

S P H E R A



A S P I R E H I G H E R

SPHERA HEALTHCARE US INC.

**10 East 53rd Street
Suite 1301
New York, NY 10022**

September 2021

This “**Brochure**” provides information about the qualifications and business practices of Sphera Healthcare US Inc. If you have any questions about the contents of this Brochure, please contact the Chief Compliance Officer (“**CCO**”), Tim Surzyn, by email at **tim@spherafund.com**. Information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Additional information about Sphera Healthcare US Inc. is also available on the SEC's website at www.adviserinfo.sec.gov. Registration as an investment adviser does not imply that Sphera Healthcare US Inc. or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or in any business.

Item 2: Material Changes

Sphera filed its initial Form ADV Part 2A in connection with its initial application for registration as an investment adviser in June 2021. This other-than-annual amendment reflects the Registrant's registration as an investment adviser as well as certain other updates.

Item 3: Table of Contents

Item 2: Material Changes	2
Item 3: Table of Contents	3
Item 4: Advisory Business.....	4
Item 5: Fees and Compensation.....	5
Item 6: Performance-Based Fees and Side-By-Side Management.....	8
Item 7: Types of Clients	9
Item 8: Methods of Analysis, Investment Strategies, and Risk of Loss	10
Item 9: Disciplinary Information.....	24
Item 10: Other Financial Industry Activities and Affiliations.....	24
Item 11: Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading.....	25
Item 12: Brokerage Practices.....	32
Item 13: Review of Accounts.....	34
Item 14: Client Referrals and Other Compensation	34
Item 15: Custody	34
Item 16: Investment Discretion.....	34
Item 17: Voting Client Securities	35
Item 18: Financial Information.....	35

item 4: Advisory Business

Sphera Healthcare US Inc. is organized as a Delaware corporation founded in 2013 with a principal place of business in New York, New York (**"Sphera Healthcare US"** or the **"Investment Manager"**). Sphera Healthcare US is a 100% owned subsidiary of Sphera Global Healthcare Management LP (**"Sphera Healthcare"**), which is an Israeli limited partnership founded in January 2007 and has its principal place of business in Tel Aviv, Israel. For purposes of this brochure, the **"Firm"** means Sphera Healthcare US Inc. and (where the context permits), Sphera Healthcare and affiliated general partners of the Funds (as defined below) and other affiliates that provide advisory services to and/or receive advisory fees from the Funds and/or are responsible for the general management of the Funds' affairs. Such affiliates may or may not be under common control with Sphera Healthcare US Inc., and may or may not possess a substantial identity of personnel and/or equity owners with Sphera Healthcare US Inc. These affiliates may be formed for tax, regulatory or other purposes in connection with the organization of the Funds, or may serve as general partners of the Funds.

Sphera Healthcare US serves as the investment manager, with sole discretionary trading and investment management authority, to private, pooled investment vehicles, the securities of which are offered through a private placement memorandum either outside the U.S. or to U.S. persons that are accredited investors, as defined under the Securities Act of 1933, as amended (the **"Securities Act"**), and qualified purchasers, as defined under the Investment Company Act of 1940, as amended (the **"Company Act"**). The Firm does not tailor its advisory services to the individual needs of any particular investor.

Pursuant to the Investment Management Agreement between Sphera Healthcare US and the Funds (as defined below) following registration with the SEC, Sphera Healthcare US provides research, investment management, trading, operational and marketing services to the following private fund clients: (i) SPHERA BIOTECH US FUND LP, a Delaware limited partnership (the **"Biotech Onshore Fund"**); (ii) SPHERA BIOTECH FEEDER FUND LP, a Cayman Islands exempted limited partnership (the **"Biotech Offshore Fund"**); (iii) SPHERA BIOTECH MASTER FUND LP, a Cayman Islands exempted limited partnership (the **"Biotech Master Fund"** and together with the Biotech Onshore Fund and the Biotech Offshore Fund, the **"Biotech Funds"**); (iv) SPHERA GLOBAL HEALTHCARE US FUND LP, a Delaware limited partnership (the **"Healthcare Onshore Fund"**); (v) SPHERA GLOBAL HEALTHCARE FUND, a Cayman Islands exempted company (the **"Healthcare Feeder Fund"**); and (vi) SPHERA GLOBAL HEALTHCARE MASTER FUND, a Cayman Islands exempted company (The **"Healthcare Master Fund"** and together with the Healthcare Onshore Fund and Healthcare Feeder Fund, the **"Healthcare Funds"**).

The Biotech Funds and the Healthcare Funds are herein each referred to as a **"Fund"** or **"Client"**, and collectively referred to as the **"Funds"** or the **"Clients."**

The Biotech Funds and the Healthcare Onshore Fund's **"Limited Partners"** and the Healthcare Feeder Fund's **"Shareholders"** are hereafter collectively referred to as the **"Investors"** where appropriate. Investment advice is not provided individually to the Investors.

Pursuant to a Service Agreement between Sphera Healthcare US and Sphera Healthcare, Sphera Healthcare provides the following services to the Investment Manager: (i) provision on a continuous basis of research, data and analysis and investment recommendations with respect to potential investments of the Funds, (ii) marketing in Israel and the management of the Funds' Israeli investors and potential investors communications, including responding to

such investors and potential investors requests and assistance with preparation of marketing materials, (iii) operations and front, middle and back office services, including trade support and reports with respect to the portfolio, (iv) legal services as requested by the Investment Manager (for its own benefit and/or on behalf of the Funds), (v) preparation of material for inclusion in various reports of the Investment Manager to the Funds and assistance in the preparation of the Funds' financial statements and investors' tax reports, and (vi) administrative services, all in order to support the Investment Manager's investment management services to the Funds, and to allow the Investment Manager to comply with its duties to the Funds.

For the avoidance of doubt, the Investment Manager shall be responsible for any decision to invest to the exclusion of Sphere Healthcare, and may use the advice of Sphera Healthcare in connection with the management of the assets of the Funds. With respect to all investment management activities, Sphera Healthcare will observe and comply with the respective offering materials of the Funds or any other document relating to the Funds, as well as any explicit instructions provided by the Investment Manager, and shall act in accordance with all orders and directions of the Investment Manager and at all times be subject to the control of and review of the Investment Manager.

Investment decisions and advice with respect to the Funds are subject to each Fund's investment objectives and guidelines, as set forth in its respective "**Offering Documents.**"

We do not currently participate in a Wrap Fee Program.

As of September 1, 2021, the Firm has regulatory assets under management of \$994,828,750, all managed on a discretionary basis.

Item 5: Fees and Compensation

The fees applicable to each of the Funds are set forth in detail in the corresponding Offering Documents. A brief summary of such fees is provided below.

Management Fee

As compensation for investment management services rendered to the Funds, Sphera Healthcare US is paid an investment management fee ("**Management Fee**") per annum based on the net asset value of the Funds. Management Fees are not paid in advance.

A complete list of share classes issued by the Funds since inception and the corresponding fees for each class (including the manner and calculation of Management Fees) are detailed in each Fund's respective Offering Documents. The Management Fees and other fees described herein are generally subject to modification, waiver or reduction by Sphera Healthcare US in its sole discretion, both voluntarily and on a negotiated basis with selected Investors, which may not be disclosed to other Investors in the same Fund. The fee structures described herein may be modified from time to time. Fees may differ from one Fund to another, as well as among Investors in the same Fund.

Certain investors in the Funds that are employees, business associates and other "friends and family" of the Firm, its affiliates or their personnel ("**Sphera Investors**") will not typically pay Management Fees in connection with their investment in a Fund. Notwithstanding that

Sphera Investors will generally not pay Management Fees, Sphera Investors will generally pay for their pro rata share of certain Fund expenses.

Other Types of Fees or Expenses

The Firm is responsible for and shall pay, or cause to be paid, all of their own ordinary administrative and overhead expenses, including, without limitation, all costs and expenses related to rent, furniture, fixtures, office equipment, office supplies, clerical expenses and all salaries, bonuses and benefits paid to, or on behalf of, personnel of the Firm to the extent set forth in the Funds' Offering Documents.

The Funds will pay for all reasonable expenses related to the Funds' organization, including, but not limited to, legal and accounting fees, government filing fees and printing and mailing expenses, syndication expenses, costs and expenses of the preparation of the Funds' legal agreements, the Offering Documents, and other documents to be furnished by the Funds or the Firm to prospective investors and other expenses of the initial offering of Units (as defined in the Offering Documents) ("Organizational Expenses").

In addition to the Organizational Expenses described above, the Funds will bear the ongoing expenses relating to the operation of the Funds (or where necessary and appropriate, the Firm or the Fund general partner shall be reimbursed by the Funds for any such costs and expenses). Expenses include, but are not limited to, (i) expenses of the continuing offering of Units or Interests or Shares (as defined in the Offering Documents) (including, for the avoidance of doubt, fees and expenses in connection with printing and other expenses associated with the admission of an Investor, any regulatory filings (such as blue sky filings and the European Alternative Investment Fund Managers Directive related expenses), but not including the Firm or Fund general partner's travel and lodging expenses relating to marketing the Units or Interests or Shares), (ii) all costs and expenses related to investment and divestment transactions of the Funds, including costs of examination, sourcing and monitoring of prospective investments, whether or not consummated (including legal expenses incurred in connection with claims or disputes related to unconsummated investments and third-party investment sourcing fees), (iii) any withholding, transfer or other taxes imposed on the Funds or any of their partners, including without limitation expenses for tax return preparation and reporting that are not allocated specifically by the Firm or the Fund general partner to and paid for by a particular Investor, subject, in each case, to the terms of the Offering Documents, (iv) any governmental and regulatory fees imposed on the Funds, (v) any financing, commitment, interest and other borrowing costs payable by the Funds and/or other bank service fees, and all costs and expenses related to the hedging transactions employed by the Funds, including expenses relating to borrowing securities to be sold short, (vi) litigation and indemnification expenses and any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against the Funds, the Firm or the Fund general partner in its capacity as such, (vii) the cost of the audit of the Funds' financial statements and the preparation of their tax returns and tax compliance, (viii) the fees and expenses of the Funds' counsel in connection with advice directly relating to the Funds' legal affairs, (ix) the costs of "directors and officers" and professional liability insurance and of professional liability insurance for the Funds, a Fund general partner and their respective officers, employees, advisers and agents, members of the Advisory Board (as defined in the Offering Documents) and members of the board of directors of Sphera Global Healthcare GP Ltd (acting where relevant as the general partner of the general partner of the general partner of a Fund), (x) fund administrator fees (such as portfolio and investor accounting, tax reporting and investor servicing cost), and/or the fees of any transfer agent and registrar, (xi) costs

incurred in respect of the preparation, audit and distribution of annual and other reports and accounts, (xii) costs of any outside appraisers (including third-party valuation agents for valuations, appraisals or pricing services), accountants, attorneys or other experts engaged by the Investment Manager or the Fund general partner in connection with either a specific investment opportunity being evaluated on behalf of the Funds or the overall assets of the Funds, as well as other expenses directly related to the Funds' investment program, (xiii) expenses related to the research, and trading in securities, including, without limitation, the following: consulting fees and expert fees, fees and expenses of and related to obtaining research, analytics and market data (including, without limitation, data and information service subscriptions (such as Bloomberg and FactSet)), related systems and services from data providers and data management software, and any information technology hardware, software or other technology expenses used for obtaining such research, market data and execution, third-party diligence software and service providers, (xiv) custody, brokerage and prime brokerage fees, commissions and expenses (including the costs of negotiating, documenting and/or amending agreements with prime brokers, ISDAs and other agreements with trading and financing counterparties) and depository fees, (xv) organization expenses of the Fund general partner, (xvi) Advisory Board expenses (including set-up costs) (xvii) expenses associated with the Funds, the Firm or a Fund general partner's compliance with applicable laws and regulations, including any regulatory filings as they relate to the Funds' activities, (xviii) costs associated with any amendments, modification, revisions or restatements to the Offering Documents or other organizational documents of the Funds, (xix) communication expenses with respect to investor services and all costs and expenses of hosting annual or special meetings of the Investors and all costs of preparing, printing and distributing financial and other reports, prospectuses, proxy forms and similar documents (xx) the cost of listing any shares on any stock exchange (including the cost of obtaining and maintaining such listing), (xxi) clearing and settlement charges, and (xxii) fees and expenses of proxy research and voting services.

Certain of the foregoing expenses may be paid by the use of "soft" dollar commissions or a rebate of commissions generated by the payment of brokerage commissions. If the Funds' general partner or the Firm uses soft dollars generated by the Funds to pay certain expenses which would otherwise be payable by the Funds' general partner or the Firm, the Funds' general partner and the Firm intend that such payments shall fall within the parameters of Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

If any of the above expenses are incurred jointly for the account of more than one Fund, the Funds' general partner or the Firm, as applicable, will allocate such expense among the Funds in proportion to the size of the investment made by each in the activity or entity to which the expense relates, or in such other manner as the general partner or the Firm considers fair and reasonable in its sole discretion. Notwithstanding the foregoing, the portion of an expense allocated to a Fund for a particular service may not reflect the relative benefit derived by such Fund from that service in any particular instance.

In general, each Investor will bear its proportionate share of the Fund expenses on a pro rata basis with respect to the size of such Investor's capital account(s) or with respect to the relative net asset value of the shares held by such Investor, as applicable.

Notwithstanding the foregoing, the Fund general partner and/or the Firm, as applicable, may specially allocate the expenses described herein in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Fund general partner and/or the Firm, as applicable, reasonably determines, in its discretion, that it is more equitable to do so.

To the extent that expenses to be borne by the Funds are paid by the Firm or its affiliates, the Funds will reimburse the Firm or its affiliates for such expenses. The Firm or its affiliates may waive any such reimbursement with respect to any Fund expenses. Any waiver by the Firm or its affiliates for reimbursement of any Fund expenses shall not serve as a waiver of reimbursement for any future Fund expenses to be paid by the Firm or its affiliates.

Neither the Investment Manager nor its employees accept compensation, including sales charges or service fees, from any person for the sale of securities or other investment products. While not a client solicitation arrangement, Sphera Healthcare has in the past caused and may, from time to time, cause its employees to solicit certain potential non-U.S. investors in connection with the offer and sale of the Units or Interests or Shares (as defined in the relevant Offering Documents) in certain non-U.S. jurisdictions. Generally, those agreements will provide for a percentage of certain of the investment amount invested in a Fund by Investors who become Investors as a result of the solicitor's efforts to be payable to such Sphera Healthcare's employees.

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

Sphera Healthcare (A) as the sole owner of the management shares of the Healthcare Feeder Fund, which holds voting control of the Healthcare Feeder Fund and has, among other things, (i) the authority to elect the Board of Directors of the Healthcare Feeder Fund, (ii) the ability to effect and influence other important decisions and (iii) the responsibility of the managing the day-to-day operations and administering the affairs of the Healthcare Feeder Fund , and (B) as general partner of the Healthcare Onshore feeder, and the general partner of the Biotech Funds are entitled to performance-based compensation (the "**Performance Fee**") from the Funds. From the Biotech Onshore Fund and the Healthcare Onshore Fund, the Fund's general partner or Sphera Healthcare, as applicable, will be entitled to receive a Performance Allocation from the Fund calculated based upon each Investor's capital account.

From each of the Healthcare Feeder Fund and the Biotech Offshore Fund, the Fund's general partner or Sphera Healthcare, as applicable, will be entitled to receive a Performance Fee from the relevant Fund calculated on a unit by unit basis so that each unit of a class is charged a Performance Fee which equates with that class of units' performance. This method of calculation is designed to ensure that: (i) any Performance Fee paid is charged only to those units which have appreciated in value; (ii) all holders of units have the same amount of capital per unit at risk in the Fund; and (iii) all units of the same class have the same NAV per unit.

Sphera Healthcare US shall be entitled to receive from the Funds' general partner or Sphera Healthcare (or directly from the Funds, if and to the extent transferred to it by Sphera Healthcare or the Funds' general partner) a percentage of any performance fees and/or a portion of the interest in the performance allocation actually paid or allocated to Sphera Healthcare or the Funds' general partner from the Funds, as applicable, pursuant to the offering documents (after any discounts and/or rebates as determined at the sole discretion of Sphera Healthcare or the Fund general partner) and calculated and adjusted in accordance with the terms set out thereunder.

The Performance Fee will be calculated in respect of each “**Calculation Period**” (and upon redemptions of units). The Performance Fee will be deemed to accrue on a monthly basis as at each “**Valuation Day**.”

The Performance Fee will be based on the appreciation in the net asset value either allocated to an Investor’s capital account or of each class of units during that Calculation Period. A complete list of share classes issued by the Funds since inception and the corresponding fees for each class are detailed in each Fund’s respective Offering Documents.

The Performance Fee will be payable by the Fund within 14 calendar days of the end of each Calculation Period. However, in the case of units redeemed during a Calculation Period, the accrued Performance Fee in respect of those units will be payable within 14 calendar days after the date of redemption. In the event of a partial redemption, units will be treated as redeemed on a first in, first out basis.

Each of Sphera Healthcare, Sphera Healthcare US and/or Funds’ general partner, as applicable, may, from time to time, in its sole and absolute discretion, enter into side letters that may include provisions that rebate intermediaries and/or Investors part or all of the Management Fee and/or Performance Fee. Any such rebates may also be applied in paying up additional units to be issued to the Investors.

The payment of a Performance Fee at varying rates creates an incentive for Sphera Healthcare US and its affiliates to disproportionately allocate time, services, functions or investment opportunities to Funds paying Performance Fees at a higher rate.

Performance-based allocation arrangements may create an incentive for the Investment Manager to recommend investments which may be riskier or more speculative than those which it would recommend under a different arrangement. To mitigate this risk, the Fund’s Offering Documents establish investment guidelines and restrictions that the Investment Manager must adhere to. The Investment Manager has established policies and procedures designed to ensure that these guidelines and restrictions are observed when making decisions with respect to portfolio investments.

Item 7: Types of Clients

The Investment Manager’s Clients will be the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other sophisticated investors. Investment advice will be provided directly to the Funds and not individually to the Investors in such Funds.

There is no minimum size for a Fund but minimum subscriptions are established for Investors in the Funds. The minimum initial subscription amount by Investors in the Funds is US\$500,000, subject to Sphera Healthcare’ or the Funds’ general partner’s, as applicable, discretion to reduce this to not less than US\$100,000.

Section 3(c)(7) of the Company Act, is available to a private investment fund that does not publicly offer its securities and limits its U.S. persons owners to “**Qualified Purchasers**.” A Qualified Purchaser is generally defined as any natural person who owns at least \$5 million in investments and any other person (i.e., an institutional investor) that, for its own account or

the accounts of other Qualified Purchasers, in the aggregate, owns and invests on a discretionary basis at least \$25 million.

The Investment Manager will rely on the Section 3(c)(7) exemption from the investment company definition and will offer and sell interests in the relevant Funds only to U.S. persons who are Qualified Purchasers. In addition, units of the Funds' will be sold outside the U.S. only to investors in a private offering, made to a limited number of investors, and provided that such issuance does not constitute an offer to purchase units that requires a publication of a prospectus in any jurisdiction. Only investors who meet specific eligibility requirements in their respective jurisdictions will be able to purchase the Fund's units.

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

The descriptions set forth in this Brochure of specific advisory services that the Investment Manager will offer to Clients, and investment strategies pursued and investments that will be made by the Investment Manager on behalf of its Clients, should not be understood to limit in any way its investment activities. The Investment Manager may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that it considers appropriate, subject to each Client's investment objectives and guidelines as set forth in the Offering Documents. The investment strategies the Investment Manager will pursue are speculative and entail substantial risks. Clients should be prepared to bear a substantial loss of capital. There can be no assurance that the investment objectives of any Client will be achieved.

Methods of Analysis

The Funds invest in global equities, focusing primarily on biotech and pharmaceutical companies. The research process is based on understanding diseases first, then drugs, and the companies developing them.

For the companies in the Investment Manager's target universe, the analysts generally maintain detailed models of the disease, the competitive landscape of drugs, market opportunities, and company financials. Once a potential investment has been identified, the Investment Manager analyses a range of scenarios to determine the risk and reward. Position sizing, based on the Investment Manager's risk analysis approach, is geared towards the risk of a potential position, not the risk-reward. As a result, the Investment Manager initiates and maintains significantly smaller position sizes in the higher risk positions in the portfolio than the lowest risk. The Investment Manager continually monitors the asymmetry of its positions as prices, time and fundamentals change and adjust sizing accordingly.

At the portfolio level, the Investment Manager constantly monitors key risk factors for the sector and will adjust gross and net exposure based on a real-time assessment of the sector fundamentals. The Investment Manager will opportunistically use downside tail hedges which aim to protect the Funds against macro risks to the market or sector.

Investment Strategies

The investment objective of the Funds is to generate consistent and attractive long-term returns while maintaining disciplined risk management through investment primarily, but not exclusively, in equity related securities of companies in the global healthcare industry, with a

primary focus on the pharmaceutical and biotechnology sectors, including those companies operating in medical devices, healthcare services, and laboratory instrumentation sectors.

The Funds seek to outperform the broad equity markets as well as sector related benchmarks on both absolute as well as on a risk adjusted basis.

To achieve their objectives, the Funds may use, but are not limited to, a long/short equity strategy focused primarily on the global pharmaceuticals and biotechnology industries. The Funds will execute the investment strategy primarily through an investment process which scientifically analyzes diseases and their potential therapeutic solutions. Coupled with a rigorous and fundamental research of companies within their competitive environment, this process yields recommendations for both long and short investment positions in publicly-traded securities in the global healthcare industry which focuses on securities of companies in the pharmaceuticals and biotechnology sectors.

The Funds' investments are expected to include equity, convertible debt, swaps, high yield debt, options, warrants, FX trades and FX swap positions, and other derivatives. The Funds also are expected to use index and currency options, exchange traded funds and other instruments for both return enhancement and hedging purposes. The Funds may invest in both listed and un-listed securities, and in investment and non-investment grade securities.

The Funds' general partner or Sphera Healthcare acting as holder of the management shares of the Healthcare Feeder Fund, or the Investment Manager, as applicable, may effect various changes in the Funds' investment strategies in the future.

THERE CAN BE NO ASSURANCE THAT ANY OR ALL OF THE INVESTMENT OBJECTIVES WILL BE ACHIEVED, EITHER IN WHOLE OR IN PART.

Risk Management

The Investment Manager may seek to reduce risk by using an integrated risk management approach based on multiple methodologies, including, without limitation, an analysis of the Funds' overall net and gross exposure, categorization of investments into certain risk levels, liquidity, monitoring and adjusting of portfolio and market exposures, resizing investment positions, using derivatives and hedging instruments and performing regular portfolio monitoring and review.

Risk of Loss Factors

There is high risk associated with an investment in the Funds, and an investment should only be made after consultation with independent qualified sources of investment and tax advice.

The following risk factors do not purport to be a complete list or explanation of the risks involved in an investment in the Clients advised by us. These risk factors include only those risks the Firm believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by the Investment Manager.

An investment involves significant risks, and is suitable only for those persons who can bear the economic risk of the loss of their entire investment, who have limited need for liquidity in their investment, and who have met the conditions set forth in the Offering Documents. Fund may lose all or a substantial portion of its investments and Investors in a Fund must be prepared to bear the risk of a complete loss of their investment. There can be no assurances

that any Fund will achieve its investment objectives. An investment carries with it the inherent risks associated with investments in equities, derivatives, and related instruments, including, without limitation, the risks described below. Each prospective Investor should carefully review the Funds' Offering Documents before deciding to invest with the Funds.

OTC Derivative Instrument Transactions

The Funds may invest a substantial portion of their assets in investments which are not traded on organized exchanges and as such are not standardized. Such transactions, which are known as over-the-counter transactions ("OTC"), tend to trade infrequently and are considered to carry more risk, especially in terms of trade volume and marketability. OTC transactions may include forward contracts, options or contracts for differences. While some OTC markets are highly liquid, transactions in OTC derivatives may involve greater risk than investing in exchange traded derivatives because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk. Bid and offer prices need not be quoted and, even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price. In respect of such trading, the Funds are exposed 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. In addition, in the case of a default, the Funds could become subject to adverse market movements while replacement transactions are executed. Such "counterparty risk" is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Funds have concentrated its transactions with a single or small group of counterparties.

The instruments, indices and rates underlying derivative transactions expected to be entered into by the Funds may be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and may be influenced by, among other things, government trade, fiscal, monetary and exchange control programs and policies; national and international political and economic events; and changes in interest rates. The volatility of such instruments, indices or rates may render it difficult or impossible to predict or anticipate fluctuations in the value of instruments traded by the Funds and could result in substantial losses.

Purchasing Securities of Initial Public Offerings

The Funds may purchase securities of companies during their initial public offerings or shortly thereafter. Special risks associated with these securities may include a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the companies and limited operating histories. These factors may contribute to substantial price volatility for the shares of these companies. The limited number of shares available for trading in some initial public offerings may make it more difficult for the Funds to buy or sell significant amounts of shares without an unfavorable impact on prevailing market prices. In addition, some companies engaged in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Risk of Investing in the Biotechnology, Pharmaceutical and Health Care Sectors

The Funds intends to make investments in the biotechnology, pharmaceutical and health care sectors (the issuers of securities in these sectors, collectively referred to herein as the "Issuers"). Investments in the biotechnology, pharmaceutical and health care sectors involve substantial risks, including, but not limited to, rapidly changing technologies and the obsolescence of products, extensive and evolving government regulation, and changes in government policies and governmental investigations. The Issuers, as companies operating in the biotechnology, pharmaceutical and health care sectors, are subject to material risk, including, without limitation: potential litigation alleging negligence, products liability torts, breaches of warranty, intellectual property infringement and other legal theories; disappointing results from clinical or preclinical testing; indications of safety concerns; insufficient clinical trial data to support the safety or efficacy of the product candidate; difficulty in obtaining all necessary regulatory approvals in each proposed jurisdiction; inability to manufacture sufficient quantities of the product candidate for development or commercialization in a timely or cost-effective manner; and the fact that, even after regulatory approval has been obtained, the product and its manufacturer are subject to continual regulatory review, and any discovery of previously unknown problems with the product or the manufacturer may result in restrictions or recalls. The Funds may make investments with Issuers that are early-stage companies. In addition to these Issuers having limited operating histories and limited experience instituting compliance policies, they may be more susceptible to the risks generally applicable to companies operating in the biotechnology, pharmaceutical, health care sectors where their businesses are comprised of a more concentrated mix of products. The Funds' investments may be impacted, including in a materially adverse manner, to the extent these risks, and other risks discussed in more detail below, are realized with respect to one or more of the issuers of the Funds' investments.

In particular, the Funds' performance may be adversely affected if the products and services underlying the Funds' investments, or in certain cases other products and services offered by Issuers (even where the Funds have no direct or indirect interest in those medical drugs and devices or revenue generated by those medical drugs and devices), face the following issues:

Competition in the Biotechnology, Pharmaceutical and Health Care Sector

The Issuers of the Funds' investments will face ongoing competition from competitors that may range in size from diversified global companies with significant research and development resources to small, specialized firms whose narrower product lines may increase their ability to deploy technical, marketing and/or financial resources. Many of the products underlying the Funds' investments are expected to evolve rapidly with changing and disruptive technologies and products and frequent introductions of new products and services. The value of the Funds' investments depends, in part, on the ability of the Issuer's ability to compete successfully.

Sales Risk

Sales of products underlying the Funds' investments may be lower than their historical levels or lower than the amounts projected due to pricing pressures, insufficient demand, product competition, lack of market acceptance, obsolescence, safety or efficacy issues, loss of patent protection or other factors.

Risks Related to the Marketing of Health Care Products

The success of the medical drugs and devices underlying the Funds' investments will directly or indirectly depend upon the marketing efforts of third parties, including either the Issuer or,

in certain cases, pharmaceutical companies and biotechnology companies that license the right to manufacture and sell the underlying medical drugs and devices in exchange for royalty payments to the Issuer. In many cases, a license agreement with a marketing partner may not have specific minimum sales requirements and the marketing partner may have exclusive or substantial discretion in determining its marketing plans and efforts. A service or product's ability to maintain its competitive position is dependent upon the success of the marketing partner's marketing efforts. These efforts often rely, in part, on the strength and reputation of a service's or product's brand and underlying trademarks, trade names and related intellectual property. A marketing partner's activities both in marketing the service or product and in protecting its intellectual property are outside the control of the Funds, the Firm, and the Funds' general partner. A marketing partner's failure either to market the services or products actively or to diligently protect its related intellectual property rights could reduce its competitive position. A licensee marketing partner may not be restricted from abandoning or unilaterally terminating a licensed service or product or from developing or selling a competitive service or product. In the event that a marketing partner engaged by an Issuer elects to discontinue marketing a licensed service or product underlying a Fund investment, the Funds would be dependent upon the Issuer to find another marketing partner. There can be no assurance that another marketing partner could be found on favorable terms, or at all, or that the Issuer will be able to assume marketing, sales and distribution responsibility for its own account.

Product Liability Claims May Diminish Revenues

An Issuer could become subject to product liability claims, either related to the products underlying the Funds' investments or related to other products of the Issuer. A successful product liability claim could adversely affect the Funds' investment. Although the Investment Manager believes the Fund would not bear responsibility in the event of a product liability claim against an Issuer, there can be no assurance that such claims would not materially and adversely affect the Fund and its investment performance.

Manufacturing and Supply Risk

Pharmaceutical products, and in particular life sciences products, are manufactured in specialized facilities that require the approval of and ongoing regulation by the United States Food and Drug Administration ("FDA") and, if manufactured outside of the United States, foreign regulatory agencies. With respect to these products, to the extent operational standards set by such agencies are not adhered to, manufacturing facilities may be closed or the production of such products interrupted until such time as any deficiencies noted by such agencies are remedied. Any such closure or interruption may interrupt, for an indefinite period of time, the manufacture and distribution of a product and/or related services. In addition, manufacturers of such products may rely on third parties for packaging of the products or to supply bulk raw material used in the manufacture of the products. In the United States, the FDA requires that all suppliers of pharmaceutical bulk materials and all manufacturers of pharmaceuticals for sale in or from the United States achieve and maintain compliance with the FDA's current "Good Manufacturing Practice", or "GMP", regulations and guidelines. Licensees generally rely on a small number of key, highly specialized suppliers, manufacturers and packagers. In addition to regulatory risks affecting the supply and manufacture of health care and life science products, an Issuer (or its marketing partner) may experience difficulties, disruptions or delays in manufacturing a product or the inability or difficulty in obtaining raw materials or components needed to produce a product. Any interruptions, however minimal, in the operation of these manufacturing and packaging facilities could have a material adverse effect on product sales. The medical drugs and devices

underlying the Funds' investments are subject to these risks, and the performance of the Funds' investments may be adversely impacted if these risks are realized with respect to products underlying the Funds' investments.

Dependence on Patents, Trademarks and Other Intellectual Property

Many biotechnology, pharmaceutical and health care companies, including the Issuers, depend heavily on intellectual property rights, including patents, trademarks and service marks. The ability to effectively enforce patent, trademark and other intellectual property laws will affect the value of many of these companies and their royalty streams. Patent disputes are frequent and can preclude commercialization of products, and patent litigation is costly and could subject an Issuer to significant liabilities to third parties. The presence of patents or other proprietary rights belonging to other parties may lead to the termination of the research and development of an Issuer's particular product. In addition, if an Issuer infringes on third party patents or other proprietary rights, it could be prevented from using certain third party technologies or forced to acquire licenses in order to obtain access to such technologies. In such a case, the Issuer might not be able to obtain all licenses required for the success of its business or of a particular product, which could have a material adverse effect on its value and/or the value of the royalty stream associated with the product (and, as a result, the value of the Funds' investment with that Issuer). Moreover, if the patents and other proprietary rights of an Issuer are infringed by third parties, then it may not be able to take full advantage of existing demand for its medical drugs and devices. The value of the Funds' investments will often depend on the relevant portfolio company's ability to secure and take advantage of, in many cases on an exclusive basis, the portfolio company's intellectual property rights, and a portfolio company's inability to do so could have an adverse effect on returns to Investors.

The products of pharmaceutical companies are often protected for a certain period by various patents or regulatory forms of exclusivity, and the loss of market exclusivity following the expiration or other termination of such a period can open the products to competition from generic substitutes that are typically priced significantly lower than the original products, which can have an adverse effect on the value of the product and the company. In particular, generic substitutes have high market shares in the U.S., and accordingly the adverse effects of the launch of generic products are particularly significant in the U.S.

Risks Related to Pricing of Products

Sellers of health care and other life science products have recently experienced governmental and other pressures to reduce costs of various medical drugs and devices (in particular, pharmaceuticals), including costs borne by health insurers and other third party payors. This increased scrutiny has been particularly acute in the U.S. Regulators and politicians in the U.S. regulators have publicly discussed implementing new laws, rules and/or regulations intended to address rising or apparently inflated costs of health care and other life sciences products. If new laws, rules or regulations affecting the pricing of products or services are ultimately adopted, either in the U.S. or elsewhere, the value of the Funds' investments could be adversely affected. These laws, rules or regulations could also increase the likelihood that an Issuer becomes subject to a lawsuit related to the pricing of its medical drugs and devices, which could adversely effect the Issuer's ability to dedicate adequate time and resources to the development, production, marketing and/or sale the products underlying the Funds' investments.

Political and Regulatory Risk

U.S. or non-U.S. government biotechnology, pharmaceutical and health care policies and changes to those policies (and related laws, rules and regulations) could have a material and adverse impact on biotechnology, pharmaceutical and health care companies generally and/or on Issuers of Fund investments in particular, and could adversely impact the Funds' performance.

Obtaining governmental approval for new products from governmental agencies can be lengthy, expensive and uncertain. In some cases, products of biotechnology, pharmaceutical and health care companies are approved by regulatory authorities on a conditional basis with full approval conditioned upon fulfilling the requirements of regulators. Regulatory authorities are placing greater focus on monitoring products originally approved on a conditional basis and on whether the sponsors of such products have met the conditions of the conditional approval. If an Issuer is unable to fulfil the conditions of its services' or products' conditional approval, it may not receive full approval for these products and may be required to change the services' or products' labelled indications or withdraw the services or products from the market, which could have an adverse effect on the value of the Issuer. Moreover, even after approval, products may still be the subject of regulatory action if new facts concerning their safety and efficacy come to light. Biotechnology, pharmaceutical and health care regulation is subject to change and can have a considerable impact on the marketing of products by Issuers. Such regulatory changes could affect an Issuer's ability to obtain or maintain approval of its products, even forcing an Issuer to withdraw its products from the market. In some cases, new regulations can substantially change the marketing conditions for certain health care products, such as pharmaceuticals. Accordingly, investments made in reliance on an existing market structure could prove to be not cost-effective or worthless, and existing market positions could be endangered.

In addition, in both U.S. and non-U.S. markets, sales of health care products and their success will depend in part on the availability of reimbursement from third party payors such as government health administration authorities and private health insurers. The continuing efforts of governmental and third party payors to contain or reduce the costs of health care affects the revenues and profitability of health care companies. Significant uncertainty exists as to the reimbursement status of newly approved health care products. There can be no assurance that an Issuer's proposed medical drugs and devices will be considered cost-effective or that adequate third party reimbursement will be available to enable the Issuer to maintain price levels sufficient to realize an appropriate return on its investment in product development. Moreover, if reimbursement rates are reduced, or if health care providers anticipate reimbursement being reduced, providers may narrow the circumstances in which they prescribe or administer a service or product, which could reduce the use or sales of those products and thereby have a material adverse effect on the value of a related Fund investment.

Many biotechnology, pharmaceutical and health care companies are subject to rigorous regulation in their operations. Compliance with these regulations can be costly. Even when biotechnology, pharmaceutical and health care companies develop and institute comprehensive compliance programs, they are not able to guarantee that they, their employees, their consultants and their contractors will be in compliance with all potentially applicable regulations. If an Issuer fails to comply with applicable regulations, the Issuer could be subject to monetary and administrative penalties, increased compliance costs or a curtailment of its authority to conduct business, any of which could have a material adverse effect on the value of the Issuer and/or the value of the Funds' investment.

Valuation of Biotechnology, Pharmaceutical and Health Care Investments Pending Regulatory Approval

The Fund will rely on the Investment Manager for valuation of its investments. The Investment Manager's valuations of investment opportunities will play a key role in the Funds' investment decisions. The valuation of early-stage health care companies, including those pursuing regulatory approvals required for commercialization, may be less predictable than later-stage companies or companies in other sectors. Valuations of early-stage companies, which the Funds may target for investment, may not be as reliable as valuations of later-stage companies with more observable valuation inputs or readily available market pricing. Moreover, certain financial and scientific challenges specific to early-stage health care companies, such as the inherent uncertainty in the evaluation of the cost, risk and time of research and development, the outcomes of clinical testing, receipt of regulatory approvals and achievement of key milestones, may further adversely affect the reliability of the Investment Manager's valuations of the Funds' investments.

There is no guarantee that the Investment Manager and any such independent third party will be able to value accurately potential or current investments. This may result in a loss or substantial loss to the Funds and the Investors or, in the case of potential investments, the Funds' failing to pursue what would have been an ultimately successful investment.

Investments in Technology Industries

The Funds may make investments with Issuers involved in the technology industry or heavily dependent on new technologies. Technology companies confront various specific challenges, including rapidly changing market conditions and/or participants, new competing products, changing consumer preferences, short product life cycles and/or improvements in existing products or services. Any investment the Funds acquire in the pharmaceuticals, biotechnology and health care technology sector will compete in this volatile environment. There is no assurance that products or services sold by an Issuer (and underlying a Fund investment) will not be rendered obsolete or adversely affected by competing products and services or that an Issuer will not be adversely affected by other challenges. Barriers to entry in the software and technology industries are low, and new products and services can be distributed broadly and quickly at relatively low cost. Moreover, competition in this sector can result in significant downward pressure on pricing, which may have a direct or indirect impact on the Funds' investments.

Trading in Options

The Funds will both purchase and sell ("write") options on a variety of commodities, currencies and securities on exchanges and over-the-counter markets. The seller ("writer") of a put or call option which is uncovered (i.e. the writer has effectively a long or a short position in the underlying security, currency or commodity) assumes the risk (which theoretically may be unlimited) of a decrease or increase in the market price of the underlying security, currency or commodity below or above the sales or purchase price. Trading in futures and options is a highly specialized activity and although it may increase total returns it may also entail significantly greater than ordinary investment risk.

Exchange-Traded Futures Contracts and Options on Futures Contracts

The Funds' use of futures contracts and options on futures contracts will present the same type of volatility and leverage risks associated with transactions in derivative instruments

generally (see below). In addition, such transactions present a number of risks which might not be associated with the purchase and sale of other types of investment products.

Prior to exercise or expiration, a futures or option position can be terminated only by entering into an offsetting transaction. This requires a liquid secondary market on the exchange on which the original position was established. While the Funds will enter into futures and option positions only if, in the judgment of the Investment Manager in its sole and absolute discretion, there appears to be a liquid secondary market for such instruments, there can be no assurance that such a market will actually exist for any particular contract at any point in time. In that event, it might not be possible to establish or liquidate a position.

The CFTC and futures exchanges have established speculative position limits (“position limits”) on the maximum position which any person, or group of persons acting in concert, may hold or control in particular futures and options on futures contracts. The Investment Manager and its affiliates are and will continue to be the manager for other accounts. Under current regulations, such other accounts are combined with the positions held by the Funds for position limit purposes. In addition, the Investment Manager and its affiliates may trade for their own accounts. This trading could preclude additional trading in such contracts by the Investment Manager for the account of the Funds. In addition, the Investment Manager may be required to liquidate positions at an inopportune time to avoid breaching certain limits, resulting in a price that may be less favorable than desired.

The Funds’ ability to utilize futures or options on futures to hedge its exposure to certain positions or as a surrogate for investments in instruments or markets will depend on the degree of correlation between the value of the instrument or market being hedged, or to which exposure is sought and the value of the futures or option contract. Because the instrument underlying a futures contract or option traded by the Funds will often be different from the instrument or market being hedged or to which exposure is sought, the correlation risk could be significant and could result in substantial losses to the Funds. The use of futures and options involves the risk that changes in the value of the underlying instrument may not be fully reflected in the value of the futures contract or option.

The liquidity of a secondary market in futures contracts and options on futures contracts is also subject to the risk of trading halts, suspensions, exchange or clearing house equipment failures, government intervention, insolvency of a brokerage firm, clearing house or exchange or other disruptions of normal trading activity.

The Funds’ assets held at brokers or other counterparties or institutions are subject to the risk of loss. The Funds’ assets on deposit with United States-regulated clearing brokers for the trading of exchange-traded futures and options on futures contracts are subject to the segregation requirements imposed by the CFTC. In general, segregation requires United States-regulated clearing brokers to segregate customer assets on deposit from the assets of the broker; in the event of the United States-regulated clearing broker’s bankruptcy, segregated customer assets will not be available to satisfy the debts of the broker. Segregation does not require one customer’s assets on deposit with the broker to be segregated from other customers’ assets. In the event that a United States-regulated clearing broker does not properly hold the Funds’ assets in segregation, the Funds’ assets could be at risk in the event of the broker’s insolvency. Furthermore, in the event of a United States-regulated clearing broker’s bankruptcy, the Funds generally would be limited to recovering only a pro rata share of all available funds segregated on behalf of the broker’s combined customer accounts. The Funds’ assets on deposit with the Funds’ unregulated counterparties in connection with the Funds’ over-the-counter trades, such as foreign currency spot or

forward trades, or with non-United States regulated clearing brokers in connection with the Funds' non-United States listed futures contract transactions or otherwise, are not subject to the segregation requirements of the CFTC and may be at risk in the event of the counterparty's or broker's insolvency, or at least may not be subject to identical customer funds protections as would be available to customers of United States-regulated futures commission merchants. The Funds' assets may be held with clearing brokers and other trading counterparties that are not United States-regulated clearing brokers.

In addition, in the event of the bankruptcy or insolvency of an exchange or an affiliated clearing house, the Funds might experience a loss of funds deposited through its broker as margin with the exchange or affiliated clearing house, a loss of unrealized profits on its open positions, and the loss of funds owed to it as realized profits on closed positions.

Forward Trading

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 and "cash" trading is substantially unregulated; there is no limitation on daily price movements and speculative position limits are not applicable. The principals who deal in the forward markets are not required to continue to make markets in the currencies or commodities they trade and these markets can experience periods of illiquidity, sometimes of significant duration. Disruptions can occur in any market traded by the Funds due to unusually high trading volume, political intervention or other factors. The imposition of controls by governmental authorities might also limit such forward trading to the possible detriment of the Funds. In respect of such trading, the Funds are subject to the risk of counterparty failure or the inability or refusal by a counterparty to perform with respect to such contracts. Market illiquidity or disruption could result in major losses to the Funds.

Currency

Units of the Funds may be issued and redeemed in U.S. Dollars, Sterling, Euro or NIS. The Funds' assets may be invested in investments that are denominated in other currencies. Accordingly, the value of a U.S. Dollar, Sterling, Euro or NIS investment may be affected favorably or unfavorably by fluctuations in exchange rates, notwithstanding any efforts made to hedge such fluctuations. In addition, prospective investors whose assets and liabilities are primarily denominated in currencies other than U.S. Dollar, Sterling, Euro or NIS should take into account the potential risk of loss arising from fluctuations in the rate of exchange between U.S. Dollar, Sterling, Euro or NIS and such other currency. The Funds may enter into back-to-back currency borrowing or utilize derivatives such as forwards, futures options and other derivatives to hedge against currency fluctuations but there can be no assurance that such hedging transactions will be effective or beneficial.

Non-U.S. Securities and Non-U.S. Currencies

The Funds may invest a portion of their assets in securities of non-U.S. issuers or securities denominated in non-U.S. currencies and in non-U.S. currencies and forward contracts for such currencies. Investing in non-U.S. securities and/or currencies may present a greater degree of risk than investing in United States securities due to possible exchange rate fluctuations, possible exchange controls, less publicly-available information, more volatile markets, less securities regulation, less favorable tax provisions (including possible withholding taxes), war or expropriation. In particular, the dollar value of portfolio securities of non-U.S. issuers

fluctuates with changes in market and economic conditions abroad and with changes in relative currency values. In addition, the Funds will be exposed to the risk of counterparty default on any currency forward contracts.

Short Sales

The Funds may engage in short sales. A short sale involves the sale of a security that the Fund does not own in the expectation of purchasing the same security (or a security exchangeable therefor) at a later date at a lower price. To deliver to the buyer, the Fund must borrow the security and later purchase the security to return to the lender. A short sale involves a risk of a theoretically unlimited increase in the market price of the security.

Jurisdictions where the Funds may trade have adopted short selling reporting requirements. If the Funds' short positions or strategies become generally known, it could have a significant effect on the Investment Manager's ability to implement its investment strategy. In particular, it would make it more likely that other investors could cause a "short squeeze" in the securities held short by the Funds, forcing the Funds to cover its positions at a loss. Such reporting requirements may also limit the Investment Manager's ability to access management and other personal at certain companies where the Investment Manager seeks to take a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as the Funds, the cost of borrowing securities to sell short could increase drastically and the availability of such securities to the Funds could decrease drastically. Such events could make the Funds unable to execute their investment strategy.

Regulatory authorities may adopt bans or restrictions on short sales of certain securities in response to market events. Bans on short selling may make it impossible for the Funds to execute certain investment strategies and may have a material adverse effect on the Funds' ability to generate returns. In addition, engaging in short selling may increase the risk of the Funds becoming subject to government investigation.

Leverage, Interest Rates and Margin

The Funds may borrow funds from brokerage firms, banks and other financial institutions in order to increase the amount of capital available for investment. Consequently, the level of interest rates at which the Funds can borrow will affect the operating results of the Funds. In addition, the Funds may in effect borrow funds through entry into repurchase agreements and may "leverage" its investment return with such instruments as forwards, futures, options and other derivative contracts.

The Funds' use of borrowing results in certain additional risks. For example, should the securities pledged to brokers to secure the Funds' margin accounts decline in value, the Funds could be subject to a "margin call" and need to deposit additional funds or assets with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden drop in the value of the Funds' assets, the Funds might not be able to liquidate assets quickly enough to pay off its margin debt. In addition, leverage can substantially increase the loss to investors. In the futures markets, margin deposits are typically low. Low margin deposits mean that a relatively small price movement in a futures contract may result in immediate and substantial losses. For example, if at the time of purchase 10% of the price of a futures contract is deposited as margin, a ten per cent decrease in the price of the futures contract would, if the contract is then closed out, result in a total loss of the margin deposit before any deduction for the brokerage commission.

Volatility

The prices of the instruments to be traded by the Funds have been subject to periods of excessive volatility in the past, and such periods can be expected to recur. Price movements are influenced by many unpredictable factors, such as market sentiment, inflation rates, interest-rate movements and general economic and political conditions. While volatility can create profit opportunities for the Funds, it can also create the specific risk, in the case of the Funds, that historical or theoretical pricing relationships will be disrupted, causing what should otherwise be comparatively low risk positions to incur material losses. On the other hand, the lack of volatility can also result in losses for certain of the Funds' strategies that profit from price movements.

Securities and Other Investments of the Funds may be Illiquid

Certain investment positions may be illiquid. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prohibit the Funds from promptly liquidating unfavorable positions and subject the Funds to substantial losses. In addition, the Funds may not be able to execute trades at favorable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Liquidity in these instruments may be restricted and it may be costly or impossible to liquidate such positions before their expiry.

Hedging Transactions

The Funds may utilize financial instruments such as derivatives for investment purposes and to seek to hedge against fluctuations in the relative values of the Funds' portfolio positions as a result of changes in exchange rates, interest rates, equity prices and levels of other interest rates and prices of other securities. Such hedging transactions may not always achieve the intended effect and can also limit potential gains.

While the Funds may enter into such transactions to seek to reduce currency, exchange rate and interest rate risks, unanticipated changes in currency, interest rates and equity markets may result in a poorer overall performance of the Funds. For a variety of reasons, the Funds may not obtain a perfect correlation between such hedging instruments and the portfolio holdings being hedged. Such imperfect correlation may prevent the intended hedge or expose the Funds to risk of loss.

Outbreak of Coronavirus Pandemic and Related Effects

The outbreak of the novel coronavirus (Covid-19) in many countries is adversely impacting global commercial activity, and has contributed to significant volatility in financial markets. The global impact of the outbreak has been rapidly evolving, and as an increasing number of cases of the virus have continued to be identified, many countries have reacted by instituting quarantines and restrictions on travel. Such actions are creating disruption in global demand and supply chains and are adversely impacting a wide range of different industries. While the longer term scope of the potential impact of the novel coronavirus (Covid-19) on global

markets is not yet clear, the coronavirus (Covid-19) pandemic and any other outbreak of any infectious disease or any other serious public health concern, together with any resulting restrictions on travel or quarantines imposed, has, and is expected to continue to have a negative impact on many, if not all economic and market conditions and trigger a period of regional, national and global economic slowdown. Any such economic impact could adversely affect the performance of the Funds' investments and, as a result, the novel coronavirus (Covid-19) presents material uncertainty and risk with respect to the Funds' overall performance and financial results. Furthermore, the Investment Manager's ability to operate effectively, including the ability of its personnel or its service providers and other contractors to function, communicate and travel to the extent necessary to carry out the Funds' investment strategies and objectives and the Investment Manager's business and to satisfy its obligations to the Funds, their investors, and pursuant to applicable law, has been, and will continue to be, impaired. The spread of the novel coronavirus (Covid-19) among the Investment Manager's personnel and its service providers could also significantly affect the Investment Manager's ability to properly oversee the affairs of the Funds (particularly to the extent such impacted personnel include key investment professionals or other members of senior management), which could result in a temporary or permanent suspension of the Funds' investment activities or operations. The full effects, duration and costs associated with the pandemic are impossible to predict and will continue to evolve.

Operational and Information Security Risk from Cyberattacks; Disaster Recovery

The Funds and their service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting the Funds, or the Firm, the Administrator, the Funds' prime brokers, custodians, and other third party service providers may adversely impact the Funds. For instance, cyberattacks may interfere with the processing of investor transactions, impact the ability to calculate the Funds' net asset value, cause the release of private investor information or other confidential information, impede trading, subject the Funds and their service providers to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for other market participants, which may have material adverse consequences for the Funds, and may cause the Funds' investments to lose value. The Funds and their service providers may incur additional costs relating to cybersecurity preparations, and such preparations, though taken in good faith, may be inadequate. Cyberattacks are viewed as an emerging risk and the scope of the risk and related mitigation techniques are not yet fully understood and are subject to continuing change.

While the Investment Manager has put in place safeguards including the use of parallel or back-up systems, emergency power and alternative data feeds, designed to protect the interests of the Funds in case of disruption of information technology, including transmission failures, there can be no guarantee that such measures will be effective against all situations or could be implemented in time and each of the Funds may be adversely affected accordingly.

Middle East Political, Military and Related Risks

Sphera Healthcare and its principals are resident of the State of Israel. The Funds intend to invest a certain part of their assets in the securities of companies located or doing business in Israel. Any major hostilities involving Israel, the interruption or curtailment of trade between Israel and its present trading partners or a significant downturn in the economic or financial condition of Israel may have a material adverse effect on such companies' operations. Since

the establishment of the State of Israel, hostile conditions have existed, varying in degree and intensity, between Israel and nearby Arab countries. In addition, certain countries and companies participate in a boycott of Israeli firms and others doing business in Israel or with Israeli companies. Despite certain progress towards peace between Israel, certain of its Arab neighbours and the Palestinians and although the boycott has been significantly eroded, there remain a number of countries which restrict the ability of their residents to do business with Israel or Israeli companies. There can be no assurance that a full resolution of these problems will be achieved or as to the nature of such resolution.

Exchange and Non-Exchange Trading of Securities

For all securities traded on public exchanges, each exchange typically has the right to suspend or limit trading in all securities that it lists. Therefore, to the extent the Funds are invested in securities quoted on a public exchange, it is exposed to the risk that any such suspension of trading could render it impossible for the Funds to liquidate its positions - thereby potentially exposing the Funds to losses on its investments which it cannot control by exiting the investment. In addition, there is no guarantee that non-exchange markets will remain liquid enough for the Funds to close out positions.

Small and Medium Cap Securities

Small cap securities are generally characterized by lower average trading volumes and smaller percentage of listed stocks (public float). Typically, the size and scope of small cap securities makes the investment riskier than investing in larger cap securities. Investments in securities issued by small capitalization and mid-capitalization companies involve greater risk than investments in large-capitalization companies. The value of securities issued by small-cap and mid-cap companies may go up or down, sometimes rapidly and unpredictably, due to narrower markets and more limited managerial and financial resources than large-cap companies. The Funds' investments in small- and mid-cap companies may increase the volatility of its portfolio.

Trading in Indices and Financial Instruments

The Investment Manager may place an emphasis on trading indices and financial instruments. The effect of any governmental intervention may be particularly significant at certain times in financial instrument futures and options markets. Such intervention (as well as other factors) may cause all of these markets to move rapidly in the same or varying directions which may result in sudden and significant losses.

The instruments, indices and rates underlying derivative transactions expected to be entered into by the Funds may be extremely volatile in the sense that they are subject to sudden fluctuations of varying magnitude, and may be influenced by, among other things, government trade, fiscal, monetary and exchange control programmes and policies; national and international political and economic events; and changes in interest rates. The volatility of such instruments, indices or rates, which may render it difficult or impossible to predict or anticipate fluctuations in the value of instruments traded by the Funds could result in losses.

Possibility of Fraud and Other Misconduct of Employees and Service Providers.

Misconduct by employees of the Investment Manager, service providers to the Investment Manager or the Funds and/or their respective affiliates could cause significant losses to such Funds. Misconduct may include entering into transactions without authorization, the failure

to comply with operational and risk procedures, including due diligence procedures, misrepresentations as to investments being considered by such Funds, the improper use or disclosure of confidential or material non-public information, which could result in litigation, regulatory enforcement or serious financial harm, including limiting the business prospects or future marketing activities of such. Such activities may result in reputational damage, litigation, business disruption and/or financial losses to such Funds. The Investment Manager has controls and procedures through which they seek to minimize the risk of such misconduct occurring. However, no assurances can be given that the Investment Manager will be able to identify or prevent such misconduct.

Item 9: Disciplinary Information

To the best of the Firm's knowledge, there are no legal or disciplinary events that are material to an Investor's or prospective Investor's evaluation of the Firm's advisory business or the integrity of its management.

Item 10: Other Financial Industry Activities and Affiliations

Neither the Firm nor its management persons are registered as broker-dealers, and neither of them has any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer, respectively.

The Investment Manager is a 100% owned subsidiary of Sphera Healthcare, which is an Israeli limited partnership.

Following a restructuring within the Sphera group and pursuant to its registration with the SEC, the Investment Manager was appointed to serve as the investment manager of the Funds. The Investment Manager employs its own capable investment advisory personnel, but will also share certain services with, and obtains assistance from, Sphera Healthcare, which will provide the services described in Item 4 above through the Investment Manager. To the extent Sphera Healthcare is involved in advising the Investment Manager with respect to the Funds, Sphera Healthcare will be considered a "Participating Affiliate" and will comply with the required record keeping and inspection provisions of the Advisers Act as set forth in the *Uniao de Bancos de Brasileiros S.A.* (July 28, 1992) no-action letter and similar staff no-action positions (commonly referred to as the "Unibanco letters").

For the avoidance of doubt, the Investment Manager is responsible for any decision to invest to the exclusion of Sphere Healthcare, and may use the advice of Sphera Healthcare in connection with the management of the assets of the Funds. Sphera Healthcare will observe and comply with the respective offering materials of the Funds or any other document relating to the Funds, as well as any explicit instructions provided by the Investment Manager, and shall act in accordance with all orders and directions of the Investment Manager and at all times be subject to the control of and review of the Investment Manager. Sphera Healthcare and all of its personnel providing services to the Investment Manager or having access to any information concerning the investment recommendations made by the Investment Manager to the Fund prior to the effective dissemination of such recommendations, are deemed "associated persons" of the Investment Manager and are subject to the Investment Manager's code of ethics and compliance manual including all relevant policies and procedures.

Sphera Healthcare is indirectly owned by Sphera Funds Management Limited, which is an Israeli limited company and an investment adviser to other private funds and/or managed accounts. Sphera Capital Ltd. and Sphera Global Equities Management Ltd. are investment adviser entities based in Israel, which are under common ownership with Sphera Funds Management Limited.

As mentioned in Item 4 above, Sphera Healthcare US is the investment adviser of the Biotech Funds and the Healthcare Funds (as defined in Item 4).

Sphera Biotech GP LP is the general partner of the Biotech Funds and Sphera Healthcare is the general partner of the Healthcare Onshore Fund and the holder of the management shares of the Healthcare Feeder Fund. Sphera Healthcare also serves as the general partner of Sphera Biotech GP LP.

Sphera Funds Management Limited is the investment adviser of the following funds:

- Sphera Global LP
- Sphera Fund – Corporate LP
- Sphera Fund LP
- Sphera Fund (NIS) LP
- Sphera Master Fund LP

Sphera GP LP is the general partner of the above funds.

Sphera Capital Ltd. is the investment adviser of the following fund:

- Sphera Small Cap Fund LP

Sphera Capital GP LP is the general partner of the above fund.

Sphera Global Equities Management Ltd. is the investment adviser of the following funds:

- Sphera Global Equities Master Fund LP
- Sphera Global Equities Fund LP
- Sphera Global Equities US Fund LP

Sphera Global Equities GP LP is the general partner of the above funds.

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

Code of Ethics

Sphera Healthcare US has adopted a “**Code of Ethics**” that establishes the high standard of conduct that it expects of its “**Supervised Persons**¹” and “**Access Persons**²” and procedures regarding its Access Persons’ personal trading of securities. The Code of Ethics, which is designed to comply with Rule 204A-1 under the Advisers Act, establishes guidelines for professional conduct and personal trading procedures, including certain pre-clearance and reporting obligations. Under the Code of Ethics, Access Persons are required to file certain periodic reports with the Investment Manager’s Chief Compliance Officer as required by Rule 204A-1 under the Advisers Act. Access Persons are required to certify their adherence to the

¹ Any partner, officer, director (or other person occupying a similar status or performing similar functions) or employee of the Firm or any other person who provides investment advice on behalf of the Firm and is subject to the Firm’s supervision and control.

² Any Supervised Person of the Firm and including any person that has access to nonpublic information regarding the Firm’s Clients’ purchases and sales (or recommendations to purchase or sell) or any Clients’ portfolio holdings. For purposes of this Brochure, we will refer to all Supervised and Access Persons of the Firm as Access Persons.

terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Access Persons also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions. The Code of Ethics is designed to help the Investment Manager detect and prevent potential conflicts of interest.

Access Persons who violate the Code of Ethics may be subject to remedial actions, including, but not limited to, profit disgorgement, demotion, suspension or dismissal. Access Persons are also required to promptly report any violation of the Code of Ethics of which they become aware.

The Investment Manager will provide a copy of the Code of Ethics to its Investors, or any prospective Investor, upon request, to be viewed on the premises or a shared electronic medium. To request a copy of the Code of Ethics please contact Tim Surzyn, by email at tim@spherafund.com.

Conflicts of Interest

The Firm engages in a broad range of activities, including investment activities for their own account and for the account of other investment funds. In the ordinary course of conducting its activities, the interests of a Fund will, from time to time conflict with the interests of the Firm, other Funds or their respective affiliates. Certain of these conflicts of interest, as well a description of how the Firm addresses such conflicts of interest, can be found below.

The material conflicts of interest encountered by a Fund include those discussed below, although the discussion below does not necessarily describe all of the conflicts that may be faced by a Fund. Other conflicts may be disclosed throughout this Brochure (and the Brochure should be read in its entirety for other conflicts) and in each Fund Offering Documents.

Mitigation of Conflicts

In the case of all conflicts of interest, the Firm's determination as to which factors are relevant, and the resolution of such conflicts, will be made using the Firm's best judgment, in its sole discretion. In resolving conflicts, the Firm considers various factors, including the interests of the applicable Funds with respect to the immediate issue and/or with respect to their longer term courses of dealing. Certain procedures for resolving specific conflicts of interest are set forth below. When conflicts arise, the following factors generally mitigate, but will not eliminate, conflicts of interest:

- (1) The Investment Manager will consider the appropriateness of an investment from the viewpoint of a Fund;
- (2) Many important conflicts of interest will generally be mitigated by a set of procedures, restrictions or other provisions contained in the Offering Documents for the Funds and the Investment Manager's Compliance Manual;
- (3) Generally, each Fund has either established an Advisory Board or has a Board of Directors consisting of representatives not affiliated with the Firm. These Boards meet as required and review certain potential conflicts of interest. On any issue involving actual conflicts of interest, the Firm will be guided by its good faith discretion;

and

- (4) The Investment Manager has adopted and implemented certain policies and procedures designed to reduce certain conflicts of interest.

While the Investment Manager endeavors to resolve all conflicts in a fair and impartial manner, there can be no assurance that its own interests will not influence its conduct and decisions.

Secondary Transaction

To the extent the Firm has discretion over a secondary transfer of interests in a Fund pursuant to the Offering Documents or is asked to identify potential purchasers in a secondary transfer, the Firm will do so in its sole discretion, generally taking into account a variety of factors the Firm determines to be relevant in its sole discretion.

Cross-Transactions

In certain cases, the Investment Manager may cause a Fund to purchase investments from another Fund, or it may cause a Fund to sell investments to another Fund. Such transactions create conflicts of interest because, by not exposing such buy and sell transactions to market forces, a Fund may not receive the best price otherwise possible, or the Investment Manager might have an incentive to improve the performance of one Fund by selling underperforming assets to another Fund in order, for example, to earn fees. Additionally, in connection with such transactions, the Investment Manager, its affiliates and/or their professionals (i) will, from time to time, have significant investments, or intentions to invest, in the Fund that is selling and/or purchasing such an investment or (ii) otherwise may have a direct or indirect interest in the investment (such as through certain other participations in the investment). The Investment Manager and its affiliates generally receives management or other fees in connection with their management of the relevant Funds involved in such a transaction, and generally are entitled to share in the investment profits of the relevant Funds. To address these conflicts of interest, in connection with effecting such transactions, the Investment Manager will review such conflicts of interest in accordance with any requirements in the Offering Documents of the Funds and considers its respective duties to each Fund.

Principal Transactions

Section 206 under the Advisers Act regulates principal transactions among an investment adviser and its affiliates, on the one hand, and the clients thereof, on the other hand. Very generally, if an investment adviser or an affiliate thereof proposes to purchase a security from, or sell a security to, a client (what is commonly referred to as a “principal transaction”), the adviser must make certain disclosures to the client of the terms of the proposed transaction and obtain the client’s consent to the transaction. In connection with the Investment Manager’s management of the Funds, the Investment Manager and its affiliates may engage in principal transactions. The Investment Manager has established certain policies and procedures to comply with the requirements of the Advisers Act as they relate to principal transactions, including that disclosures required by Section 206 of the Advisers Act be made to the applicable Fund(s) regarding any proposed principal transactions and that any required prior consent to the transaction be received.

Management of the Funds

It is expected that employees of the Investment Manager and its affiliates responsible for managing a particular Fund will have responsibilities with respect to other Funds managed by

the Investment Manager, including funds raised in the future or to proprietary investments made by the Investment Manager and/or its principals and/or other affiliates of the type made by a Fund. Conflicts of interest arise in allocating time, services or functions of these officers and employees and such officers and employees have an incentive to allocate more time, services, functions or investment opportunities to Funds from which such persons derive a higher economic benefit and/or better performing Funds.

The Investment Manager and its affiliates manage and are expected to continue to manage and/or provide services to other investment and trading accounts with various objectives, for their own account or for the account of third parties, including other collective investment vehicles with a similar investment strategy to that of the Funds, which may be managed or sponsored by the Investment Manager and/or its affiliates and in which the Investment Manager and/or its affiliates may have an equity interest.

The Investment Manager will make potential investment opportunities available to a Fund as it deems appropriate for such Fund and in accordance with the terms of the Offering Documents. The Investment Manager is not required to accord exclusivity or priority to any Fund in the event of limited investment opportunities.

The Funds (including funds raised in the future) may have similar investment strategies and could thus compete for the same trades or investments and whilst available investments or opportunities for each Client are generally allocated in a manner believed by the Investment Manager to be equitable to each on an overall basis, some of those allocation procedures may adversely affect the price paid or received for investments or the size of positions obtained or disposed. While the Investment Manager will follow any investment allocation guidelines set forth in a Fund's Offering Documents, the Investment Manager will evaluate for the Funds and other Clients a variety of factors which may be relevant in determining whether a particular investment is appropriate and feasible for the Fund at a particular time, including the nature of the investment opportunity taken in the context of any other investments at that time, the liquidity of the investment relative to the needs of the particular entity, the tax, investment or regulatory limitations on the particular entity and the transaction costs involved. There can be no assurance that a Fund will participate in every investment opportunity that falls within its investment objectives. Because these considerations may differ in the context of any particular investment opportunity, and as a result of contributions and withdrawals being made at different times and in different amounts, investment activities of a Fund may differ considerably from time to time. These differences can be detrimental to the Funds' performance.

Conflicts Relating to the General Partner and the Investment Manager

Officers, principals, employees and other related persons of the Investment Manager and its affiliates have made and may make capital investments in or alongside certain Funds, and therefore have additional conflicting interests in connection with these investments. In addition, Funds from time to time invest in securities of companies in which officers, principals, employees and other related persons of the Investment Manager and its affiliates have previously invested for their own accounts. Officers, principals and employees of the Investment Manager and its affiliates may also buy securities in transactions offered to but rejected by Funds. While the significant interests of the officers and employees of the Investment Manager and its affiliates generally aligns the interest of such persons with the Funds, such persons may have differing interests from the Fund with respect to such investments (for example, with respect to the availability and timing of liquidity), creating conflicts of interest. There can be no assurance that the return of a Fund participating in a

transaction would be equal to and not less than another Fund or of any officers, principals, employees and other related persons of the Investment Manager and its affiliates participating in the same transaction or that it would have been as favorable as it would have been had such conflicts not existed.

The Investment Manager, its affiliates and shareholders, officers, principals and employees may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Funds. In particular, the Investment Manager, its affiliates and shareholders, officers, principals and employees may at any time have a position or holding in an investment in which a Fund invests or may provide services to other entities similar to those provided to the Funds and shall not be liable to account for any profit earned from any such services or investments.

In addition, the Investment Manager, its affiliates and shareholders, officers, principals and employees may also buy securities and hold interests as passive investors in other investment vehicles (including private equity funds, hedge funds, real estate funds and other similar investment vehicles) which may include potential competitors of the Funds and/or which may invest in similar industries and sectors as the Funds. Such persons have a conflict of interest with respect to their personal investment holdings. The investment policies, fee arrangements and other circumstances of these investments may vary from those of the Funds. Such personnel may be incentivized to cause a Fund to act in a manner that benefits such other investment vehicles and indirectly, themselves as investors in such investment vehicles.

The transactions described above and any conflicts of interests derived by such transactions, are subject to and mitigated by the policies and procedures set forth in the Investment Manager's Code of Ethics.

Diverse Membership

The Investors in the Funds often have conflicting investment, tax and other interests with respect to their investments in a Fund. As a consequence, conflicts of interest arise in connection with decisions made by the Investment Manager or its affiliates, including with respect to the nature or structuring of investments, that are more beneficial for one Investor than for another Investor, especially with respect to Investors' individual tax situations. In selecting and structuring investments appropriate for a Fund, the Investment Manager and its affiliates will consider the investment and tax objectives of the applicable Fund, not the investment, tax or other objectives of any Investor individually.

Service Providers

Services required by a Fund (including some services historically provided by the Investment Manager or its affiliates to the Funds) may, for certain reasons including efficiency and economic considerations, be outsourced in whole or in part to third parties or licensed software, in each case in the discretion of the Investment Manager or its affiliates. This can create a conflict of interest because the Investment Manager and its affiliates have an incentive to outsource such services at the expense of the Funds to, among other things, leverage the use of the Firm's personnel. Outsourcing may not occur universally for all Funds and accordingly, certain costs may be incurred by a Fund for a third-party service provider that is not incurred for comparable services by other Funds. The decision by the Investment Manager and its affiliates to initially perform a service for a Fund in-house does not preclude a later decision to outsource such services (or any additional services) in whole or in part to a

third-party service provider in the future and the Investment Manager and its affiliates has no obligation to inform such Funds or Investors of such a change.

Additionally, employees of the Investment Manager or its affiliates, and/or their family members or relatives may have ownership, employment, or other economic or other interests in certain service providers. These relationships can influence the Investment Manager and its affiliates in determining whether to select, or recommend such service provider to perform services for a Fund. Although the Investment Manager and its affiliates select service providers that they believe will enhance the performance of the relevant Fund(s), there is a possibility that the Investment Manager and its affiliates, because of financial, business interest, or other reasons, may favor such retention or continuation even if a better price and/or quality of service could be obtained from another person. In addition, the Investment Manager and its affiliates will have a conflict of interest with the Funds in recommending the retention or continuation of a service provider to the Funds if such recommendation, for example, is motivated by a belief that the service provider will invest in a Fund or will provide the Investment Manager and its affiliates information about markets and industries in which the Investment Manager and/or their affiliates operates or is interested or will provide other services that are beneficial to the Investment Manager and its affiliates.

The Investment Manager, its affiliates, their personnel and the Funds will generally engage common service providers. In certain circumstances, the service provider may charge varying rates or engage in different arrangements for services provided to the Investment Manager, its affiliates, their personnel and/or the Funds. As a result, the Investment Manager, its affiliates or their personnel may receive a more favorable rate on services provided to it by such a common service provider than those payable by the Funds or may receive a discount on services even though the Funds receive a lesser, or no, discount. This creates a conflict of interest between the Investment Manager, its affiliates, and their personnel, on the one hand, and the Funds on the other hand, in determining whether to engage such service providers, including the possibility that the Investment Manager or its affiliates will favor the engagement or continued engagement of such persons if it, its affiliates or their personnel, receives a benefit from such service providers, such as lower fees, that it would not receive absent the engagement of such service provider by the Funds. Neither the Funds nor Investors in the Funds will receive the benefit of any such favorable rate or discount provided to the Investment Manager, its personnel or its affiliates.

In addition, service providers often charge varying amounts or may have different fee arrangements for different types of services provided. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required and the time demands of the service provider. As a result, to the extent the services required by the Investment Manager or its affiliates differ from those required by the Funds, the Investment Manager and its affiliates will pay different rates and fees than those paid by the Funds.

The Investment Manager or its affiliates engage certain service providers (including law firms) on behalf of the Funds and personnel of such service provider may be seconded to the Investment Manager or its affiliates on a temporary basis, pursuant to various arrangements including at cost or at no cost. The Investment Manager or its affiliates are, from time to time, a beneficiary of these arrangements as well. Such personnel may provide services in respect of multiple matters, including in respect of matters related to the Investment Manager and/or its affiliates and in any such circumstance the benefits or costs of any such personnel will be allocated in the Investment Manager and its affiliates' discretion taking into consideration the usage of such personnel. In such circumstances, a conflict of interest exists because the Investment Manager or its affiliates have an incentive to select one service provider over

another on the basis that the Investment Manager or its affiliates may receive the benefit of seconded employees from such service provider, particularly where the compensation and expenses for such personnel during the secondment is borne by the service provider and not the Investment Manager or its affiliates.

The Investment Manager, its affiliates and the Funds will generally engage common legal counsel and other service providers in a particular transaction, including a transaction in which there may be conflicts of interest. Members of the law firms engaged to represent the Funds may be investors in a Fund, and may also represent one or more Investors. In the event of a significant dispute or divergence of interest between Funds, the Investment Manager and/or its affiliates, the parties may engage separate counsel in the sole discretion of the Investment Manager and its affiliates, and in litigation and other circumstances separate representation may be required.

Side Letter Agreements

The Firm may enter into certain side letter arrangements with certain Investors providing such Investors with different or preferential rights or terms (including, without limitation, access to information on additional subscriptions and redemptions and other information related to the Fund that will not be made available to other investors). Except as otherwise agreed with an Investor, the Firm is not required to disclose the terms of side letter arrangements with other Investors.

Other Potential Conflicts of Interest

The Offering Documents of a Fund establish complex arrangements among the Funds, the Fund's general partner, the Investment Manager, Investors, and other relevant parties. From time to time, questions may arise regarding certain parties' rights and obligations in certain situations, some of which may not have been contemplated upon the negotiation and execution of such documents. In some instances, the operative provisions of the Offering Documents, if any, may be broad, unclear, general, conflicting, ambiguous, and vague and may allow for multiple reasonable interpretations. In other instances, there may not be a directly applicable provision. While the Investment Manager and its affiliates will construe the relevant provisions in good faith and in a manner consistent with its fiduciary duty and legal obligations, the interpretations used may not be the most favorable to a Fund or its Investors.

The Investment Manager and its affiliates may, in its discretion, cause the Funds to have ongoing business dealings, arrangements or agreements with persons who are former employees or executives of the Investment Manager or its affiliates. The Funds may bear, directly or indirectly, the costs of such dealings, arrangements or agreements. In such circumstances, there may be a conflict of interest between the Investment Manager and its affiliates and the Funds in determining whether to engage in or to continue such dealings, arrangements or agreements, including the possibility that the Investment Manager and its affiliates may favor the engagement or continued engagement of such persons even if a better price and/or quality of service could be obtained from another person.

The Investment Manager may cause one or more Funds to purchase, and/or bear premiums, fees, costs and expenses (including any expenses or fees of insurance brokers) for insurance to insure the applicable Funds, the applicable general partner, the Investment Manager, Sphera Healthcare, its affiliates and/or their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties, against liability in connection with the activities of the Funds. This may include a portion of any

premiums, fees, costs and expenses for one or more “umbrella” or other insurance policies maintained by the Investment Manager that cover one or more Funds and/or the Investment Manager (including their affiliates and their respective directors, officers, employees, agents, representatives, members of the advisory committee and other indemnified parties). The Investment Manager will make judgments about the allocation of premiums, fees, costs and expenses for such “umbrella” or other insurance policies among one or more Funds, and/or the Investment Manager on a fair and reasonable basis, and may make corrective allocations should it determine subsequently that such corrections are necessary or advisable. There can be no assurance that a different allocation would not result in a Fund bearing less (or more) premiums, fees, costs and expenses for insurance policies.

Item 12: Brokerage Practices

Sphera Healthcare US will be authorized to determine the broker-dealer to be used for executing securities transactions for the Funds. In selecting broker-dealers to execute transactions, the Investment Manager does not need to solicit competitive bids and does not have an obligation to seek the lowest available commission cost. It is not the Investment Manager’s 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.

The Firm 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 trade, the Investment Manager seeks to obtain “**Best Execution**,” meaning broker-dealers are selected on the basis of a good faith determination by the Investment Manager of the overall value and quality of the brokerage services provided by such firms to the Clients of the Investment Manager. Accordingly, in seeking Best Execution, the Investment Manager will take into consideration the full range of brokerage services applicable to a particular transaction and the characteristics of the broker-dealer in addition to net price. Such services and characteristics may include, among other things: the price of a security offered by the broker-dealer, as well as the size of the transaction, the nature of the market for the security, the amount of commission, the timing of the transaction taking into account market prices and trends, the broker-dealer’s facilities, reliability and financial responsibility, reputation, execution capabilities, ability to execute difficult trades (possible market impact, size of the order and market liquidity), special execution and block positioning capabilities, quality of service, commitment of capital, access to new issues, nature and frequency of sales coverage, depth of services provided, including economic or political coverage, option operations, access to markets, confidentiality, commission rates, responsiveness to the Investment Manager, back office and processing, custodial services, the value of brokerage and research products and services provided to the Investment Manager (e.g., research ideas, analysis, and investment strategies) and the success of prior research ideas. To the extent consistent with achieving Best Execution, the Investment Manager may also consider other business a particular broker or dealer may have done with the Investment Manager, such as identifying investment opportunities and performing investment banking services.

The Investment Manager does not engage in directed brokerage practices.

In order to monitor Best Execution, the Investment Manager will periodically monitor broker-dealers to assess the quality of execution of brokerage transactions effected on behalf of the Investment Manager and each Fund.

Soft Dollars

From time to time, the Firm may use “**Soft Dollars.**” In such cases, Soft Dollar credits, generated by the Fund’s trading activities, would be used to purchase brokerage and research services or products that would otherwise have been Fund expense.

In connection with the Investment Manager’s fiduciary duty to provide “best execution” for the Funds, the Firm will effect such transactions, and receive such products and services, only to the extent that it is within the scope of Section 28(e) of the Exchange Act, and only based on the Investment Manager’s good faith determination that the amount of commission is reasonable in relation to the value of the products and services received, viewed in terms of either the specific transaction or the Investment Manager’s overall responsibility to its Clients.

Research obtained with Soft Dollars generated by one or more Client accounts may be broadly useful and of value to the Investment Manager in rendering investment advice to all or a significant portion of the Client accounts or may be relevant and useful for the management of one or only a few Client accounts, regardless of whether such account or accounts paid commissions to the broker-dealer through which the research service was provided. In addition, some research may not be used by the Investment Manager in servicing the Clients whose commission dollars paid for the research. Clients may not, in any particular instance, be the direct or indirect beneficiaries of the research provided in connection with such Clients’ transactions.

Aggregation of Orders

In managing each of the Funds’ portfolios, the Investment Manager may aggregate trades subject to Best Execution. The Investment Manager often employs this practice because larger transactions may enable it to obtain better overall prices, including lower commission costs or mark-ups or mark-downs. The Investment Manager may combine orders on behalf of Clients with orders for other Clients for which it or its affiliates have trading authority, or in which it or its affiliates have an economic interest. Transactions for Clients are to be allocated among Client accounts in an equitable manner that does not unfairly advantage one Client to the detriment of another, measured over time.

Investment Allocation

The Investment Manager will act in a fair and reasonable manner in allocating investment and trading opportunities for the Clients. In furtherance of the foregoing, the Investment Manager will consider participation in appropriate opportunities within the purpose and scope of each Client’s objectives which are under consideration. The Investment Manager will make a good faith determination for allocation between Clients by considering all relevant factors, including, to the extent applicable, the following factors and the weight that should be given with respect thereto: (i) liquidity of the security; (ii) diversification and portfolio composition; (iii) amount of capital available for investment by each Client as well as each Client’s projected future capacity for investment; (iv) if applicable, the target position size of the investment for the Client; (v) the level of available cash for investment with respect to the particular Client;

(vi) the availability of other suitable investments for each Client; (vii) tax implications; (viii) legal, contractual or regulatory constraints; and (ix) the investment guidelines and/or restrictions set forth in the applicable Client's organizational documents. The Investment Manager is not obligated to purchase or sell for each Client every security which the Investment Manager may purchase or sell for the accounts of other Clients.

Item 13: Review of Accounts

The Investment Manager and investment professionals will continuously monitor and analyze the transactions, positions, and investment levels of the Funds to seek to ensure that they conform with the investment objectives and guidelines that are stated in the Funds' Offering Documents. In these reviews, the Investment Manager will pay particular attention to any changes in the investment's fundamentals, overall risk management and changes in the markets that may affect price levels.

Account Reporting

The Firm will distribute an audited financial report with respect to the previous fiscal year to all Investors within 120 days of fiscal year end. In addition, Investors generally receive unaudited net asset value statements and a performance report on a monthly basis. The Firm will from time to time, in their sole discretion, provide additional information relating to such Fund to one or more Investors in such Fund as they deem appropriate.

Item 14: Client Referrals and Other Compensation

For details regarding economic benefits provided to the Firm by non-clients, including a description of related material conflicts of interest and how they are addressed, please see Item 11 above.

While not a client solicitation arrangement, the Firm may compensate, either directly or indirectly, persons for referrals of Investors in the Funds. Generally, those agreements will provide for a percentage of certain of the investment management fees Sphera Healthcare US will collect from Investors who become Investors as a result of the solicitor's efforts.

Item 15: Custody

The Investment Manager will comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, as amended (the "**Advisers Act**") (i.e., the "**Custody Rule**") by meeting the conditions of the pooled vehicle annual audit approach. Upon completion of the relevant Fund's annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board ("**PCAOB**"), Sphera Healthcare US will distribute the Fund's audited financials to Investors within 120 days of such Fund's fiscal year end.

Item 16: Investment Discretion

The Investment Manager will have full discretionary investment authority with respect to 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. Investment advice will be

provided directly to the Funds, and not individually to the Investors in the Funds. Services will be provided to the Funds in accordance with the Offering Documents of the applicable Fund. Investment restrictions for the Funds, if any, are generally established in the Offering Documents of the applicable Fund.

Item 17: Voting Client Securities

In compliance with Rule 206(4)-6 of the Advisers Act (i.e., the “**Proxy Voting Rule**”), the Investment Manager has adopted proxy voting policies and procedures. The guiding principle of the Investment Manager is to vote in the best interests of each Fund by maximizing the economic value of the relevant Fund’s holdings, taking into account the relevant Fund’s investment horizon, the contractual obligations under the relevant advisory agreements or comparable documents, and all other relevant facts and circumstances at the time of the vote. The general policy is to vote all proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable Client’s best interests and is in line with the Client’s investment objectives.

The Investment Manager may take into account all relevant factors, as determined by it in its discretion, including, without limitation:

- The impact on the value of the securities;
- The anticipated costs and benefits associated with the proposal;
- The effect on liquidity; and
- Customary industry and business practices.

The Investment Manager will not generally exercise its right to vote, unless: (i) in the Investment Manager's opinion, such action is not in the best interests of the Funds; (ii) the portfolio company’s management requested the Investment Manager to vote; or (iii) the vote is on non-routine matters that may have a significant impact on the value of the securities.

The Investment Manager will identify any conflicts of interest that exist between the interests of the Firm and the Funds. If a material conflict exists, the Investment Manager will abstain from voting or affirmatively decide not to vote, unless, in the Investment Manager's opinion, such action is not in the best interests of the Funds. If the Investment Manager decides that it would be in the best interests of the Funds to vote, the Investment Manager will in the case of a conflict involving an individual, remove the employee or principal from the voting decision, or in the case of a firmwide conflict, seek guidance from an independent source.

Generally, Clients may not direct the Investment Manager’s vote in a particular solicitation.

Clients may obtain a copy of the Investment Manager’s Proxy Voting Policies and its Proxy Voting record upon request. To request a copy please contact Tim Surzyn, by email at tim@spherafund.com.

Item 18: Financial Information

The Investment Manager is not required to include a balance sheet for its most recent fiscal year, is not aware of any financial condition reasonably likely to impair its ability to meet

contractual commitments to Clients, and has not been the subject of a bankruptcy petition at any time during the past ten years.