fundamental principles of TorreyCove’s Code of Ethics, as amended from time to time, are that (i) TorreyCove requires high standards of conduct, (ii) the interests of TorreyCove’s clients must always come first, (iii) TorreyCove employees must not take inappropriate advantage of any material, non-public information, and (iv) both actual and potential conflicts-of-interest must be avoided. Among other things, the Code of Ethics:

- Requires employees to comply with applicable provisions of the federal securities laws;
- Requires employees to pre-clear certain personal securities transactions; and
- Requires employees to provide TorreyCove with certain personal securities holdings reports (upon commencement of employment and annually thereafter).

TorreyCove’s employees are required to follow TorreyCove’s Code of Ethics. The Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of TorreyCove will not interfere with (i) making decisions in the best interest of clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of TorreyCove’s clients. In addition, the Code of Ethics requires

same day pre-clearance of all employee securities transactions. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between TorreyCove and its clients.

A written copy of TorreyCove's Code of Ethics and Code of Conduct are available upon request.

## **Item 12 – Brokerage Practices**

TorreyCove does not utilize soft dollars in any way in connection with its business. Depending upon the terms of TorreyCove's contract with its clients, should TorreyCove ever be asked by a client to recommend a broker or dealer, there may be factors other than the lowest available commission or spread that would be taken into account.

## **Item 13 – Review of Accounts**

TorreyCove generally reviews its advisory accounts at least once per annum and provides written reports to its clients. Reviews may take place annually or as required by the terms of its various client engagement agreements or as circumstances warrant. In practice, TorreyCove often reviews accounts more frequently. The review of accounts is done by or under the supervision of an employee at the Vice President-level or above, who establish the review criteria for accounts in conjunction with client needs.

The nature of the review includes the evaluation of progress made over the prior year with respect to achieving the goals of the client's private markets program pertaining to investment pacing, manager selection, appropriate diversification, investment returns, maintenance of acceptable levels of risk, and adherence to program policies and constraints. Goals for the next year in all of these areas are outlined and recommendations are made to bring the client's private markets program more in line with the goals and policies set out at inception of the program and TorreyCove's engagement. For instance, a review of the client private markets portfolio may indicate that investments in certain strategies, sectors, or geographies have exceeded the ranges set out in the prior annual plan, which may lead to a lack of appropriate diversification of the portfolio. Recommendations will then be made, in light of current market conditions, to modify investment in those areas and/or other areas in order to construct a diversified portfolio.

TorreyCove may also review client accounts on a non-periodic basis. This will typically occur when a major change has been undertaken by a client regarding its private markets portfolio. For instance, a client may decide that it will allocate less of its investment capital to private equity, private credit, or real assets overall, necessitating material changes in the pace of private equity investment and perhaps even a sale of some of its existing private equity

investments. As another example, a client may decide that it no longer desires to invest in a certain region or private equity, private credit, or real assets strategy, thereby requiring modifications to the investment plan.

TorreyCove prepares written quarterly reports for distribution to all of its clients that TorreyCove performs ongoing risk management (monitoring and reporting) services for, and more frequent reports or updates as a client may require. These reports contain information discussing the historical and current performance of the client's portfolio, along with a detailed analysis of each investment manager within the portfolio. This analysis includes the following:

- Calculation of performance via both internal rate of return and multiple of invested capital methodologies
- Description of each investment within a fund portfolio, along with the cost basis and fair market value of that investment
- A discussion of material events relating to the fund's portfolio, including new investments, sale or other exit of existing investments, major increases or decreases in fair market value of existing investments
- Important organizational or personnel changes

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

TorreyCove occasionally enters into written agreements with individuals for the payment of a finder's fee as a result of the individual's introduction of an overseas client or overseas business partner to TorreyCove for advisory services or other business transactions. Arrangements for finder's fees are disclosed to the client in writing prior to the client signing an agreement with TorreyCove. Arrangements for finder's fees are typically comprised of a fixed amount, one-time payment. A finder's fee does not increase the fees TorreyCove charges to a client.

## **Item 15 – Custody**

TorreyCove is deemed to have custody of client funds because, in connection with a discretionary mandate, TorreyCove has the authority under a written client agreement to complete private fund subscription documents for, and thereby, commit client capital to, private markets investments on behalf of its client. For these assets, TorreyCove is required to obtain an annual surprise exam from an independent accounting firm in accordance with Rule 206(4)-2 of the Advisers Act. Please refer to Item 9 of Form ADV Part 1 for details of the number of clients and amount of account assets for which TorreyCove has been deemed with custody.

## **Item 16 – Investment Discretion**

TorreyCove provides advisory services on a non-discretionary basis and investment management services on a discretionary basis to its clients. Prior to assuming full discretion in managing a client’s assets, TorreyCove enters into an investment management agreement that sets forth the scope of TorreyCove discretion and the fees charged.

## **Item 17 – Voting Client Securities**

Upon request, with regard to certain discretionary engagements, TorreyCove will vote proxies (i.e. accept voting authority for securities held by a client). TorreyCove does not vote proxies on behalf of its non-discretionary clients.

TorreyCove has adopted and maintains Proxy Voting Policy and Procedures (“Proxy Policy”). The most common scenario in which TorreyCove is requested to respond to proxy requests is where TorreyCove is requested to vote on an amendment.

In voting proxies, generally, TorreyCove is guided by general fiduciary principles and the desire to act prudently in the best interests of the beneficial owners of the accounts it advises and/or private funds it manages. TorreyCove will rely on the observations and direct input of its Amendment Committee (observed by the TorreyCove Compliance Committee) to identify potential conflicts of interest, and to bring such potential conflicts of interest to the attention of TorreyCove’s Chief Compliance Officer. TorreyCove will take action in accordance with its Proxy Policy in response to each proxy request that it receives.

Clients and prospective clients may obtain a copy of TorreyCove’s Proxy Policy upon request.

## **Item 18 – Financial Information**

TorreyCove does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy proceeding.

## **Other Information**

### **TorreyCove Business Continuity Summary**

TorreyCove is committed to protecting the interests of our clients, the safety of our employees, and the protection of Firm property in the event of a business disruption. TorreyCove has



established a Business Continuity Plan (“BCP”) that details how we will respond to events that significantly disrupt our business.

The Firm’s BCP covers areas affected by a business disruption of any type and includes back-up and recovery of client and business records; identification and backup of all mission-critical systems; financial and operational risk assessments; alternate communication between TorreyCove and its clients, employees, and regulators; alternate physical locations; and regulatory reporting. There is a broad range of scenarios under which a business disruption might occur. Internal disruptions include those business disruptions that affect only our Firm’s ability to communicate and do business, such as a fire or power failure in our building. External business disruptions affect a number of firms, such as a terrorist attack, earthquake, widespread fires, or a large-scale, regional disruption. Our plan is designed to enable the Firm to recover and restore business operations as quickly as possible, safeguard our employees and property, protect the Firm’s books and records, and assure our clients prompt service through an alternative location.

TorreyCove conducts predominantly all of its business at its office located at 10180 Barnes Canyon Rd, Suite 200, San Diego, CA 92121. In the event of a disaster that affects the use of our office, we will transfer operations to an alternate location as necessary in order to restore critical operations as soon as possible. Currently, TorreyCove has two alternative business locations in San Diego, as well as its Massachusetts branch office, and all professional-level employees have the capability of working remotely. Recovery will begin on local computer hardware as quickly as possible given the events. We plan to begin recovery immediately and notify clients how to contact us through e-mails, land phone lines, and cellular phones, as available. Should a larger scale external business disruption occur, it is our goal to resume business activities as soon as practical given the specific circumstances surrounding the disruption. Such a disruption may or may not require a relocation of operations to an alternate site. In any case, our goal remains to continue our business and protect the assets of our clients to the best of our abilities.

The BCP will be reviewed, updated, and tested annually by a Compliance Officer of the Firm. The BCP is subject to change without notice. If you have questions regarding our BCP, you may contact us at [complianceofficer@torreycove.com](mailto:complianceofficer@torreycove.com).

### **TorreyCove Information Security**

TorreyCove is committed to safeguard the confidentiality, integrity, and availability of all physical and electronic information assets of the Firm to ensure that regulatory, operational and contractual requirements are fulfilled.

The overall goals for information security at TorreyCove are the following:

- Ensure compliance with current laws, regulations, and guidelines.

- Comply with requirements for confidentiality, integrity, and availability for TorreyCove employees.
- Establish controls for protecting TorreyCove's information and information systems against theft, abuse, and other forms of harm and loss.
- Motivate employees to maintain the responsibility for, ownership of and knowledge about information security, in order to minimize the risk of security incidents.
- Ensure that TorreyCove is capable of continuing their services even if major business disruptions occur.
- Ensure the protection of personnel data (privacy).
- Ensure the availability and reliability of the Firm's network infrastructure.
- Ensure that external service providers comply with TorreyCove's information security needs and requirements.
- Ensure flexibility and a high level of security for accessing information systems from external locations.

TorreyCove's current business strategy and framework for risk management are the guidelines for identifying, assessing, evaluating, and controlling information related risks through establishing and maintaining the various information security policies. Information security is to be ensured by the Firm's Information Security Policy. In order to secure operations at TorreyCove even after serious incidents, TorreyCove shall ensure the availability of continuity plans, backup procedures, system and information access control, and incident management and reporting.

Every user of TorreyCove's information systems shall comply with these information security procedures and guidelines. Violation of this policy and of relevant security requirements will therefore constitute a breach of trust between the user and TorreyCove and may have consequences for employment or contractual relationships.