

**Item 1 – Cover Page**

**Sofinnova Investments, Inc.**

**3000 Sand Hill Rd, 4-250**

**Menlo Park, CA 94025**

**March 31, 2021**

This brochure provides information about the qualifications and business practices of Sofinnova Investments, Inc. If you have any questions about the contents of this brochure, please contact us at (650) 681-8420. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Sofinnova Investments, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information with which you can determine to hire or retain such an adviser.

Copies of this Brochure may be requested by contacting Jim Brody at [brody@sofinnova.com](mailto:brody@sofinnova.com). Additional information about Sofinnova Investments, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 – Material Changes**

This brochure dated March 31, 2021 has been prepared by Sofinnova Investments, Inc. as an amendment to the prior version of its brochure, dated February 19, 2021. Item 2 discusses only material changes to the Brochure since the prior version. There are no material changes.

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## Item 4 – Advisory Business

- A. Sofinnova Investments, Inc. (“Sofinnova” or the “Firm”), is a registered investment adviser with the U.S. Securities and Exchange Commission (“SEC”) pursuant to the Investment Advisers Act of 1940 (the “Adviser Act”). It was established in 1974 with its headquarters located in Menlo Park and additional offices in San Diego, California and Montreal, Quebec. Sofinnova serves as an investment adviser to pooled investment vehicles (each, a “Fund”) and separately managed accounts (each, a “Separate Account” and collectively with the “Funds,” the “Clients”)<sup>1</sup>. An affiliate of Sofinnova serves as the general partner (or similar managing body) of each Fund.

Sofinnova is owned by Alain Azan, Michael Powell, James Healy, Nathalie Auber, Maha Katabi, Sarah Bhagat and Hooman Shahlavi. Sofinnova’s Board of Directors are James Healy, Michael Powell (retiring on June 1<sup>st</sup>, 2021), Nathalie Auber, Lars Ekman, Maha Katabi and Sarah Bhagat.

- B. Sofinnova provides discretionary investment advisory services to the Clients. Sofinnova's advisory services consist of (a) identifying and evaluating investment opportunities, (b) structuring, negotiating and consummating investments on behalf of a Fund, (c) managing and monitoring such investments and (d) deciding when to exit such investments. As part of the management, Sofinnova employees may serve on the board of directors of certain of the Funds’ portfolio investments. The primary focus of each Fund is on (i) private venture related investments (the “Venture Fund(s)”) or (ii) equity related investments in public securities (the “Public Fund”). Investments are generally made in the biotechnology and pharmaceuticals and related industries (collectively, “Therapeutics”).

Sofinnova is affiliated with entities that serve as the general partners to each of the Funds (each, a “General Partner” and, collectively, the “General Partners”, and together with Sofinnova, the “Firm”), and each Fund is controlled by its respective General Partner. The following is a list of each of the General Partners, each of which is an affiliated investment adviser of Sofinnova:

*General Partners:*

Sofinnova Management VII, L.L.C.

Sofinnova Management VIII, L.L.C.

Sofinnova Management IX, L.L.C.

Sofinnova Management X, L.L.C.

Sofinnova BioEquities GP LLC

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<sup>1</sup> “A Fund” or “Client” means a private investment fund to which Sofinnova provides investment advice and/or invests on a discretionary or nondiscretionary basis. The individuals and other persons that invest in the Sofinnova private investment a Fund are generally referred to herein as “investors.” Unless otherwise expressly stated herein, the terms “Fund” and “Client” do not include “investors.”

- C. Sofinnova provides investment advisory services to each Fund in accordance with the limited partnership agreement (or analogous organizational document) of such Fund, separate investment advisory agreements, sub-advisory agreements or contractual side letters with such Fund's investors (the "Fund Documents"). The Firm provides investment advisory services to Separate Accounts in accordance with the investment advisory agreement (the "Investment Advisory Agreement," and collectively with the Fund Documents, the "Governing Documents"). Investment restrictions for each Client, if any, are generally established in the Governing Documents of the applicable Client.
- D. The Firm does not participate in wrap fee programs.
- E. As of the date on page 1, the Firm (together with the General Partners) manages approximately \$2.6 B in Client assets on a discretionary basis (including the net asset value of portfolio securities and uncalled capital commitments of approximately \$309M (as of December 31, 2020) and no Client assets on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

A.

### **Funds:**

Investors in the Funds are generally "accredited investors" as that term is defined in Regulation D under the Securities Act, and/or "qualified purchasers" or "knowledgeable employees," each as defined in the 1940 Act. Investors and prospective investors should refer to the respective Fund's Governing Documents for a detailed description of the fees associated with investments in the applicable Fund. The Firm deducts management fees (the "Management Fee") directly from each Fund's asset either, monthly or quarterly, in advance. For its Venture Funds, the Firm is also entitled to a performance fee (the "Carried Interest Distributions"), based on cumulative net profits from investments. Carried Interest Distributions, if applicable, are deducted directly from a Fund's assets and not on a pre-determined schedule. For its Public Fund, the General Partners of Sofinnova may be entitled to receive an allocation (the "Incentive Allocation") equal to up to 20% of the net profits. The Incentive Allocation is payable at the end of each fiscal year.

The Management Fees and other fees and distributions described herein are generally subject to waiver or reduction by Sofinnova in its sole discretion, both voluntarily and on a negotiated basis with selected investors via side letter or other similar arrangements, which may not be required to be disclosed to other investors in a Fund. To the extent the Firm elects to voluntarily waive or reduce Management Fees, such election does not permanently modify the Firm's right to charge such amounts in the future.

Certain investors in the Public Fund who are current or former principals, employees, specified advisers (such as executive partners and industry advisory group members) of Sofinnova and certain other investors designated by Sofinnova (collectively, "Affiliated Partners") typically invest directly or indirectly in a Fund, and Management Fees with respect to such investments are usually waived. Upon termination of the Governing Documents related to a Fund, Management Fees that have been prepaid are generally returned on a prorated basis to applicable investors.

### **Separate Accounts:**

The Separate Account clients generally pay an annual investment management fee that is negotiated on a case by case basis and in certain cases are lower than those paid by the Funds. The Firm is entitled to a performance fee pursuant to the applicable Investment Advisory Agreement. The Firm may reduce, waive or calculate differently the fees with respect to any Separate Account client.

*B.*

### **Funds:**

Pursuant to the Governing Documents of the applicable Fund, each Fund will generally bear its own expenses, as described below:

#### **Venture Funds**

- Organization costs of the Fund and the GP entities;
- All costs and expenses incurred in the purchase, holding, sale, exchange or other disposition of portfolio securities; including taxes applicable to the Fund on account of its operations; fees incurred in connection with the maintenance of bank or custodian accounts; brokerage fees; legal, audit, private placement and finder's fees paid to persons other than the General Partner or members of the General Partner, and other expenses incurred in connection with the registration of the Fund's portfolio securities under the Securities Act; legal and accounting fees and expenses incurred in connection with the purchase, sale, exchange or other disposition of Securities (whether or not such purchase, sale or exchange or other disposition is ultimately consummated); and fees and expenses of investment advisers and independent consultants incurred in investigating and evaluating investment opportunities;
- All fees incurred in connection with the annual audit of the Funds and the preparation of the Funds annual tax return, costs of independent appraisers, legal expenses of the Funds, premiums associated with insurance, if any; preparation and other expenses associated with annual and other reports to the investors, costs associated with any Funds meetings; legal fees and expenses incurred in prosecuting or defending administrative or legal proceedings relating to the Fund;
- All liquidation costs, fees, and expenses incurred by the Fund(s) or its GP entity(ies).

#### **Public Funds**

- The fees and expenses of the outside directors of the Public Fund entities;
- Fees paid to proxy and securities class action advisory firms;
- Legal, administration, tax and accounting expenses for the Funds (including fees and expenses related to any activist-related activities, initiating and defending lawsuits), and any extraordinary expenses (e.g., litigation expenses);

- Tax preparation and other tax related expenses (including preparation costs of financial statements, tax returns, data extraction and other types of reporting and reports to Limited Partners), auditing, consulting and other professional expenses;
- The Funds' pro rata share of Funds-related insurance costs of D&O insurance for the Firm, errors and omissions insurance, fidelity insurance;
- Investment-related expenses including, legal costs, expenses relating to consultants, attorneys, brokers or other professionals or advisors who provide research, advice or due diligence services with regard to investments, (whether or not such investments are consummated);
- Certain compliance and reporting expenses and expenses attributable to regulatory filings which are made with respect to the Funds or assets of the Funds;
- Fees and expenses related to portfolio exposure and performance management systems, risk management services and software related to trade reconciliation, treasury, margin, financial and counterparty management, risk monitoring, performance reporting, valuation and quotation services and trade order management systems (including systems that facilitate trade compliance, commission management, stock locates and transaction cost analysis, and third party service providers used for implementation, custom reporting, updates, consultations, support, maintenance, monitoring and data extracts);
- Market Data;
- Research-related expenses (including, without limitation, research-related travel expenses for investment personnel), investment-related expenses (i.e., expenses that, in the Investment Manager's sole discretion, are related to the investment of the Partnership's assets such as commissions (including clearing fees), interest on margin accounts and other indebtedness;
- Organizational expenses; and
- Expenses relating to the offer and sale of Interests and withdrawals and transfers thereof, custodial fees, bank service fees, and other reasonable expenses related to the purchase, holding, sale or transmittal of the Fund assets.

The Firm currently caps the Public Fund's expenses at an annualized rate of 50bps of assets under management. The Firm may reduce or waive this cap in its sole discretion.

#### **Separate Accounts:**

The Separate Account clients generally pay the management fee and performance fee, if any, and are generally responsible for its own expenses, including without limitation, brokerage commissions, transaction fees, and other related fees and expenses.

- C. Investors in the Funds are generally required to pay Management Fees quarterly in advance for the Venture Funds and monthly in advance for the Public Fund, as specified in each Fund's Governing Documents. In the event Sofinnova or its affiliates do not provide services for the full monthly or quarterly period, the Management Fee is typically prorated for the partial period. In general, the proration of fees is calculated based on the number of days remaining in the applicable period.

Separate Account clients are generally required to pay management fees monthly in arrears.

- D. Neither Sofinnova nor any of its supervised persons anticipate receiving, directly or indirectly, any compensation from the sale of securities or other investment products.

Sofinnova bears its own operating, general, administrative, and overhead expenses, other than the expenses described above. Certain expenses may be paid by securities brokerage firms to which Sofinnova directs securities trades. Sofinnova reasonably believes that such payments fall within the safe harbor section 28(e) of the Securities Exchange Act of 1934.

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

The General Partners are entitled to receive Carried Interest Distributions and Incentive Allocations under certain circumstances, which are based on cumulative net profits from investments as specified in each Fund's Governing Documents. The Firm also is entitled to receive a performance fee from Separate Account clients pursuant to the applicable Investment Advisory Agreement.

The Carried Interest Distributions and Incentive Allocations from the Funds, and the performance fee from the Separate Account clients, may create an incentive for the Firm to recommend to the Client, investments that are riskier or more speculative than those that would be made under a different fee arrangement. However, the Firm is committed to acting at all times in the best interests of the Clients. To this end, the Firm has implemented internal controls to address the potential conflicts associated with performance-based fees, as more fully described in each Client's Governing Documents.

## **Item 7 – Types of Clients**

Sofinnova provides investment advice to Funds and Separate Accounts. The Funds are private investment vehicles that are exempt from registration under the Investment Company Act. The Fund's investors are limited to individuals and entities that meet certain suitability criteria including "accredited investors", "qualified clients" and "qualified purchasers" set forth under the United States federal securities laws. Funds are marketed exclusively to institutional investors and high net worth individuals that meet these criteria.

Separate Account clients consist of institutional investors. Sofinnova generally requires a minimum investment of \$50,000,000 to open a separately managed account for its Public Fund clients. This minimum is subject to change.

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

A.

### **Funds:**

### **Venture Funds:**

For its Venture Funds, Sofinnova seeks to build a diverse and risk mitigated portfolio across stage, geography and equity market exposure. Sofinnova seeks to invest in compelling therapeutic



opportunities which address an unmet or underserved medical need. It preferably has a high probability of success based on large patient data sets and/or compelling biology in validated disease models, the strength of its intellectual property, a clear regulatory path; and ultimately a compelling commercial potential.

The Firm expects to provide some of the Venture Funds' portfolio companies with support in a variety of areas, such as recruiting, strategy, clinical development, regulatory matters, business development, financial discipline, and capital markets, among others. A Fund will generally seek to act as lead or co-lead investor in structured investment transactions when multiple investors are involved, which the Firm believes will give a Fund access to more extensive due diligence information. The Venture Funds in general will seek one or more board seats.

#### Public Fund:

For its Public Fund, Sofinnova seeks to deliver absolute returns across market cycles with the goal of capitalizing on significant sector inefficiency in the Therapeutics industry while exercising valuation discipline and focusing on risk management. The Firm believes that momentum investors strongly influence the stock market, and that a value-biased, fundamental research-driven investment approach will provide above average long-term returns in Therapeutics. While the Public Fund's primary goal is to be investment-oriented with a medium to long term horizon, it attempts to make the most of certain trading opportunities presented by the price volatility in individual securities. The Public Fund's investment strategy continually assesses the risk-reward ratio of individual securities, leading to trading and investment decisions that provide asymmetrical risk versus return opportunities.

The portfolio manager of the Public Fund seeks to make investment decisions based on a thorough understanding of the underlying assets, key catalyst flow, financial strategy, and competitive dynamics of individual companies. The process consists of quantitative and qualitative analysis, and includes meetings and conversations with company management and expert networks, reviewing financial filings, sell-side inputs, and independent research as primary sources of information. There are limitations in describing any investment strategy due to its complexity, confidentiality and evolving nature. Depending on conditions and trends in the markets, Sofinnova may pursue any objective or use any technique that it considers appropriate and in the Clients' interests. The Firm's focus on Therapeutics enables it to develop specialized expertise, and allows it to benefit from historical industry knowledge and the incremental data points generated from in-depth scientific and financial analysis. The Firm's Public Fund strategy will have an emphasis on small-to-mid capitalization public companies (generally defined as <\$10-billion market capitalization at initial investment) that the Public Fund believes can generate significant growth over a multi-year horizon through successful drug development.

The Public Fund also pursues the investment objectives by employing a concentrated long/short investment strategy that manages portfolio exposure (gross and net), single stock position sizing, and liquidity. The Public Fund expects in the course of its investment research to identify companies that are fundamentally undervalued (long portfolio) or overvalued (short portfolio). The portfolio managers focus on making fundamental investments in companies, evaluating multiple key development programs and catalysts, retaining positions through periods of market turbulence while

capitalizing on volatility, utilizing a value-based, anti-momentum strategy, and concentrating investment research efforts. The Public Fund believes the range of market caps, geographies, and potential investment theses lead to an attractive diversity of investment ideas that can lead to alpha generation and higher absolute returns for investors across market cycles, even though the investment universe is a sector-specific strategy focusing on Therapeutics companies.

#### **Separate Accounts:**

In general, for the Separate Account clients, the Firm follows a similar investment strategy as the Public Fund. Pursuant to the applicable Investment Advisory Agreement, there may be limits or guidelines on, but not limited to, the types of securities in which the Firm may take positions in, the types of positions that it may take, the concentration of its investments or the amount of leverage that may be used. The Firm may use any trading or investment techniques, whether or not contemplated by the investment strategies described above. Depending on conditions and trends in securities and commodities markets and the economy generally, the Firm may pursue any objectives or use any techniques that it considers appropriate and in the best interest of the Separate Account client.

#### **RISK FACTORS**

As a general matter, the Firm utilizes the methods of analysis and investment strategies described in the Governing Documents applicable to its respective Clients. The information contained herein is a summary only. Investors and prospective investors should refer to those documents for a complete overview of the Firm's methods of analysis and investment strategies.

There can be no assurance that the Firm's investment objectives will be achieved, and actual investment results may vary substantially from the investment objective. Investors should be prepared to bear these risks. The success of the Firm's investment activities will depend on its ability to identify investment opportunities that have the proper risk/reward balance. No guarantee or representation is made that in each Fund's investment program will be successful.

**Availability of Investment Capital-** Venture Fund investments may require additional rounds of capital before the portfolio company reaches positive clinical trial results, FDA approval or profitability. If a Venture Fund investor does not have funds available to participate in such required rounds of financing, that shortfall may have a significant negative impact on both the portfolio company and the value of the investor's original investment. Although it will be the Venture Fund's policy to maintain sufficient reserves to allow it to participate in follow-on rounds of financings, the Fund may decide not to provide all necessary follow-on financing. Accordingly, third-party sources of financing will be required. There is no assurance that such additional sources of financing will be available, or, if available, will be on terms beneficial to the Venture Fund. Furthermore, the Venture Fund's capital is limited and may not be adequate to protect the Venture Fund from dilution in multiple rounds of portfolio company financing.

**Competition for investments-** The Funds will compete with other entities for the acquisition of investments. Such competition may come from groups that have greater resources and are owned by large and well-capitalized investors. There may be intense competition for investments of the type in

which the Funds intend to invest, and such competition may result in less favorable investment terms than would otherwise be the case. Moreover, the Funds may incur bid, due diligence, legal or other costs on investments which may not be successful. As a result, the Funds may not recover all of its costs, which would adversely affect returns. The Funds may be unable to find a sufficient number of attractive opportunities to meet its investment objectives. There can, therefore, be no assurance that investments of the Fund will meet all the investment objectives, or that the Funds will be able to invest all of its available capital.

**Public Fund Related Market Risks-** The profitability of a significant portion of the Public Fund's investment program depends to a great extent upon the ability to correctly assess the future course of the price movements of securities and other investments. There can be no assurance that the Firm will be able to predict accurately these price movements. Although the Firm may attempt to mitigate market risk through the use of long and short positions or other methods, there is always some degree of market risk.

**Capital calls-** Capital calls will be issued by the General Partner from time to time at the discretion of the General Partner of the Venture Funds, based upon the General Partner's assessment of the needs and opportunities of the Venture Fund. To satisfy such capital calls, Limited Partners may need to maintain a substantial portion of their commitment in assets that can be readily converted to cash. Except as specifically set forth in the Fund's Partnership Agreement, each Limited Partner's obligation to satisfy capital calls will be unconditional. A Limited Partner's obligation to satisfy capital calls will not in any manner be contingent upon the performance of the Venture Fund or upon any assessment thereof provided by the General Partner. Notwithstanding the foregoing, the General Partner will not be obligated to call 100% of the Limited Partner's commitment during the Venture Fund's term.

**Nature of Investments-** The Firm has broad discretion in making investments for the Funds. Investments generally will consist of securities and other assets primarily in the Therapeutics industry that may be affected by business, financial market or legal uncertainties. There can be no assurance that the Firm will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, results of clinical trials, FDA decisions, financial results and the prospects of particular companies selected by the Firm for investment, may significantly affect the results of the Fund's activities and the value of its investments. In addition, the value of the Public Fund's portfolio may fluctuate as the general level of interest rates fluctuates.

**Consequences of Default-** If a Limited Partner fails to pay in full any requested capital contributions, the General Partners of the Venture Funds may take certain actions which may result in a forfeiture of such Limited Partner's interest in the Venture Funds. Additionally, the General Partners may pursue any available legal or equitable remedies, with the expenses of collection of the unpaid amount, including attorneys' fees, to be paid by such defaulting Limited Partner. The General Partners will be granted such powers to deal with defaulting Limited Partners as specified in the Venture Funds' Partnership Agreement. If a Limited Partner fails to pay any of its capital commitment when due, and the capital contributions and unused capital commitments of non-defaulting Limited Partners and borrowing by the Fund are inadequate to cover the defaulted capital contribution, the Venture Funds

may be unable to pay its obligations when due. As a result, the Fund may be subjected to significant penalties that could materially adversely affect the returns to the Limited Partners (including non-defaulting Limited Partners). In addition, any default of a Limited Partner in respect of its capital contribution obligations may reduce the amount of Fund capital available for investment or other activities.

**Lack of Diversification/Portfolio Concentration-** It is anticipated that the Public Fund's and Separate Accounts' portfolios will be invested primarily in equities of companies in the Therapeutics industry. Accordingly, the Public Fund's and Separate Account's portfolios may not be diversified among industries or types of securities. Further, the Public Fund's and Separate Accounts' portfolios may not be diversified among a wide range of issuers. Accordingly, the investment portfolio of the Public Fund and Separate Accounts may be subject to more rapid change in value than would be the case if the Public Fund and Separate Accounts were required to maintain a wide diversification among industries, investment areas, types of securities and issuers.

**Non-U.S. investments-** Depending on the Venture Fund, the managing members of the General Partners presently anticipate that approximately 20%-30% of the Venture Fund's assets will be invested in companies outside the U.S., and income received by the Venture Funds from such investments may be in non-U.S. currencies. Non-U.S. securities involve certain risk factors not typically associated with investing in U.S. securities, including risks relating to (i) currency exchange matters, and costs associated with conversion of investment principal and income from one currency into another; (ii) differences between the U.S. and foreign securities markets, including potential price volatility in and relative liquidity of some foreign securities markets, the absence of uniform accounting, auditing and financial reporting standards, practices and disclosure requirements and less government supervision and regulation; (iii) certain economic, social and political risks, including potential exchange control regulations and restrictions on foreign investment and repatriation of capital, the risks of political, economic or social instability, including the risk of sovereign defaults, and the possibility of expropriation or confiscatory taxation; (iv) the possible imposition of foreign taxes on income and gains recognized with respect to such securities and (v) less developed corporate laws regarding creditors' rights (including the rights of secured parties), fiduciary duties and the protection of investors.

**Non-U.S. currency and exchange rate risks-** Venture Funds' assets and income may be denominated in various currencies. Contributions and distributions, however, will be denominated in U.S. dollars. As a result, the return of the Venture Funds on any investment may be adversely affected by fluctuations in currency exchange rates, devaluations of local currencies and inflationary pressures. As a general policy, the Venture Funds does not intend to engage in hedging against currency risk. In addition, the Venture Funds may incur costs in connection with conversions between various currencies.

**Therapeutics and Related Risks-** Therapeutics company securities, especially those of smaller, research-oriented companies, can be more volatile than the overall market. The Therapeutics companies in which the Funds' may invest may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements or price volatility associated with the perceived prospects of success

of the research and development programs. Only a limited number of Therapeutics companies have reached the point of approval of products by government regulatory bodies, such as the U.S. Federal Drug Administration and the European Medicines Agency, and the subsequent commercial production and distribution of such products. Therefore, the success of investments in the Therapeutics industry is often based upon expectations about future products, research progress, and new product filings with regulatory authorities. In addition, a number of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, operate at a loss, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many Therapeutics companies with proprietary platform technologies rely on patent protection and non-disclosure agreements to establish and protect their proprietary technologies, which may be essential to the growth and profitability of the company. Patents have limited duration, and, upon expiration, competitors may market substantially similar "generic" products which cost less to develop and may cause the original developer of a product or service to lose market share and/or reduce prices, resulting in lower profits for the original developer. In addition, there can be no assurance that a particular company will be able to protect these rights, or will have the financial resources to do so. Conversely, other companies may make infringement claims against a company in which the Funds' invests, which could have a material adverse effect on such company.

The Therapeutics industry is subject to extensive government regulation. The industry will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, product liability concerns, and similar significant matters. Changes in governmental policies may have a material effect on the demand for or costs of certain Therapeutics products and services and securities prices of health care companies can fluctuate dramatically as a reaction to adverse legal judgments and the adverse publicity associated with accompanying threatened litigation. As these factors impact the industry, the value of the Funds' interests may fluctuate significantly over relatively short periods of time.

Therapeutics companies are frequently dependent upon private and governmental third-party sources of reimbursement for products and services provided to their customers. In addition to market and cost factors affecting the fee structures implemented by Therapeutics companies, numerous Medicare and Medicaid regulations, cost containment and utilization decisions of third-party payers and other payment factors over which the companies do not have control may affect the amount of payment that Therapeutics companies receive for their products and services. These third-party payers are increasingly challenging the prices charged for Therapeutics products and services and, in some cases, refusing payments for products and services they deem inappropriate.

**Investments in Public Companies-** The Public Fund's and Separate Accounts' investment portfolios will contain securities or instruments issued by publicly held companies. Such portfolio investments may subject the Public Fund and Separate Accounts to risks that differ in type or degree from those involved with portfolio investments in privately held companies. Such risks include, without limitation, greater volatility in the valuation of such companies, increased obligations to disclose information regarding such companies, limitations on the ability of the Public Fund and Separate Accounts to dispose of such securities or instruments at certain times, increased likelihood of shareholder

litigation against such companies' board members, and increased costs associated with each of the aforementioned risks.

**High Growth Industry Related Risks-** The Firm expects to have investments in the securities of high growth companies (e.g., biotechnology companies). Certain of the high growth companies in which a Public Fund and Separate Accounts may invest, may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which a Public Fund and Separate Accounts invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

Further, many high growth companies with proprietary technology rely on a combination of patent, copyright, trademark and trade secret protection and non-disclosure agreements to establish and protect their proprietary rights, which may be essential to the growth and profitability of the company. There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which a Public Fund and Separate Accounts invests. Conversely, other companies may make infringement claims against a company in which a Public Fund and Separate Accounts invests, which could have a material adverse effect on such company.

The markets in which many high growth companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which a Public Fund and Separate Accounts invests will successfully penetrate their markets or establish or maintain competitive advantages.

**Therapeutics Industry Related Risks-** The Clients expect to invest in Therapeutics companies. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

There can be no assurance that a particular company will be able to protect these rights or will have the financial resources to do so, or that competitors will not develop or patent technologies that are substantially equivalent or superior to the technology of a company in which the Clients invests. Conversely, other companies may make infringement claims against a company in which the Clients invests, which could have a material adverse effect on such company.

The markets in which many biotechnology companies operate are extremely competitive. New technologies and improved products and services are continually being developed, rendering older technologies, products and services obsolete. Moreover, competition can result in significant downward pressure on pricing. There can be no assurance that companies in which the Funds invest will successfully penetrate their markets or establish or maintain competitive advantages.

Companies in the Therapeutics industry also face pressure on the pricing of their products from the insurance industry and as a result of public criticism of rising costs and calls for regulatory change. There can be no assurance that companies in which the Clients invest will be successful in obtaining the product pricing which they are seeking.

**Small-to-Medium Capitalization Companies-** The Public Fund and Separate Accounts may invest a significant portion of its assets in the stocks of companies with small-to medium-sized market capitalizations (generally defined at less than \$10 billion market capitalization). The Firm believes these companies can present investment opportunity due to market inefficiencies in the small and mid- cap area, a limited universe of potential investors given liquidity, and limited coverage of these companies from sell-side Firms. While the Firm believes these investments often provide significant potential for appreciation, those stocks, particularly smaller-capitalization stocks, involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of such stocks are often more volatile than prices of large-capitalization stocks. In addition, due to thin trading in some such stocks, an investment in these stocks may be more illiquid than that of larger volume stocks?

**Short Sales-** Short selling, or the sale of securities not owned by the Public Fund and Separate Accounts, necessarily involves certain additional risks. Such transactions expose the Public Fund and Separate Accounts to the risk of loss in an amount greater than the initial investment, and such losses can increase rapidly and in the case of equities, without effective limit. There is the risk that the securities borrowed by the Public Fund and Separate Accounts in connection with a short sale would need to be returned to the securities lender on short notice. If such request for return of securities occurs at a time when other short sellers of the subject security are receiving similar requests, a “short squeeze” can occur, wherein the Public Fund and Separate Accounts might be compelled, at the most disadvantageous time, to replace borrowed securities previously sold short with purchases on the open market, possibly at prices significantly in excess of the proceeds received earlier.

**Non-U.S. Securities-** Investing in securities of non-U.S. governments and non-U.S. companies which are generally denominated in non-U.S. currencies and utilization of options on non-U.S. securities involves certain considerations comprising both risks and opportunities not typically associated with investing in securities of the United States government or United States companies. These considerations include changes in exchange rates and exchange control regulations, political and social instability, expropriation, imposition of foreign taxes, less liquid markets and less available information than is generally the case in the United States, higher transaction costs, less government supervision of exchanges, brokers and issuers, greater risks associated with counterparties and settlement, greater difficulty in enforcing contractual obligations, lack of uniform accounting and auditing standards and greater price volatility.

**Currency Risks-** The investments of the Funds that are denominated in non-U.S. currencies are subject to the risk that the value of a particular currency will change in relation to one or more other currencies. Among the factors that may affect currency values are trade balances, the level of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political developments. In general, the Firm does not expect to try to hedge its currency exposure by investing in currencies and options thereon, forward currency exchange contracts, or similar transactions. Further, there can be no assurance that currency hedging strategies the Firm does seek to implement (if any) will be effective.

**Leverage-** While the use of certain forms of leverage including margin borrowing, structured products or derivative instruments can substantially improve the return on invested capital, such use may also increase the adverse impact to which a Fund's portfolio may be subject.

The Public Fund and Separate Accounts generally will obtain its borrowings from securities brokers and dealers and typically will secure those borrowings with such Client's securities and other assets. Under certain circumstances, a broker-dealer providing financing to the Clients may demand an increase in the collateral that secures such Client's obligations and if such Client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy such Client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of a Client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on a Clients' profitability.

Depending on conditions in the credit environment at any given time, the Firm may find it difficult or impossible to obtain leverage for the Public Fund and Separate Accounts. Since the Public Fund and Separate Accounts intend to use leverage as a part of its investment strategy, in such event such Client could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in the Firm being forced to unwind positions quickly and at prices below what the Firm deems to be fair value for the positions.

**Lack of liquidity within Investment Portfolio-** The Venture Fund's investment portfolio will, to a significant extent, consist of investments in private companies. The marketability and value of each such investment will depend upon many factors beyond the General Partner's control. Generally, the investments made by the Venture Fund will be illiquid and difficult to value, and there will be little or no collateral to protect an investment once made. At the time of the Venture Fund's investment, a portfolio company may lack one or more key attributes (e.g., differentiated product, sizable market, profitable sales channel, or strategic alliances) necessary for success. There may be no readily available market for the Venture Fund's investments, many of which will be difficult to value, and the disposal of a portfolio investment by the Venture Fund may be prohibited or delayed many years from the date of initial investment for legal and/or regulatory reasons. The public market for Therapeutics products and other emerging growth companies is extremely volatile. Such volatility may adversely affect the development of portfolio companies, the ability of the Venture Fund to dispose of investments, and the value of investment securities on the date of sale or distribution by the Venture Fund.



**Reliance on Portfolio Company Management Team-** Each portfolio company's day-to-day operations will be the responsibility of such company's management team. Although the General Partner will be responsible for monitoring the performance of each investment, there can be no assurance that the existing management team, or any successor, will be able to operate the portfolio company in accordance with the Fund's plans. The success of each portfolio company depends in substantial part upon the skill and expertise of each portfolio company's management team. Additionally, portfolio companies will need to attract, retain, and develop executives and members of their management teams. The market for executive talent is, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop, integrate, and retain suitable members of its management team and, as a result, the Fund may be adversely affected thereby. Instances of fraud and other deceptive practices committed by the management team of portfolio companies in which the Fund has an investment may undermine the General Partner's due diligence efforts with respect to such companies. If such fraud is discovered, it could adversely affect the valuation of the Venture Fund's investments and may contribute to overall market volatility that can negatively impact the Venture Fund's investment portfolio.

**Shareholder Activism-** The Public Fund's and Separate Accounts' investment strategy may involve shareholder activism that will attempt to influence the destinies of target companies, and there exists the risk that such activism for a particular company will be unsuccessful. Further, when securities are purchased in anticipation of influencing the future direction of a company, a substantial period of time may elapse between the Public Fund and Separate Account purchase of the securities and the anticipated results. Additionally, if the anticipated results do not in fact occur, the Public Fund and Separate Account may be required to sell its investment at a loss. Moreover, there may be instances where the Public Fund and Separate Account will be restricted in transacting in or redeeming a particular investment as a result of its activism with respect to an investment.

**Special Situations-** The Funds may invest in companies involved in (or the target of) acquisition attempts or tender offers or in companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transactions. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security the value of which will be less than the purchase price to the Funds of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, the Funds may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which the Funds may invest, there is a potential risk of loss by the Funds of its entire investment in such companies.

**Options-** The purchase or sale of an option involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other asset for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying asset will not change price in the manner expected, so that the investor loses its premium. Selling options, on the other hand, involves potentially greater risk because the investor is exposed to the extent of the actual price movement in

the underlying asset rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

**Risks of Certain Dispositions-** In connection with the disposition of an investment in a portfolio company or otherwise, the Venture Fund may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. It may also be required to indemnify the purchasers of such investment to the extent that any such representations are inaccurate, and under certain circumstances described in the Fund's Partnership Agreement, the General Partner may make distributions of cash or securities to the Partners that remain subject to recall for the payment (in whole or in part) of such contingent liabilities. These arrangements may result in contingent liabilities, which might ultimately have to be funded by the Venture Fund.

**Commodities and Futures Contracts-** Futures markets are highly volatile. The low margin or premiums normally required in such trading may provide a large amount of leverage, and a relatively small change in the price of a security or contract can produce a disproportionately larger profit or loss. There is no assurance that a liquid secondary market will exist for futures contracts or options purchased or sold, and the Public Fund and the Separate Accounts may be required to maintain a position until exercise or expiration, which could result in losses. Many futures exchanges limit the amount of fluctuation permitted in contract prices during a single trading day. Once the daily limit has been reached in a particular contract, no trades may be made that day at a price beyond that limit. Contract prices could move to the daily limit for several consecutive trading days permitting little or no trading, thereby preventing prompt liquidation of futures and options positions and potentially subjecting the Public Fund to substantial losses. Investing in futures contracts, options or commodities is a highly specialized investment activity entailing greater than ordinary investment risks.

**Counterparty Risk-** To the extent the Public Fund and Separate Accounts invest in swaps, "synthetic" or derivative instruments, repurchase agreements, certain types of options or other customized financial instruments, or, in certain circumstances, non-U.S. securities, the Public Fund and Separate Accounts take the risk of non-performance by the other party to the contract. This risk may include credit risk of the counterparty and the risk of settlement default. This risk may differ materially from those entailed in exchange-traded transactions which generally are supported by guarantees of clearing organizations, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered directly between two counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default.

**Hedging Transactions-** While the Public Fund and Separate Accounts do not expect to conduct portfolio level hedging activities, the Clients may utilize financial instruments, both for investment purposes and for risk management purposes in order to: (i) protect against possible changes in the market value of its investment portfolio resulting from fluctuations in the securities markets and changes in interest rates, (ii) protect a Client's unrealized gains in the value of its investment portfolio, (iii) facilitate the sale of any such investments, (iv) enhance or preserve returns, spreads or gains on any investment in a Client's portfolio, (v) hedge the interest rate or currency exchange rate on any of

the Clients liabilities or assets, (vi) protect against any increase in the price of any securities the Clients anticipates purchasing at a later date or (vii) for any other reason that the Firm deems appropriate.

The success of any hedging strategy of the Public Fund and Separate Accounts will be subject to the Firm's 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 a hedging strategy will also be subject to the Firm's ability to continually recalculate, readjust, and execute hedges in an efficient and timely manner.

**Early-stage investments-** Although the Venture Funds will have significant exposure to private, later-stage companies, they will likely also have some investments in privately-held, early stage companies. These early-stage companies typically have no revenues and are not profitable. They require considerable additional capital to develop products and markets, acquire customers and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Further, the products and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Typically, although a Venture Fund may be represented by a member of the General Partner on a portfolio company's board of directors, each portfolio company will be managed by its own officers (who generally will not be affiliated with a Fund or the General Partner). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

**Non-Controlling Investments-** The Venture Fund may hold a non-controlling interest in certain portfolio companies and, therefore, may have a limited ability to protect its position in such portfolio companies. However, as a condition to an investment in a portfolio company, it is expected that appropriate rights generally will be sought to protect the Venture Fund's interests to the extent possible. There can be no assurance that such minority shareholder rights will be available.

**Securities laws restrictions on trading-** A member, officer, employee, or other representative of the General Partner or the management company or other affiliate of the General Partner may serve as a director of a publicly traded portfolio company. As a result, the General Partner (through its representatives or otherwise) may receive or be deemed to receive information that would restrict its ability to cause the Clients to buy or sell securities of a company for substantial periods of time when profit could otherwise be realized or loss avoided, which may adversely affect the Clients' ability to buy, sell, or distribute securities. In addition, the ability of the Clients to execute trades in securities of these companies may also be restricted by securities laws, including but not limited to Section 16 of the Securities Exchange Act of 1934, as amended, and Rule 144 promulgated under the Securities Act of 1933, as a result of the board participation or extent of ownership of the Funds and affiliated persons.

**Late-stage investments-** The Venture Funds will have significant exposure to private, later-stage companies. These companies typically have modest revenues and may or may not be profitable. They

may require additional capital, at high valuations, to develop products and markets and achieve or maintain a competitive position. This capital may not be available at all, or on acceptable terms. Further, the products and markets of such companies may not develop as anticipated, even after substantial expenditures of capital. Such companies may face intense competition, including competition from established companies with much greater financial and technical resources, more extensive development, manufacturing, marketing and service capabilities, and a greater number of qualified managerial and technical personnel. Although a Venture Fund may be represented by a member of the General Partner on a portfolio company's board of directors, each portfolio company will be managed by its own officers (who generally will not be affiliated with the Funds or the General Partner). Portfolio companies may have substantial variations in operating results from period to period and experience failures or substantial declines in value at any stage.

**Due Diligence Risks-** Before making investments, the General Partner intends to conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment. When conducting due diligence and making an assessment regarding an investment, the General Partner will rely on resources available to it, including information provided by the target of the investment and, in some circumstances, third party investigations. The due diligence process may at times be subjective with respect to newly organized companies for which only limited information is available. Accordingly, there can be no assurance that the due diligence investigation that the General Partner will carry out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Further, there can be no assurance that such an investigation will result in an investment being successful.

**Cybersecurity Risks-** The Firm's information and technology systems may be vulnerable to damage or interruption from computer viruses, ransomware, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Firm has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Firm's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to Clients and investors (and the beneficial owners of investors). Such a failure could harm the Firm's reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of Firm's information, technology or security systems could have an adverse impact on its ability to manage Clients.

## **Item 9 – Disciplinary Information**

On July 10, 2018, Sofinnova agreed to settle an administrative proceeding brought by the Securities and Exchange Commission for violations of the "pay to play" rules. Compliance policies have been updated and additional monitoring systems have been put into place to prevent future violations of pay-to-play. A copy of the Administrative Order can be found on the SEC's website here:

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

- A. Neither Sofinnova nor any of its management persons are registered, or have an application pending to register, as broker-dealers or registered representatives of a broker-dealer.

Sofinnova has filed an exemption from registration as a commodity pool operator (“CPO”) with the United States Commodity Futures Trading Commission (“CFTC”). The Firm indirectly through the Public Fund and Separate Accounts, will, at all times, utilize futures such that either (i) no more than 5% of its assets are used to establish commodity interest positions or (ii) the notional value of its commodity interest positions does not exceed 100% of a Client’s liquidation value.

In order to avoid the appearance of potential conflicts of interest between the Clients, the Firm plans to allocate future initial private investment opportunities in Therapeutics companies to the Venture Funds (including any public offerings of such companies following investment by the Venture Funds or any private investments in public equities) and any future initial public investment opportunities in publicly-traded Therapeutics companies (where the Fund will not take a board seat) to the Public Fund and the Separate Accounts. Furthermore, the Venture Funds generally cannot invest in the same issuer at the same time as the Public Fund and the Separate Accounts. The Chief Compliance Officer and the officers of the Firm are responsible for evaluating a conflict that may arise due to a departure from the Firm’s allocation policy. The Firm makes allocation decisions in the best interests of the Clients.

- B. The General Partners serve as the general partners of each Fund separately and independently make all decisions regarding investments, capital contributions, and distributions on behalf of each Fund. The Firm and its Affiliates are entitled to receive a portion of the management fees from the Clients, and the General Partner entitled to receive a portion of the Carried Interest Distributions and Incentive Allocation from the Funds. The Firm also receives a performance fee from the Separate Accounts.
- C. A Sofinnova employee may from time to time carry on investment activities for another investment adviser who does not invest in a Fund, as well as give advice and recommend securities to vehicles outside of the Sofinnova fund family. The advice given to, or portfolio companies recommended or bought for, any vehicles outside the Sofinnova fund family, will generally not be deemed competitive with the types of portfolio company opportunities sought by the Sofinnova Funds. Sofinnova is reimbursed by the other adviser for the employees’ time dedicated to servicing the other adviser.
- D. Sofinnova does not recommend or select other investment advisers for the Clients.

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

Sofinnova has adopted a Code of Ethics (the “Code”) under the Investment Advisers Act of 1940, which describes the Firm’s fiduciary duties and responsibilities to its Clients, requires that the Firm’s

employees act in the best interests of Clients, act in good faith and in an ethical manner, avoid conflicts of interest with Clients to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. Sofinnova employees are also required to comply with applicable provisions of the federal securities laws and to make prompt reports to the Firm or other appropriate parties of any actual or suspected violations of such laws by Sofinnova or its employees. In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of Sofinnova employees. The Code prohibits employees from engaging in personal trading in the securities of issuers on the Firm's restricted list, requires employees to provide duplicate brokerage accounts statements and trade statements to the Firm or to report all securities transactions on at least a quarterly basis, and requires employees to provide a summary of securities holdings on at least an annual basis. The Code also includes policies and procedures to prevent the misuse and disclosure of material nonpublic information ("insider trading") and other confidential information and policies and procedures addressing conflicts of interest, outside activities of employees, gifts and business entertainment, including limitations and reporting requirements, and pre-clearance and reporting of political contributions. Sofinnova will provide a complete copy of its Code to any Client or investor upon request to Jim Brody at brody@sofinnova.com.

Without the requisite advisory board approval as set forth in the Governing Documents of the applicable Fund, neither Sofinnova nor any related person may recommend to the Funds, or buy or sell for the Funds, securities in which the Firm or any related person has a material financial interest. Firm employees are restricted from purchasing securities in the Therapeutics industry or any securities which a Fund also holds – employees that purchased such securities prior to the Fund holding such shares are prohibited from selling such shares within 7 days of when the Fund purchases or sells such shares.

Because the Firm manages more than one Fund, there may be conflicts of interest over its time devoted to managing any one Fund and allocating investment opportunities among all Funds that it manages. For example, the Firm selects investments for each Client based solely on investment considerations for that client. The Firm may buy or sell a security or commodity for one type of client but not for another, or may buy (or sell) a security or commodity for one type of client while simultaneously selling (or buying) the same security for another type of client. The Firm may give advice to, and take action on behalf of, any of its clients that differs from the advice that it gives or the timing or nature of action that it takes on behalf of any other client. The Firm is not obligated to acquire for any Client any security or commodity that the Firm or its partners, officers or employees may acquire for its or their own Funds or for any other Client, if in the Firm's absolute discretion, it is not practical or desirable to acquire a position in such security or commodity for that Client. From time to time, the Venture Funds may invest in securities of companies that may be deemed to be, or develop products that would be, competitive.

## **Item 12 – Brokerage Practices**

### **A. Factors Used to Select or Recommending Broker-Dealers**

The Firm will always have discretion as to the selection of brokers (and accordingly, the commission rates paid). In selecting brokers to effect portfolio transactions for the Clients, the Firm is not required

to consider or focus on any particular criteria and for the most part, Firm will seek “best execution” of transactions, which is generally viewed as a duty to use reasonable efforts to execute securities transactions so that a client's total costs or proceeds in each transaction are the most favorable under the circumstances. In evaluating whether a broker will provide best execution, the Firm will consider a range of factors, including but not limited to:

- quality of execution;
- overall costs of a trade;
- ability to access liquidity;
- error correction capabilities;
- availability and costs of securities to borrow in relation to short sales;
- block trading and block positioning capabilities;
- willingness to execute difficult transactions;
- willingness and ability to commit capital;
- minimization of market impact;
- derivative securities;
- quality of propriety research provided;
- ability to facilitate meetings with corporate executives;
- access to underwritten offerings and secondary markets; and
- market intelligence regarding trading activity.

The Firm need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Commissions paid by a Client to brokers may include “soft dollar” research services used by the Firm in making investment decisions.

**B. Research and Other Soft Dollar Benefits**

The Firm can effect transactions with broker-dealers who provide research services (collectively, “soft-dollar items”) to the Firm that assist the Firm 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 the Firm’s overall responsibilities with respect to its Clients. The Firm intends to comply with the soft-dollar “safe harbor” afforded by Section 28(e) under the Securities Exchange Act of 1934, as amended.

- C. When the Firm 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, the Firm believes that such soft dollar items may provide the Clients with benefits by supplementing the research and services otherwise available to the Clients.
- D. The Firm 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. The Firm periodically reviews the execution performance of its brokers to ensure that any potential conflicts of interests are resolved.

- E. When the Firm does engage in such “soft dollar” arrangements, the Client may pay commissions to a broker in an amount greater than the amount another broker might charge.
- F. Soft-dollar items, whether provided directly or indirectly, may be utilized for the benefit of the Firm’s and its affiliates’ other accounts. Soft-dollar items are not limited to those Clients who have generated a particular benefit although certain soft dollar allocations are connected to particular clients or groups of clients. Usually, soft dollar benefits are not proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.
- G. The Firm uses “soft-dollars” for Section 28e eligible expenses such as (but not limited to) the following: (i) software and other products that aggregate market data, (ii) broker-dealer research reports, company financial data and economic data, (iii) industry consultants who provide direct market research, and (iv) certain equipment in connection with investment analysis and decision making.
- H. A broker from which the Firm 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. The Firm monitors the soft dollar services provided to ensure that appropriate transactions are executed with a soft dollar provider.
- I. Occasionally, the Firm may permit a Separate Account Client to direct the Firm to execute the Client’s trade with a specified broker-dealer. Although the Firm attempts to effect these transactions in a manner consistent with its policy of seeking best execution, there may be occasions where it is unable to do so, in which case the Firm will continue to comply with the Client’s directions. The commissions charged to a Client that directs the Firm to execute the Client’s trades through a specified broker-dealer may in some transactions be materially different than those of Clients who do not direct the execution of their trades. In cases where trading or investment restrictions are placed on a Client’s account, the Firm may be precluded from aggregating that Client’s transaction with others. In this case, the Client may pay a higher commission rate or receive less favorable prices than Clients who are able to participate in an aggregated order.
- J. The Firm may aggregate purchases and sales of securities for its Clients when more than one Client is purchasing or selling securities in a single issuer. In most cases, the Clients purchase or sell such securities in a predetermined ratio in all such similar transactions.

### **Item 13 – Review of Accounts**

- A. The Investment Committee typically meets once a week to consider each Client’s holdings and potential transactions.
- B. This is not applicable to Sofinnova.



- C. Within 90 days after each Fund's fiscal year-end, audited financial statements are distributed to investors in each Fund. The Firm also provides unaudited performance information for the Fund to its Venture Fund investors after each calendar quarter-end and monthly for its Public Fund investors.

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

- A. Certain employees of Sofinnova have been granted indirect economic interests in or are investors in the Funds. The Firm's Chief Compliance Officer monitors these activities. The Firm does not believe that these interests or investments create a material conflict of interest for a Fund.
- B. This is not applicable to Sofinnova. Sofinnova may engage solicitors to whom Sofinnova will pay cash or port of the advisory fees paid by Clients referred by those solicitors. In such cases, this practice will be disclosed in writing to the Client, and Sofinnova will comply with the other requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940 to the extent required by applicable law.

#### **Item 15 – Custody**

Sofinnova does not maintain physical custody of its Clients' assets, other than physical stock certificates and securities (such as promissory notes and warrants) for privately held companies in which the Venture Funds invest. However, Sofinnova believes that it would generally be viewed by regulators as having custody of the assets of each Fund for which it or a General Partner serves as general partner under Rule 206(4)-2 of the Advisers Act (the "Custody Rule"). Accordingly, Sofinnova and the General Partners intend to adhere to the applicable requirements of the Custody Rule with respect to each Fund for which Sofinnova or a General Partner serves as general partner or managing member. The Chief Financial Officer of Sofinnova will be responsible for arranging for the annual independent audits of the Fund by an independent auditor in accordance with generally accepted accounting principles and for delivery of the Fund's audited financial statements to investors within 90 days of a Fund's fiscal year end.

Sofinnova generally does not have custody of assets for Separate Account clients. All Separate Accounts' assets are held at qualified custodians. The qualified custodian sends to the Separate Account clients a statement no less than quarterly.

#### **Item 16 – Investment Discretion**

Sofinnova provides investment advice directly to each Fund on a discretionary basis and not individually to the investors in each Fund. An affiliate of Sofinnova, usually the General Partner, accepts discretionary investment authority for each Fund. Generally, this discretion is subject only to the investment guidelines set forth in each Fund's Governing Documents. For Separate Accounts, the Firm manages the assets on a discretionary basis, subject to guidelines and restrictions set forth in the Separate Accounts' Governing Documents.

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

- A. In the event that the Firm is presented with an opportunity to vote a proxy, the Firm's general policy is to vote proxies in accordance with the best interest of each Client. For the Venture Funds the barring

any unusual circumstances, the Firm believes company management generally is best suited to make the decisions that are essential to the ongoing operation of the company. Therefore, the Firm generally intends to vote proxies in line with company management. However, under circumstances when the Firm believes that company management's proposal will not maximize value for each Fund, the Firm intends to vote against company management's recommendations.

For the Public Fund and Separate Accounts, Sofinnova has retained a proxy administrator and voting service provider (the "Proxy Administrator") to assist in the proxy voting process. The CCO manages Sofinnova's relationship with the Proxy Administrator and ensures all proxies are voted in accordance with the best interest of the Clients in mind unless otherwise directed by Sofinnova. The Proxy Administrator will also retain certain required documents associated with proxy voting. If the Proxy Voting Service's recommendation conflicts with the proxy voting decision of an issuer's management, the Managing Partners and the GC will evaluate the merits of each position and cast a vote it believes will serve best interest of the Clients.

In addition to maintaining oversight of individual proxy recommendations, Sofinnova may also periodically review the independence of the Proxy Voting Service. This may include a review of the Proxy Voting Service's conflict management procedures, interviewing its Employees and ensuring that Proxy Voting Service continues to have the competency and capacity to vote proxies on an unbiased and informed basis.

*B.* This is not applicable to Sofinnova.

#### **Item 18 – Financial Information**

*A.* This is not applicable to Sofinnova.

*B.* The Firm does not believe that any such financial conditions exist.

*C.* Sofinnova has not been the subject of a bankruptcy petition at any time during the past ten years.

#### **Item 19 – Requirements for State Registered Advisers**

This item is not applicable.