

Fairmount Funds Management LLC

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This “**Brochure**” provides information about the qualifications and business practices of Fairmount Funds Management LLC. If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Matt Ehrhart, at 267-262-5300 or by email at mehrhart@fairmountfunds.com. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“**SEC**”) or by any state securities authority.

Fairmount Funds Management LLC is a SEC registered investment adviser, such registration, however, does not imply a certain level of skill or training.

Additional information about Fairmount Funds Management LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

Item 2: Material Changes

This Brochure is being updated as Tomas Kiselak stepped down as the Firm's CCO. As of September 2020, Matthew Ehrhart assumed the role of CCO.

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Item 4: Advisory Business

Fairmount Funds Management LLC is a Delaware limited liability company (hereinafter "**Fairmount Funds**," "**we**", "**us**", "**our**" or the "**Firm**") is the registrant and an affiliate of general partners Fairmount Healthcare Fund GP LLC and Fairmount Healthcare Fund II GP LLC (the "**General Partners**"). The Firm was founded by Peter Harwin and Tomas Kiselak, the principal owners of the Firm (the "**Partners**") in August 2016. The Partners are responsible for the Firm's overall management.

Fairmount Funds provides discretionary investment management services to qualified investors through its private pooled investment vehicles: Fairmount Healthcare Fund LP (the "**Fairmount Healthcare Fund**"); Fairmount Healthcare Fund II LP ("**Fairmount Healthcare Fund II**" and together with the Fairmount Healthcare Fund, the "**Fairmount Healthcare Funds**"); the Fairmount Healthcare Feeder Fund Ltd (the "**Offshore Fund**"); Fairmount Healthcare Feeder Fund II Ltd. (the "**Offshore Fund II**" and together with the Offshore Fund, the "**Offshore Funds**"); and two Special Purpose Vehicles (the "**SPVs**"). The Offshore Funds invest all their assets in the Fairmount Healthcare Funds. The Fairmount Healthcare Funds and the Offshore Funds are referred to collectively as the "**Partnerships**", and, together with the SPVs, as the "**Funds**." The Offshore Funds' **shareholders**, the Fairmount Healthcare Funds' **limited partners**, and the **members** of the SPVs are hereafter collectively referred to as the "**Investors**" where appropriate. We do not tailor our advisory services to the individual needs of any particular Investor.

Fairmount Funds manages investments primarily focused on healthcare and life science companies, including companies developing drugs, devices, diagnostics, services, and/or healthcare IT. The investments may be comprised of common stock, preferred shares, warrants, options, baskets of securities, exchange-traded funds and may occasionally include restricted shares or contingent value rights. Fairmount generally focuses on small and midsize market capitalization companies and may invest long and/or short and may choose to hedge some or all of their positions.

As of June 30, 2020, the Firm has regulatory assets under management of \$317 million all managed on a discretionary basis.

Item 5: Fees and Compensation

Management Fee

Fairmount Funds is paid an investment management fee ranging from 0.5% to 1.5% per annum of the net asset value of the Partnerships. The applicable net asset value ("**NAV**") is calculated by the General Partners as the net asset value of the Partnerships as of the closing of each calendar month. Such management fees are accrued and deducted from clients' accounts in arrears at the end of each calendar month. Fairmount Funds, in its sole discretion, may waive or modify the Management Fee for any Investor.

Other Types of Fees or Expenses

The Partnerships will bear (i) operating costs and expenses (including fees and expenses of professionals providing services to the Partnerships, including legal, audit, accounting, tax and administration, costs of any liability insurance obtained on behalf of the Partnerships; costs of reporting and providing information to Investors); due diligence, research and travel expenses related to Partnerships' potential and actual investments (including Bloomberg and other data/subscription fees); and consulting, legal and other professional fees relating to potential and actual investments, and (ii) all other costs and expenses related to its operations and investments, including, without limitation, brokerage commissions and other transaction costs (*see also*, Item 12: Brokerage Practices); costs in connection with proxy contests (including fees and expenses of professionals relating thereto); clearing and settlement charges; custodial fees and prime brokerage fees; margin and interest expense and commitment fees on debit balances or borrowings; borrowing charges on securities sold short; Organizational Expenses (as defined below); Management Fees; costs of any litigation or investigation involving the Partnerships' activities; indemnification expenses; regulatory costs; any issue or transfer taxes chargeable in connection with any securities transactions; any entity level taxes; regulatory filing and license fees to the extent incurred with respect to the Partnerships and not in the ordinary course of business of the Firm; and any extraordinary expenses. A portion of the Partnerships' expenses may be shared with other investment entities or accounts managed by the Firm, General Partners, or any of their respective affiliates on an equitable basis as determined by the Firm. Organizational costs of the Partnerships and the costs incurred in connection with the initial issuance of Interests, including legal and accounting fees, document production and printing costs, federal and state filing fees, and other related expenses (the "Organizational Expenses"), will be paid for by the Partnerships. Such expenses are expected to be amortized by the Partnerships, in the discretion of the General Partners, for financial reporting purposes over a period of up to sixty (60) months. The General Partners believe that amortizing such expenses is more equitable than expensing the entire amount during the first year of operations, as is required by U.S. generally accepted accounting principles ("US GAAP"), and also conforms to industry standards. Amortization of the Partnerships' organizational expenses may result in a qualification of the auditor's opinion of the Partnerships' financial statements. In such instances, the General Partners may decide to (i) avoid the qualification by recognizing the unamortized expenses or (ii) make US GAAP conforming changes for financial reporting purposes but amortize expenses for purposes of calculating the Partnerships' NAV. There will be a divergence in the Partnerships' fiscal year-end net asset value and in the net asset value reported in the Partnerships' financial statements in any year where, pursuant to clause (ii), US GAAP conforming changes are made only to the Partnerships' financial statements for financial reporting purposes. If the Partnerships are terminated within five years of its commencement, any unamortized expenses will be recognized. If an Investor withdraws all or part of its Interest prior to the end of the period during which the Partnerships are amortizing expenses, the General Partners may, but are not required to, accelerate a proportionate share of the Partnerships' unamortized expenses based upon the amount being withdrawn and reduce withdrawal proceeds by the amount of such accelerated expenses.

Neither the Firm nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products.

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

Incentive Allocation

The General Partners of the Partnerships are entitled to be paid performance-based compensation by the Partnerships.

Performance-based allocation arrangements may create an incentive for us to recommend investments which may be riskier or more speculative than those which we would recommend under a different arrangement. Fairmount Funds, in its sole discretion, may waive or modify the performance-based compensation for any Investor.

Item 7: Types of Clients

Our clients are the Funds. Any initial and additional investment minimums are disclosed in the offering memorandum for the relevant Fund.

Investors in the Funds and the SPV's must each be (i) an "accredited investor," as defined in Regulation D under the U.S. Securities Act of 1933, as amended, and (ii) a "qualified purchaser," as that term is defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended. Investors in any future managed accounts must each be a "qualified client" as that term is defined in Rule 205-3 under the U.S. Investment Advisers Act of 1940, as amended.

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

Investment Objective

We will invest in healthcare and life science companies, including companies developing drugs, devices, diagnostics, services, and/or healthcare IT. Its investments will likely be comprised of common stock, preferred shares, warrants, options, baskets of securities, exchange-traded funds and may occasionally include restricted shares or contingent value rights (to the extent a market exits). The Fairmount Healthcare Fund investment objective is to provide positive absolute returns in various market conditions and generally outperform healthcare sector and broader market indices. The Fairmount Healthcare Fund II investment objective is to outperform the NASDAQ Biotechnology Index (NBI) rounded to the nearest 0.01% in various market conditions. We will generally focus on small and mid-size market capitalization companies and will invest long and/or short and choose to hedge some or all its positions for any reasons.

There can be no assurance that the Firm's investment objective will be achieved, and certain investment practices (e.g., the use of leverage and short sales) may, in some circumstances, increase any adverse impact to which the investment portfolio may be subject.

Investment Process

The Firm generally expects to utilize internal and third-party tools for due diligence purposes including, but not limited to, interviews with management, consultations with key opinion leaders in medicine, drug development experts, members of Firm's advisory board, datasets and analysis compiled by third-party data and research providers, and sell sides research and

analysis. At times, the Firm may commission new surveys or datasets, and/or hire consulting firms or other research firms to validate its investment theses. Where significant capital may be deployed, the Firm's employees and/or representatives may be nominated as board observers or directors to oversee the investment.

Drug development requires multi-year time horizons. The Funds may invest in assets or instruments that may take a long period of time to reach valuations that merit selling the assets or instrument. Even though the strategy may not result in reduced trading liquidity, the Firm expects the strategy may result in low portfolio turnover.

The Firm intends to pursue an opportunistic strategy where entry into positions may be contingent on drug development or corporate events taking place at unknown times and causing material price moves in underlying securities. The Firm believes that in order to take advantage of the material price moves following these events the Funds needs to maintain adequate cash balances to permit purchases of securities rapidly following these events. As a result, the Firm may deploy any new capital over an extended period of time in anticipation of these discreet events.

Risk of Loss Factors

The Funds are deemed to be a speculative investment and are not intended as a complete investment program. The Funds are designed only for sophisticated persons who are able to bear the risk of an investment in the Funds. The following does not purport to be a summary of all the risks associated with an investment in the Funds. Rather, the following describes certain specific risks to which the Funds (and, therefore, the Investors) are subject and with respect to which the Funds strongly encourage potential Investors to carefully consider and to consult regarding the same with their professional advisors, as they deem necessary.

Investment and Trading Risks

An investment in the Funds involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that the Funds investment program will be successful. We will be investing the Funds' assets in securities, some of which may be particularly sensitive to economic, market, industry, regulatory and other variable conditions. The markets in which the Funds expects to invest have recently experienced significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to the Funds.

Concentration of Investments

The Funds will invest primarily in healthcare and life sciences companies. Furthermore, it is expected that a majority of the Funds' investments may be concentrated in a limited number of long investments (excluding temporary investments and securities used to hedge the Fund's portfolio). Such portfolio companies may be concentrated in many other respects, including with respect to geographic location and industry. The result of such limited diversification and/or concentration of investments is that a loss in any category or position could have a material adverse impact on the Funds capital.

Healthcare and Life Sciences Sector

We intend to focus generally on investments in the healthcare and life sciences industries. Companies in these industries are subject to extensive government regulation, which may change in a way adverse to the industry. Research and development in these industries is costly and long in duration and the approval of new products is lengthy and uncertain. As a result, investments in these sectors may be riskier than other market sectors. In addition, the investments the Funds will make will generally be subject to certain risks inherent in the healthcare and life sciences area, including, but not limited to, the following:

1. **Rapid Changes.** The healthcare and life sciences sectors are characterized by significant and rapid change. A company's research, technologies, and/or products may quickly be rendered obsolete by the research and discoveries of competitors prior to revenue generation.
2. **Volatility.** The market value of healthcare and life sciences companies in general has been highly volatile, with significant price fluctuations that are often unrelated to the operating performance of particular companies.
3. **Product Failure.** The success of healthcare and life sciences companies often hinges upon the success of one product or potential products (or a small number of products or potential products). It is possible that potential products may fail to produce intended results, produce results that were unexpected or unintended, and/or fail to obtain necessary regulatory approvals including Food and Drug Administration ("FDA") approval. In addition, the cost of obtaining such regulatory approvals could be substantial.
4. **Product Liability Risks.** Healthcare companies, and drug companies in particular, face inherent risks of product liability exposure related to the testing and/or selling of products. Product liability claims may result in, among other things: (a) injury to reputation; (b) withdrawal of clinical trial volunteers; (c) litigation costs; (d) decreased demand for products; and (e) substantial monetary awards to third parties.
5. **Key Personnel.** Healthcare and life sciences companies often depend on key scientific, research, and/or management personnel. Such companies' abilities to pursue the development of current and future potential products depends largely on retaining the services of existing personnel and hiring additional qualified personnel to perform research and developments. Such companies may not be able to attract and retain personnel on acceptable terms given the competition for such personnel among life sciences companies. Any such failure to attract and retain personnel might delay the development of products and result in harm to the companies' business.
6. **Proprietary Rights.** The success of healthcare and life sciences companies depends, in part, on the ability to maintain protection for products and/or technologies under the patent laws of the United States and other countries, and on the ability to avoid infringing the proprietary rights of others. The patent positions of healthcare and life sciences companies can be highly uncertain and involve complex legal and factual questions. In addition, such companies often rely upon unpatented technology, trade secrets, and other confidential information that may be difficult to protect.
7. **Government Regulations and Regulatory Approvals.** Certain product candidates of life sciences companies likely will be subject to extensive and rigorous government regulations. The FDA regulates the development, testing, manufacture, safety and record keeping, labelling, distribution and promotion of, among other things, certain medical devices and pharmaceutical products. If a company fails to comply with the

FDA's requirements it may face a number of consequences, including, but not limited to: (a) fines; (b) injunctions; (c) civil penalties; (d) recall or seizure of products; (e) total or partial suspension of production; (f) failure of the FDA to grant pre-market clearance or approval of devices or products; (g) withdrawal of marketing approvals; (h) limited indicated uses for which potential products may be marketed; (i) costly requirements imposed on activities; and (j) criminal prosecution.

8. Third Party Reimbursement; Healthcare Reform. The ability of certain life sciences companies to commercialize certain of their products and potential products depends, in part, upon the availability of reimbursement from third-party payors, such as government health administration authorities, private health insurers, and other organizations. Government and other third-party payors increasingly attempt to contain healthcare costs by limiting both coverage and level of reimbursement for certain products. If government and third-party payors do not provide adequate coverage and reimbursement levels for certain products the market acceptance of those products may be drastically limited, with such limitation resulting in harm to the companies' business.

Use of Leverage

We may use leverage in the Funds' portfolios. The Funds leverage will be derived through margin and by using options, short sales, swaps, forwards, futures contracts and other derivative instruments. Although leverage increases returns to the Investors if the Funds earn a greater return on the incremental investments purchased with borrowed funds than they pay for such funds, the use of leverage decreases returns to the Investors if the Funds fail to earn as much on such incremental investments as they pay for such funds. Should the Funds' leverage their portfolios, fluctuations in the market value of the Funds' portfolios will have a significant effect in relation to the Funds' capital and the risk of loss and the possibility of gain will be increased. In addition, when the Funds utilize leverage, the level of interest rates generally, and the rates at which the Funds can borrow in particular, will be an expense of the Funds and therefore affect the operating results of the Funds. Leverage increases the risk of substantial losses (including the risk of a total loss of capital) and leverage can significantly magnify the volatility of the Funds' portfolios.

Undervalued Securities

One of the core philosophies of the Funds is to invest in securities that are undervalued, based on our due diligence and analysis. Opportunities in undervalued securities arise from market inefficiencies, or because of faulty analysis by market participants of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of trading opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investing in undervalued securities offer the opportunities for above-average returns, these investments involve a high degree of financial risk and can result in substantial losses.

Event Driven Transactions

We may trade securities whose market value is expected to be meaningfully affected by future events. These outcomes may be uncertain, and the trading decisions may be based on whether we believe the market price does not accurately reflect the probability of particular outcomes. We will need to forecast the likelihood of the events on which investment

decisions are based and analyze the likely impact of the event if it occurs. If the proposed event does not occur or is delayed, the market price of the security may decline and result in losses to the Funds if at the time the Funds are net long the security. In certain transactions, the Funds may not be hedged against market fluctuations unrelated to the anticipated event but that may affect the value of the consideration to be received. This may result in losses even if the event occurred and the outcome of the anticipated event was beneficial to the position. It is also possible that the short run market reaction to a particular outcome may be unfavorable even if the long-run result is favorable.

Hedging Transactions

We will seek to hedge the Funds' foreign currency exposures. We expect to engage in other hedging transactions for the Funds, but there is no guarantee such hedging transactions will succeed in reducing risk. Accordingly, the Funds' portfolios may not be protected in a variety of circumstances, including, (i) to protect against possible changes in the market value of the Funds' investment portfolios resulting from fluctuations in the securities markets and/or changes in interest rates, (ii) to protect the Funds' unrealized gains in the value of the Funds' investment portfolios, (iii) to facilitate the sale of any such investments, (iv) to enhance or preserve returns, spreads or gains on any investment in the Funds' portfolios, and (v) to protect against any increase in the price of any securities the Funds anticipate purchasing at a later date. We have no obligation to hedge all or any portion of the Funds' portfolios and may engage (or not engage) in hedging transactions in our sole discretion. The success of the Funds' hedging strategies will be subject to our ability to correctly assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the investments in the portfolio being hedged. Since the characteristics of many securities change as markets change or time passes, the success of the Funds' hedging strategy will also be subject to our ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner. While the Funds may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Funds than if they had not engaged in any such hedging transactions. For a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the Funds from achieving the intended hedge or expose the Funds to risk of loss. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of the Funds' portfolio holdings. In certain transactions, the Funds may not be "hedged" against market fluctuations, or, in liquidation situations, may not accurately value the assets of the company being liquidated. This can result in losses, even if the proposed transaction is consummated. We may not hedge a position in the Funds' portfolios because a hedge may not be available; it may be too costly due the likelihood of the possible risk actually occurring, or the risk simply could not be reasonably anticipated.

Portfolio Liquidity

As a result of the Funds' investment strategies, certain investments (especially private equity investments and those involving financially distressed companies) may have to be held for a substantial period of time before they can be liquidated to the Funds' greatest advantage or, in some cases, at all. Certain investments that are illiquid at the time of the investment or become illiquid, restricted or difficult to value may be segregated as "Designated Investments" and may represent capital not available for withdrawal by Investors.

Short Sales

The Funds may short securities as part their hedging strategy. Short sales are sales of securities the Funds borrow but do not actually own, usually made with the anticipation that the prices of the securities will decrease and the Funds will be able to make a profit by purchasing the securities at a later date at lower prices. The Funds will incur a loss on a short sale if the price of the security increases prior to the time they purchase the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss. Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. The Funds’ ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior trading activities of the Funds. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods. Regulatory authorities may impose restrictions that adversely affect the Funds’ ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, the Funds may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. The Funds may also incur additional costs in connection with short sale transactions, including in the event that they are required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and the Funds are subject to strict delivery requirements. The inability of the Funds to deliver securities within the required time frame may subject the Funds to mandatory close out by the executing broker-dealer. A mandatory close out may subject the Funds to unintended costs and losses. Certain action or inaction by third-parties, such as executing broker-dealers or clearing broker-dealers, may materially impact the Funds’ ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to the Funds.

General Economic and Market Conditions

The success of the Funds’ activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Funds’ investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities’ prices, the liquidity of the Funds’ investments and the availability of certain securities and investments. Volatility or illiquidity could impair the Funds’ profitability or result in losses. The Funds may maintain

substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets, with the larger the positions, the greater the potential for loss.

Risks of Investments in Options

Investing in options can provide a greater potential for profit or loss than an equivalent investment in the underlying asset. The value of an option may decline because of a change in the value of the underlying asset relative to the strike price, the passage of time, changes in the market's perception as to the future price behavior of the underlying asset, or any combination thereof. In the case of the purchase of an option, the risk of loss of an investor's entire investment (i.e., the premium paid plus transaction charges) reflects the nature of an option as a wasting asset that may become worthless when the option expires. Where an option is written or granted (i.e., sold) uncovered, the seller may be liable to pay substantial additional margin, and the risk of loss is unlimited, as the seller will be obligated to deliver, or take delivery of, an asset at a predetermined price which may, upon exercise of the option, be significantly different from the market value. Over-the-counter options that the Funds may use in their investment strategies generally are not assignable except by agreement between the parties concerned, and no party or purchaser has any obligation to permit such assignments. The over-the counter market for options is relatively illiquid, particularly for relatively small transactions.

Derivative Investments

Derivative instruments, or "Derivatives," include futures, options, swaps, structured securities and other instruments and contracts that are derived from or the value of which is related to one or more underlying securities, financial benchmarks, currencies or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to Derivatives of such asset. However, there are a number of other risks associated with Derivatives trading. For example, because many Derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may not only result in the loss of the entire investment, but may also expose the Funds to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding Derivatives contracts. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows measured by different interest rates, exchange rates, or prices, with payments calculated by reference to a principal amount or quantity, and may involve interest rates, currencies, securities, commodities, and other items. Transactions in these markets present certain risks similar to those in the futures, forward, and options markets, including: (i) the swap markets generally are not regulated by any governmental authorities; (ii) there generally are no limitations on daily price moves in swap transactions; (iii) speculative position limits are not applicable to swap transactions, although the counterparties may limit the size or duration of positions available as a consequence of credit considerations; (iv) participants in the swap markets are not required to make continuous markets in swaps contracts; and (v) the swap markets are "principals" markets, in which performance with respect to a swap contract is the responsibility only of the counterparty, including with

which the trader has entered into a contract (or its guarantor, if any), and not of any exchange or clearing corporation. As a result, the Funds will be subject to the risk of the inability of or refusal to perform with respect to such contracts on the part of the counterparties trading with the Funds, as well as risks relating to the creditworthiness of the swap counterparty, market risk, liquidity risk and operations risk. Swap agreements can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structure, swap agreements may increase or decrease the exposure of the Funds to long-term or short-term interest rates, non-U.S. currency values, mortgage securities, corporate borrowing rates, or other factors such as security prices, baskets of equity securities, or inflation rates. Swap agreements can take many different forms and are known by a variety of names. The Funds are not precluded from any particular form of swap agreement if such investment is consistent with the investment objective and policies of the Funds. Swap agreements tend to shift investment exposure from one type of investment to another. For example, if the Funds agree to exchange payments in U.S. dollars for payments in non-U.S. currency, the swap agreement would tend to decrease the Funds' exposure to U.S. interest rates and increase their exposure to non-U.S. currency and interest rates. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the portfolios of the Funds. The most significant factor in the performance of swap agreements is the change in the specific interest rate, currency, individual equity values or other factors that determine the amounts of payments due to and from the Funds. If a swap agreement calls for payments by the Funds, the Funds must be prepared to make such payments when due. In addition, if a counterpart's creditworthiness declines, the value of swap agreements with such counterparty can be expected to decline, potentially resulting in losses by the Funds.

Forward Trading

Forward trading involves contracting for the purchase or sale of a specific quantity of, among other things, a financial instrument at the current price thereof, with delivery and settlement at a specified future date. Forward contracts and options thereon, unlike futures contracts, are not traded on exchanges and are not standardized; rather, banks and dealers act as principals in these markets, negotiating each transaction on an individual basis. Forward trading is mostly unregulated and therefore there are no requirements with respect to record-keeping, segregation of funds or financial responsibility. The principal risks relating to the use of forwards are: (a) when used for hedging purposes, the possible imperfect correlation between the prices of the forwards and the market value of the securities or currencies in the Funds' portfolios intended to be hedged by the forwards; (b) possible lack of a liquid secondary market for closing out a forwards position; (c) losses on forwards resulting from interest rate or currency movements not anticipated by the Funds; and (d) the risk of counterparty defaults.

Counterparty Risk

Some of the markets in which the Funds may effect transactions are "over-the-counter" or "interdealer" markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of "exchange-based" markets are subject. This exposes the Funds to the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Funds to suffer a loss. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have

concentrated their transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. The Funds are not restricted from concentrating any or all of their transactions with one counterparty. The ability of the Funds to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Funds. Pursuant to the Dodd-Frank Act, some derivatives transactions will be subject to mandatory clearing and will also be subject to the margin requirements set forth by the clearinghouse. The additional margin, capital and collateral obligations may increase the cost of Derivatives transactions and thereby potentially decrease the profitability of certain positions.

Loans of Portfolio Securities

The Funds may lend their portfolio securities on terms customary in the securities industry, enter into reverse repurchase agreements or enter into other transactions constituting a loan of the Funds' assets. By doing so, the Funds attempt to increase their income through the receipt of fees and interest on the loan. In the event of a default or the bankruptcy of the other party to a securities loan, the Funds could experience delays in recovering the securities they lent and there is no assurance that the securities will be recovered. To the extent that the value of the securities the Funds lent has increased, the Funds could experience a loss if such securities are not recovered.

"New Issues" Trading

The Funds may engage in "new issues" trading. Investing in "new issues" poses unique risks arising out of their transient illiquidity, lack of trading history and concentration of ownership. Should the Funds elect to trade in "new issues" certain restricted persons under applicable FINRA rules may not be permitted to participate fully in the turns generated by those trades.

Item 9: Disciplinary Information

This Item is not applicable.

Item 10: Other Financial Industry Activities and Affiliations

Fairmount Funds meets the definition of an exempt commodity pool operator ("CPO"). The Firm will file for CFTC Rule 4.13(a)(3) exemptions for each of its Funds.

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

Code of Ethics and Personal Trading

Fairmount Funds has adopted a "**Code of Ethics**" that establishes the high standard of conduct that we expect of our employees and procedures regarding our employees' personal trading of securities. Our employees are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Employees also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of our Code of Ethics is based upon the following underlying fiduciary principles:

- Employees must at all times place the interests of the Funds first;
- Employees must ensure that all personal securities transactions are conducted consistent with the Code of Ethics; and
- Employees should not take inappropriate advantage of their position at the Firm.

All of our employees are required to direct their brokers to send duplicate copies of personal discretionary brokerage account statements to the CCO. These records are used to monitor compliance with Fairmount Funds employee personal trading policies. Employees must also obtain pre-approval from the CCO before: (i) purchasing or selling securities; (ii) engaging in any outside business activities; (iii) making any private investments, or (iv) receiving an allocation of an initial public offering.

We will provide a copy of our Code of Ethics to our Investors, or any prospective investor or client, upon request.

Participation or Interest in Client Transactions

Employees, affiliates of the employees, and relatives of the employees may make investments in the Funds. This may present a conflict where an employee is in a position to trade in a manner that could adversely affect the Funds (for example, by placing his or her own trades before or after Fund trades are executed in order to benefit from any price movements due to the Funds' trades). As indicated above, we have adopted a pre-clearance policy in an effort to minimize such conflicts.

Fairmount Funds shall not cause any of the Funds to make investments in any privately held company in which the Partners, the General Partners or their respective affiliates are invested; provided that, a Fund may invest in companies that the Partners, the General Partners or their respective affiliates have invested in (i) alongside investors in a Fund through the SPVs, co-investment vehicles or other similar alternative investment vehicles (each a "**Permitted Vehicle**") or (ii) prior to such Partner's, General Partner's or affiliate's employment by or association with the Firm. Additionally, the Partners, the General Partners and their respective affiliates shall not invest in the securities of companies invested in by a Fund, other than through their indirect interests in the Funds or any Permitted Vehicle, unless such Partner, General Partner or affiliate acquired the securities prior to their employment by or association with the Firm.

Item 12: Brokerage Practices

Fairmount Funds is authorized to determine the broker-dealer to be used for executing securities transaction for the Funds. In selecting broker-dealers to execute transactions, we do not need to solicit competitive bids and do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates; therefore, the Funds may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

We shall also have the authority to select and appoint custodians of the assets of the Funds. The Firm's authority is limited by its own internal policies and procedures and each Fund's investment guidelines.

Best Execution

In selecting an appropriate broker-dealer to effect a client trade, we seek to obtain "**Best Execution**," meaning generally the execution of a securities transaction for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, we will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealers' full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to us, brokerage and research services provided to us (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

Soft Dollars

The Firm does not currently use "**Soft Dollars**" generated by the Funds' trading activities to purchase research services or products that would otherwise have been the Firm's expense. The Investment Management Agreement permits the use of soft dollars in the future and the Firm intends to keep any such arrangements within the parameters of the Safe Harbor of Section 28(e) of the Securities Exchange Act of 1934.

Item 13: Review of Accounts

Our portfolio managers and investment professionals continuously monitor and analyze the transactions, positions, and investment levels of the Funds to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' offering documents. In these reviews, the Firm pays particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels. Fairmount Funds engages in active management for the Funds and the Firm reviews transactions, positions and cash balances on a daily basis.

Account Reporting

We will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end for all Funds. For Partnerships, we also distribute monthly unaudited NAV statements, month-end performance reports, and a semiannual investor letter to all Investors.

Item 14: Client Referrals and Other Compensation

This Item is not applicable.

Item 15: Custody

We will comply with Rule 206(4)-4 of the Investment Advisers Act of 1940, as amended, by meeting the conditions of the pooled vehicle annual audit provision. Annually, upon

completion of the Funds' annual audits, we will distribute the audited financials to Investors within 120 days of the respective Fund's fiscal year end.

Item 16: Investment Discretion

We will have full discretionary authority over the Funds including authority to make decisions with respect to which securities to be bought and sold, as well as the amount and price of those securities. Prior to assuming full discretion in managing the Funds' assets, Fairmount Funds entered into an investment management agreement that sets forth the scope of its discretion. Additionally, the Firm has full discretion over the broker-dealers to be used for transactions and the commissions to be paid to those broker-dealers. These terms are established in the offering documents of each Fund.

Item 17: Voting Client Securities

To the extent that we are delegated proxy voting authority on behalf of the Funds, we will comply with our proxy voting policies and procedures that are designed to ensure that such proxies are voted in the best interest of the Funds. The Investors may not direct voting of proxies.

Upon request, we will provide Investors with a copy of our proxy voting policies and procedures and/or a record of all proxy votes cast by the Funds.

Item 18: Financial Information

This Item is not applicable.