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**Part 2A of Form ADV: Firm Brochure**

March 21, 2022

This Brochure ("Brochure") provides information about the qualifications and business practices of Octagon Capital Advisors LP ("Octagon" or the "Firm"). If you have any questions about the contents of this brochure, please contact Justin Hirsch at 212-369-2829 or [justin.hirsch@octagoninvest.com](mailto:justin.hirsch@octagoninvest.com). The information in this Brochure has not been approved by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority. Any reference to Octagon as a "registered investment adviser" or as being "registered" does not imply a certain level of skill of training.

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

## **Item 2 – Material Changes**

While our business activities and practices have not changed materially since the last annual updating amendment filed on March 18, 2021, Item 4 of this Brochure has been amended to reflect our regulatory assets under management as of December 31, 2021.

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#### **Item 4 – Advisory Business**

- A. Octagon is a Delaware limited partnership formed on October 30, 2019, to operate as an investment adviser with offices in New York, New York. Octagon is principally owned by Ting Jia. References to “us,” “we,” or “our” in this Brochure refer to Octagon.

We provide discretionary investment advisory services to a master-feeder structure comprised of affiliated pooled investment vehicles (each, a “Fund,” and collectively, the “Funds”). We may in the future also provide investment advisory services to Separately Managed Accounts (“SMAs,” collectively with the Funds, “Clients”). We generally seek to provide attractive risk-adjusted returns by investing in healthcare companies with long-term compounding growth potentials on behalf of Clients. Clients typically invest in securities and financial instruments of companies in the healthcare sector globally, with focuses in companies headquartered in the United States, China, the European Union, and the United Kingdom. Clients may invest in securities on the open market, private placements, bonds, warrants, debt, convertible debt, or securities, secondary or initial public offerings (“IPOs”); and/or other assets and financial instruments.

- B. We manage Client investments in accordance with investment objectives, strategies, guidelines, and terms and conditions, as outlined in each Client’s applicable advisory agreement(s) or other governing document(s) (collectively, “Governing Documents”). Octagon does not, however, provide individualized investment advice or tailor its advisory services to the individual needs of any Fund’s underlying investors (“Investors”). Octagon may enter into side letters with certain Investors, which could alter or supplement the terms of such Investor’s investment.
- C. We do not participate in wrap-fee programs.
- D. As of December 31, 2021, we managed approximately \$1,116,417,000 in regulatory assets under management on a discretionary basis. We do not manage any non-discretionary assets.

#### **Item 5 – Fees and Compensation**

PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO CAREFULLY REVIEW NOT ONLY THIS BROCHURE, BUT ALSO ANY APPLICABLE CONFIDENTIAL OFFERING MEMORANDA (“COM”). ALL DISCUSSIONS OR REFERENCES TO ANY FUND IN THIS BROCHURE ARE QUALIFIED IN THEIR ENTIRETY AND MAY BE SUPPLEMENTED AND SUPERSEDED BY THE APPLICABLE COM, SUBSCRIPTION AGREEMENT(S), AND/OR OTHER GOVERNING DOCUMENT(S) (COLLECTIVELY, “FUND DOCUMENTS”).

- A. Generally, we receive a management fee and may receive an incentive allocation from the Funds. Fees may vary both among the Funds and between a Fund’s share classes.
- B. Management fees and incentive allocations, as well as other terms, are more fully described in each Fund’s respective Fund Documents. Typically, management fees for each applicable Fund are paid quarterly in advance based on the value of each Investor’s capital account as of the first day of each calendar quarter or the date of an Investor’s capital contribution, if other than the beginning of a quarter. In our sole discretion, we may waive or modify the management fee for certain Investors, including, but not limited to, members, partners, affiliates, or employees of Octagon or Octagon Investments GP, LLC (the “General Partner”), relatives of each such person, and trusts or other entities for their respective benefit(s).

Fees related to the Octagon Special Opportunities Fund, LP, and each applicable series investment (the “Special Opportunities Fund”), which are received for consideration in each series investment’s capital commitments, due diligence, other services relating to financings or a Series’ exercise of management rights, including, without limitation, directors’ fees, commitment fees, closing fees, monitoring fees, transaction fees

and investment banking fees (collectively, “Transaction Fees”) shall be paid to or retained by the General Partner, the Investment Manager or their Affiliates. For the avoidance of doubt, break-up fees, if any, from broken deals will not be treated as Transaction Fees, unless otherwise determined by the General Partner in its sole discretion.

On a case by case basis, the General Partner, in its sole discretion, may waive a Fund’s management fees for some investors.

Subject to any loss carryforward provisions (“High-Water Marks”) discussed in a Fund’s applicable Fund Documents, we also generally receive an incentive allocation from each Investor at the end of each calendar year via a reallocation from such Investor’s capital account to the General Partner’s capital account, calculated at a specified percentage based the terms of the applicable Fund Documents.

The General Partner or its affiliate may receive performance compensation in the form of carried interest distributions. Carried interest distributions made to the General Partner may also be subject to a “clawback” provision whereby the General Partner or its affiliates may be required to return carried interest distributions as defined in each Fund agreement. Such clawback may permit the General Partner to receive, as cash advance against carried interest distributions, an amount sufficient to enable the General Partner or its affiliate to satisfy its tax liability attributable to its right to receive such carried interest distributions.

- C. Subject to the terms of the Funds’ Fund Documents, the Funds generally pay all costs and expenses related to its investments and its operations, including brokerage and other transaction costs (please see Item 12 for a discussion on our Brokerage Practices); data fees; clearing and settlement charges; outsourced trading service expenses; trade break fees; research (including research-related travel expenses incurred with respect to specific potential or existing investments and portfolio management systems) that fall within Section 28(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”); fees paid to consultants providing services in respect of such systems; brokerage products, services, and systems (including order management systems); legal fees and other expenses in connection with conducting due diligence and negotiating the terms of investments (including investment-related travel expenses incurred with respect to specific potential or existing investments), regardless of whether such investments are consummated; investment-related expenses; custodial fees, consulting fees; directors’ and officers’ fees and expenses (including for individual regulatory filings referable to a Fund); administrator fees and expenses; third-party valuation services; expenses and costs of expert networks; expenses and costs of obtaining surveys, analysis, or other data sets from third-parties related to investments or sectors in which the Fund may invest; attending investor and industry related conferences; initial and variation margin, interest, and commitment fees on debit balances or borrowings; stock borrowing fees (including, without limitation, dividend payments on short positions) and proxy solicitation expenses; the amortized portion of organizational costs of the Funds (including a pro rata share organizational costs); legal expenses (including expenses relating to regulatory or similar investigations, inquiries and “sweeps”); audit and tax preparation expenses; accounting fees; insurance expenses including costs of any liability insurance obtained on behalf of the Funds or officers’ and directors’ insurance; government and regulatory costs and expenses (including filing and license fees and preparation and submission of filings and licenses, including Section 13 filings, Form PF preparation and filing fees, blue sky and corporate filing fees and expenses) in connection with specific investments or offering shares of the Funds; any issue or transfer taxes chargeable in connection with any securities transactions, any entity level taxes and fees, and expenses incurred in connection with preparation of amendments to a partnership agreement. Please see the relevant COM and other Fund Documents for a more complete listing of a Fund’s potential expenses.
- D. In connection with the Funds, the management fee is generally payable quarterly in advance of each quarterly period (please see Item 5.B, above). We generally do not refund any pre-paid fees.

- E. At this time, neither Octagon, nor any of its supervised persons accept compensation for the sale of securities or other investments.

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

Octagon may charge performance-based incentive allocations to its Clients as discussed in Item 5.B. Please refer to Item 5 for a description of performance-based incentive allocations.

Performance-based fee arrangements, such as incentive allocations, may vary among Clients, among the Funds, and between a Fund's share classes. Any variance in performance-based fee arrangements may create the incentive for us to allocate the highest performing investments to Clients, Funds, or share classes within a Fund, from whom we receive the largest performance-based fee. However, this potential conflict is substantially mitigated as we currently exclusively provide our services to a master-feeder structure, where all trades are executed at the master fund level. Nevertheless, we have adopted trade allocation policies and the testing of such policies to ensure fair and equitable trade allocations among Clients, the Funds, and share classes within each Fund, to mitigate such potential conflicts.

#### **Item 7 – Types of Clients**

We provide investment advisory services to the Funds, which are pooled investment vehicles. The minimum initial subscription amount for each Fund is generally \$5,000,000, which we may, in our sole discretion, reduce or waive, subject to statutory minimums.

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

INVESTING WITH OCTAGON AND/OR INVESTING IN THE FUND IS SPECULATIVE IN NATURE AND IS NOT INTENDED TO BE NOR PURPORTED TO BE A COMPLETE INVESTMENT PROGRAM. THERE CAN BE NO ASSURANCE THAT OCTAGON WILL ACHIEVE ITS INVESTMENT OBJECTIVE(S) ON BEHALF OF ANY CLIENT, INCLUDING THE FUNDS. INVESTMENTS IN THE FUNDS ARE INTENDED ONLY FOR SOPHISTICATED PERSONS WHO ARE ABLE TO BEAR THE RISKS OF INVESTING IN THE FUNDS, INCLUDING THE RISK OF TOTAL LOSS OF THE VALUE OF THEIR INVESTMENT(S).

##### **A. Investment Strategies and Methods of Analysis**

Octagon generally seeks to generate attractive risk-adjusted returns by investing in healthcare companies with long-term compounding growth potentials on behalf of Clients. Clients typically invest in securities and financial instruments of companies in the healthcare sector globally, with focuses in companies headquartered in the United States, China, the European Union, and the United Kingdom. Clients may invest in securities on the open market, private placements, debt, bonds, warrants, convertible debt, or securities, secondary or initial public offerings ("IPOs"), and other assets or financial instruments.

We strive to focus Client investments on companies that we believe have developed, or are developing, innovative solutions to effectively address unmet medical needs. We attempt to identify these opportunities by employing bottom-up, fundamental company analysis when selecting Client investments. We embrace a holistic investment assessment approach with respect to potential and existing Client investments, including scientific and development aspects and commercial potential evaluation and health-economic considerations.

##### **B. Material Risks Associated with Investment Strategies and/or Methods of Analysis**

THE INFORMATION BELOW IS ONLY INTENDED TO SERVE AS A SUMMARY OF CERTAIN POTENTIAL MATERIAL RISKS ASSOCIATED WITH INVESTING IN THE FUNDS AND IS NOT A COMPLETE DISCUSSION OF ALL OF RISKS ASSOCIATED WITH INVESTING IN ANY FUND. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO

CAREFULLY EVALUATE THE FOLLOWING RISKS AND REVIEW THE APPLICABLE FUND DOCUMENTS IN THEIR ENTIRETY PRIOR TO INVESTING. INFORMATION PROVIDED BELOW IS QUALIFIED IN ITS ENTIRETY AND MAY BE SUPPLEMENTED AND SUPERSEDED BY INFORMATION PROVIDED IN THE APPLICABLE FUND DOCUMENTS.

#### General Risk Factors

An investment managed by Octagon 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 investments, and who have met the conditions set forth in the COM for the Fund in which they plan to invest. There can be no assurances that Octagon will achieve its investment objectives. An investment managed by Octagon carries with it the inherent risks associated with investments in equities, equity-related securities, debt, the use of short sales, and leverage.

#### Investment and Trading Risks

An investment in a Fund involves a high degree of risk, including the risk that the entire amount invested may be lost. No guarantee or representation is made that any Fund's investment program will be successful or that any Fund will achieve its objective. Octagon will invest substantially all of the Funds' assets in securities, some of which may be particularly sensitive to economic, market, industry, and other variable conditions. The markets in which a Fund may expect to invest may experience significant volatility and losses. No assurance can be given as to when or whether adverse events might occur that could cause immediate and significant losses to a Fund.

#### Equity Securities, Generally

A Fund may invest in equity and equity-related securities of public and private companies in the U.S. and other countries. The value of these financial instruments generally will vary with the performance of the issuer and movements in the equity markets. As a result, a Fund may suffer losses if it invests in equity instruments of issuers whose performance diverges from expectations or if equity markets generally move in a single direction and the Fund has not hedged against such a general move. A Fund also may be exposed to risks that issuers will not fulfill contractual obligations such as, in the case of convertible securities or private placements, delivering marketable common stock upon conversions of convertible securities and registering or otherwise qualifying restricted securities for public resale.

#### Equity Price Risk

A Fund's investment portfolio may include long and short positions in equity securities. Equity securities fluctuate in value in response to many factors, including, among others, the activities and financial condition of individual companies, geographic markets, industry market conditions, interest rates and general economic environments. In addition, events such as the domestic and international political environments, terrorism, and natural disasters, may be unforeseeable and contribute to market volatility in ways that may adversely affect investments made by a Fund.

#### Undervalued Securities

A Fund may make long investments in securities issued by companies that we believe are undervalued. Opportunities in undervalued equity securities arise for various reasons, which may include market inefficiencies or a lack of wide recognition of the potential impact (positive or negative) that specific events or trends may have on the value of a security. The identification of investment opportunities in undervalued securities is a difficult task, and there is no assurance that such opportunities will be successfully recognized or acquired. While investments in undervalued securities offer the opportunities for above-average capital appreciation, these investments involve a high degree of financial risk and can result in substantial losses.

#### Event Driven Investing

A Fund may invest in companies with pending or anticipated corporate events or other catalysts that are likely to trigger the market's revaluation of a company. The ability to determine the impact of such events or catalysts on the price of an issuer's securities is very difficult to determine and will require that we make predictions about (i) the likelihood that an event will occur and (ii) the impact such event will have on the value of a company's securities. For example, the adoption of new business strategies or completion of asset

dispositions or debt reduction programs by a company may not be valued as highly by the market as we anticipated, resulting in losses. Therefore, there is no assurance that such events or catalysts will occur, or if they occur, that they occur in the manner anticipated by us. Furthermore, the prices of securities of issuers with pending or anticipated corporate events or catalysts tend to be more volatile than that of other securities.

#### Short Sales

A Fund may engage in short sales as part of hedging transactions or when we believe securities are overvalued. Short sales are sales of securities a Fund borrows but does not actually own, usually made with the anticipation that the prices of the securities will decrease, and the Fund will be able to make a profit by purchasing the securities at a later date at the lower prices. A Fund will incur a potentially unlimited loss on a short sale if the price of the security increases prior to the time it purchases the security to replace the borrowed security. A short sale presents greater risk than purchasing a security outright since there is no ceiling on the possible cost of replacing the borrowed security, whereas the risk of loss on a “long” position is limited to the purchase price of the security. Closing out a short position may cause the security to rise further in value creating a greater loss.

Short sale transactions have been subject to increased regulatory scrutiny in response to market events in recent years, including the imposition of restrictions on short selling certain securities and reporting requirements. A Fund’s ability to execute a short selling strategy may be materially adversely impacted by temporary and/or new permanent rules, interpretations, prohibitions, and restrictions adopted in response to these adverse market events. Temporary restrictions and/or prohibitions on short selling activity may be imposed by regulatory authorities with little or no advance notice and may impact prior investment activities of a Fund. Additionally, the SEC, its foreign counterparts, other governmental authorities and/or self-regulatory organizations may at any time promulgate permanent rules or interpretations consistent with such temporary restrictions or that impose additional or different permanent or temporary limitations or prohibitions. The SEC might impose different limitations and/or prohibitions on short selling from those imposed by various non-U.S. regulatory authorities. These different regulations, rules or interpretations might have different effective periods.

Regulatory authorities may impose restrictions that adversely affect a Fund’s ability to borrow certain securities in connection with short sale transactions. In addition, traditional lenders of securities might be less likely to lend securities under certain market conditions. As a result, a Fund may not be able to effectively pursue a short selling strategy due to a limited supply of securities available for borrowing. A Fund may also incur additional costs in connection with short sale transactions, including in the event that it is required to enter into a borrowing arrangement in advance of any short sales. Moreover, the ability to continue to borrow a security is not guaranteed and each Fund is subject to strict delivery requirements. The inability of a Fund to deliver securities within the required time frame may subject a Fund to mandatory close out by the executing broker-dealer. A mandatory close out may subject a Fund to unintended costs and losses. Certain action or inaction by third parties, such as executing broker-dealers or clearing broker-dealers, may materially impact a Fund’s ability to effect short sale transactions. Such action or inaction may include a failure to deliver securities in a timely manner in connection with a short sale effected by a third-party unrelated to a Fund.

#### The European Union (“EU”) Regulation on Short Selling and Certain Aspects of Credit Default Swaps (the “SSR”)

The SSR applies to short sales of, and short positions relating to: (a) the issued share capital of companies whose shares are admitted to trading on a regulated market or multilateral-trading facility in the EU (unless the principal trading venue for the relevant shares is located in a country outside the EU) (“EU listed shares”); and (b) debt instruments issued by an EU sovereign issuer (“EU sovereign debt”). The SSR imposes certain private and public disclosure obligations in respect of short positions in EU listed shares and EU sovereign debt which apply to all natural or legal persons, irrespective of regulatory status, located inside and outside the EU. The SSR also contains prohibitions on uncovered short sales of EU listed shares and EU sovereign debt in certain circumstances. In addition, the SSR prohibits uncovered positions in credit default swaps (“CDS”) referencing EU sovereign debt issuers. National regulators, and in certain circumstances the European Securities and Markets Authority (“ESMA”), are able to take certain additional emergency measures (including complete bans on short-selling activities) if certain conditions are met. The SSR may prevent Octagon from fully expressing negative views in relation to EU listed shares and/or EU sovereign debt and may also, inter



alia, restrict our ability to hedge certain risks through EU sovereign CDS. Accordingly, our ability to implement the investment approach and to fulfill the investment objective of any Fund may be constrained.

#### Use of Leverage

We may use leverage in connection with a Fund's portfolio through margin and other debt in order to increase the amount of capital available for investments. Although leverage may increase returns, the use of leverage may decrease returns if a Fund fails to earn as much on such incremental investments as it pays for such funds. In the event that a Fund leverages its portfolio, fluctuations in the market value of such Fund's portfolio will have a significant effect in relation to such Fund's capital and the risk of loss and the possibility of gain will each be increased. In addition, when a Fund utilizes leverage, the level of interest rates generally, and the rates at which such Fund can borrow will be an expense of such Fund and therefore affect the operating results of such Fund. Leverage increases the risk of substantial losses (including the risk of a total loss of capital), and leverage can significantly magnify the volatility of a Fund's portfolio.

A Fund may use short-term margin borrowing in purchasing securities positions. Such borrowing, if made, may result in certain additional risks to a Fund. For example, should the securities pledged to brokers to secure a Fund's margin accounts decline in value, the Fund could be subject to a "margin call" pursuant to which the Fund would be required to either deposit additional funds with the broker or suffer mandatory liquidation of the pledged securities to compensate for the decline in value. In the event of a sudden, precipitous drop in value of a Fund's assets, the Fund might not be able to liquidate assets quickly enough to pay off its margin debt.

#### Concentration of Investments

Octagon may select investments for a Fund that potentially could be concentrated, for example, in a limited number or type of securities or in any one issuer, industry, sector, strategy or geographic region. Market conditions may create opportunities within certain investment strategies to increase the concentration of certain investment strategies. In addition, Octagon's Special Opportunities Fund shall create series investments designed to hold investments in a single company. Such concentration of risk may expose a Fund to losses disproportionate to those incurred by the market in general if the areas in which the Fund's investments are concentrated are disproportionately adversely affected by price movements.

#### Small-Cap and Mid-Cap Risks

A Fund may invest in equities of small and mid-capitalization companies. While, in our opinion, the securities of small and mid-capitalization issuers may offer the potential for greater capital appreciation than investment in securities of larger-capitalizations issuers, securities of small and mid-capitalization issuers may also present greater risks. For example, some small and mid-capitalization issuers have limited product lines, markets, or financial resources and may be dependent for management on one or a few key persons. In addition, such issuers may be subject to high volatility in revenues, expenses, and earnings. Their securities may be thinly traded, may be followed by fewer investment analysts and may be subject to wider price swings and thus may create a greater chance of loss than when investing in securities of larger-capitalization issuers. In addition, due to thin trading in many smaller capitalization stocks, an investment in such stocks may be characterized by reduced liquidity. Further, the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is potentially higher than for larger, "blue-chip" companies. Generally, the market prices of securities of small and mid-capitalization issuers are more sensitive to changes in earnings expectations, corporate developments, and market rumors than are the market prices of larger-capitalization issuers. Transaction costs in securities of small and mid-capitalization issuers may be higher than in those of large-capitalization issuers. There may be less information about small and mid-capitalization companies than larger capitalization companies.

#### Hedging

A Fund may utilize certain financial instruments and investment techniques for risk management or hedging purposes. There is no assurance that such risk management and hedging strategies will be successful, as such success will depend on, among other factors, our ability to predict the future correlation, if any, between the performance of the instruments utilized for hedging purposes and the performance of the investments being hedged. Since the characteristics of many securities change as markets change or time passes, the success of a Fund's hedging strategies may also be subject to our ability to correctly readjust and execute hedges in an efficient and timely manner. There is also a risk that such correlation will change over time rendering the

hedge ineffective. It may be more difficult to hedge a position in a smaller-capitalization issuer than a larger-capitalization issuer. A Fund's portfolio is not always expected to be completely hedged and at various times, a Fund may be more fully hedged and at other times hedged only to a limited extent, if at all. Accordingly, a Fund's assets may not be adequately protected from market volatility and other conditions.

#### Transaction Execution and Costs

Purchases and sales of investments may be frequent and may result in higher transaction costs to a Fund. In addition, in many cases, relatively narrow spreads may exist between the prices at which a Fund will purchase and sell particular positions. The successful application of a Fund's investment strategy will therefore depend, in part, upon the quality of execution of transactions, such as the ability of broker-dealers to execute orders on a timely and efficient basis. Although each Fund will seek to utilize brokerage firms that will afford superior execution capability to the Fund, there is no assurance that all of the Fund's transactions will be executed with optimal quality. Furthermore, due to the degree of trading, total commission charges and other transaction costs may be expected to be high. The level of commission charges, as an expense of a Fund, may therefore be expected to be a factor in determining future profitability of a Fund.

#### General Economic and Market Conditions

The success of a Fund's activities will be affected by general economic and market conditions, such as interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts or security operations). These factors may affect, among other things, the level and volatility of securities' prices, the liquidity of a Fund's investments and the availability of certain securities and investments. Volatility or illiquidity could impair a Fund's profitability or result in losses. A Fund may maintain substantial trading positions that can be materially adversely affected by the level of volatility in the financial markets—the larger the positions, the greater the potential for loss.

A Fund may incur major losses in the event of disrupted markets and other extraordinary events in which historical pricing relationships become materially distorted. The risk of loss from pricing distortions is compounded by the fact that in disrupted markets many positions become illiquid, making it difficult or impossible to close out positions against which the markets are moving. The financing available to a Fund from its banks, dealers and other counterparties will typically be reduced in disrupted markets. Such a reduction may result in substantial losses to a Fund. Market disruptions may from time to time cause dramatic losses for a Fund, and such events can result in otherwise historically low-risk strategies performing with unprecedented volatility and risk.

#### Market Disruptions; Governmental Intervention; Dodd-Frank Wall Street Reform and Consumer Protection Act

The global financial markets have in recent years gone through pervasive and fundamental disruptions that have led to extensive governmental intervention. Such intervention was in certain cases implemented on an "emergency" basis, suddenly and substantially eliminating market participants' ability to continue to implement certain strategies or manage the risk of their outstanding positions. In addition, certain of these interventions have been unclear in scope and application, resulting in confusion and uncertainty which in itself has been materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), which aims to reform various aspects of the U.S. financial markets, covers a broad range of market participants including investment advisers (registered and unregistered) such as Octagon. The Dodd-Frank Act may directly affect Octagon by mandating additional new reporting requirements, including, but not limited to, position information, use of leverage and counterparty and credit risk exposure. Until the SEC implements all of the new reporting requirements, the full burden of such reporting obligations will not be known.

The Dodd-Frank Act may also affect a Fund in a number of other ways. Pursuant to the Dodd-Frank Act, banks and other financial firms may be designated as a Systemically Important Financial Institution ("SIFIs"). Any bank or financial firm so designated will be subject to regulation by the Federal Reserve Board. In the area of derivatives, the Dodd-Frank Act provides for the registration and comprehensive regulation of "major swap

participants.” Although we believe it is unlikely to be classified as a SIFI and is not subject to the requirements for “major swap participants,” the consequences of being so classified could be substantial and adverse. In addition, the cost of derivative transactions may substantially increase as result of the Dodd-Frank Act as additional margin, capital and collateral obligations are implemented.

#### Counterparty Risk

Some of the markets in which a Fund may affect transactions are “over-the-counter” or “interdealer” markets. The participants in such markets are typically not subject to the credit evaluation and regulatory oversight to which members of “exchange-based” markets are subject. This exposes a Fund 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 Fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where a Fund has concentrated its transactions with a single or small group of counterparties. Counterparties in foreign markets face increased risks, including the risk of being taken over by the government or becoming bankrupt in countries with limited if any rights for creditors. A Fund is not restricted from concentrating any or all of its transactions with one counterparty. The ability of a Fund to transact business with any one or number of counterparties and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Fund. Counterparty risks also include the failure of executing brokers to honor, execute, or settle trades.

Pursuant to the Dodd-Frank Act, some derivatives transactions will be subject to mandatory clearing and will also be subject to the margin requirements set forth by the clearinghouse. The additional margin, capital and collateral obligations may increase the cost of derivatives transactions and thereby potentially decrease the profitability of certain positions.

#### Broker Risk

A Fund’s assets may be held in one or more accounts by its prime brokers or at other brokers or custodian banks, which may be located in various jurisdictions, including emerging market jurisdictions. The prime brokers, other brokers (including those acting as sub-custodians) and custodian banks are subject to various laws and regulations in the relevant jurisdictions that are designed to protect their customers in the event of their insolvency. Accordingly, the practical effect of the laws protecting customers in the event of insolvency and their application to a Fund’s assets may be subject to substantial variations, limitations, and uncertainties. For instance, in certain jurisdictions brokers could have title to a Fund’s assets or not segregate customer assets. Because of the large number of entities and jurisdictions involved and the range of possible factual scenarios involving the insolvency of a prime broker, another broker, or a clearing corporation, it is impossible further to generalize about the effect of the insolvency of any of them on a Fund and its assets. Investors should assume that the insolvency of any of the prime brokers, local brokers, custodian banks or clearing corporations may result in the loss of all or a substantial portion of a Fund’s assets or in a significant delay in a Fund having access to those assets.

#### MiFID II

The EU Markets in Financial Instruments Directive (Directive 2014/65/EU) and Markets in Financial Instruments Regulation (Regulation (EU) No 600/2014) (together, “MiFID II”) governs the provision of investment services and activities in relation to, as well as the organized trading of, financial instruments such as shares, bonds, units in collective investment schemes and derivatives. MiFID II was required to be implemented in EU member states as of January 3, 2018. Although each Fund is not organized in the EU and is not authorized or regulated by any EU member state financial services regulator, certain aspects of MiFID II may have an impact on a Fund. MiFID II imposes certain restrictions as to the trading of shares and derivatives, which could apply to transactions made by or with a Fund. Subject to certain conditions and exceptions, a Fund may be unable to trade shares or derivatives with affected counterparties other than as provided by MiFID II. MiFID II also applies position limits to the size of a net position that a person can hold at all times in commodity derivatives traded on EU trading venues and in “economically equivalent” OTC derivatives.

More generally, EU regulated firms that have trading relationships with a Fund may be obliged by MiFID II to impose certain requirements on the Fund, or they may seek to do so contractually, with a view to satisfying their own compliance obligations. It is difficult to predict the full impact of MiFID II on each Fund. Prospective Investors should also be aware that there may be costs (direct or indirect) of compliance with MiFID II.

### European Market Infrastructure Regulation

The European Market Infrastructure Regulation (“EMIR”) introduced certain requirements in respect of derivative contracts, which apply to varying degrees to entities established in the EU, regardless of whether they are transacting with counterparties established in the EU or outside of the EU. As such, where a Fund transacts with EU counterparties, they will likely require the transaction to be EMIR-compliant, with the result that such Fund becomes subject to additional obligations and/or costs that may not otherwise have applied.

Broadly, EMIR’s requirements in respect of derivative contracts are: (i) mandatory clearing of OTC derivative contracts declared subject to the clearing obligation; (ii) risk mitigation techniques in respect of uncleared OTC derivative contracts; and (iii) reporting and record-keeping requirements in respect of all derivative contracts. The application of these requirements is dependent on the classification of the counterparties as financial counterparties (“FCs”), non-financial counterparties above the clearing threshold (“NFC+s”) or non-financial counterparties below the clearing threshold (“NFC-s”) and trading systems with programming logic errors.

Prospective Investors should be aware that there may be ongoing costs (whether direct or indirect) of compliance with EMIR, and that EMIR may adversely affect a Fund’s ability to engage in certain transactions in derivatives.

### Dependence on Ting Jia

Past performance of the strategies and products managed by Dr. Jia is no guarantee of future performance. Investors do not participate in the management of any Fund or in the conduct of its business. Moreover, investors generally have no right to influence the management of any Fund, whether by voting or otherwise. If Dr. Jia ceases to be involved in the management of a Fund’s portfolio, such event may have a material adverse effect on the business of the Fund.

### Shares are Illiquid

Because of the limitations on redemptions and the fact that shares of each Fund are not tradable, an investment in a Fund is relatively illiquid and involves a high degree of risk. A subscription for shares should be considered only by sophisticated investors financially able to maintain their investment and who can afford to lose all or a substantial part of such investment. There is no public market for any of our Funds’ interests.

### Effect of Withdrawals

Substantial withdrawals by one or more investors within a short period of time could require a Fund to liquidate securities positions more rapidly than would otherwise be desirable, possibly reducing the value of a Fund’s assets and/or disrupting a Fund’s investment strategy. Reduction in the size of a Fund could make it more difficult to generate a positive return or to recoup losses due to, among other things, reductions in a Fund’s ability to take advantage of particular investment opportunities or decreases in the ratio of its income to its expenses.

### Trade Errors

Although we exercise due care in making and implementing investment decisions, employees may from time to time make errors with respect to trades made on behalf of a Fund. We will not be liable for any trading losses, liabilities, damages, expenses, or costs resulting from trade errors by a Fund except those losses, liabilities, damages, expenses, or costs (i) resulting from the fraud, willful misconduct, or gross negligence and (ii) that may not be waived or limited under applicable law. Notwithstanding this limitation on liability, we may voluntarily reimburse a Fund for certain losses suffered as a result of trade errors.

### In-Kind Distributions

A withdrawing Investor may receive securities owned by a Fund in lieu of, or in combination with, cash. The value of securities distributed may increase or decrease before the securities can be sold, and the Investor may incur transaction costs in connection with the sale of such securities. Additionally, securities distributed with respect to a withdrawal by an Investor may not be readily marketable. The risk of loss and delay in liquidating these securities will be borne by the Investor, with the result that such Investor may receive less cash than it would have received on the date of withdrawal.

#### Master-Feeder Structure; Concentration of Investors

Certain Funds invest through a “master-feeder” structure. The master-feeder fund structure presents certain risks to investors. For example, a smaller feeder fund investing in a master fund may be materially affected by the actions of a larger feeder fund investing in a master fund. If a larger feeder fund makes a withdrawal from a master fund, the remaining feeder funds may experience higher pro rata operating expenses, thereby producing lower returns. The master fund may become less diverse due to a withdrawal by a larger feeder fund, resulting in increased portfolio risk. The master fund will be a single entity and creditors of the master fund may enforce claims against all assets of the master fund. Furthermore, a significant portion of either feeder fund may come from one or a few large investors and any significant redemptions thereof could have a material adverse effect on the other Investors. Octagon does not intend to manage any Fund to maximize tax benefits to Investors; however, to the extent a Fund’s assets are invested in a master fund, certain conflicts of interest may exist relating to tax considerations applicable to one feeder fund that do not relate to others.

#### Side Letters

Each Fund reserves the right to enter into agreements with a shareholder holding a class or sub-class of interests providing for rights, privileges and other terms that vary from those generally applicable to other shareholders. Certain of such agreements may affect the operation of a Fund, its General Partner, and/or Octagon. For example, such terms and conditions may provide for special rights to make future investments in a Fund; special redemption rights; rights to receive reports from a Fund or from Octagon on a more frequent basis or that include information not provided to other Investors (including, without limitation, more detailed information regarding portfolio positions) and such other rights as may be negotiated by Octagon and such Investors. The modifications may be based on the size of the Investor’s subscription to a Fund or affiliated investment entity, an agreement by an Investor to maintain such investment in a Fund for a significant period of time, or other similar commitment by an Investor of a Fund.

#### Valuation

Valuations of a Fund’s securities and other investments, such as options, may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, the net asset value of a Fund could be adversely affected. Certain of a Fund’s investments may not be listed on established exchanges, which may make a determination of the fair market value of such securities difficult to accurately determine. Furthermore, the listed prices of the securities may not reflect the actual value of the securities. Such changes may adversely affect a Fund. For example, the evolution of rules governing the determination of the fair market value of assets to the extent such rules become more stringent would tend to increase the cost and/or reduce the availability of third-party determinations of fair market value. This may increase the costs associated with selling assets or affect their liquidity due to inability to obtain a third-party determination of fair market value.

#### Systems and Operational Risks

Each Fund relies on our ability to develop and implement appropriate systems for each Fund’s activities. Each Fund relies heavily and on a daily basis on financial, accounting, and other data processing systems to execute, clear and settle transactions and to evaluate certain securities, to monitor its portfolio and capital, and to generate risk management and other reports that are critical to oversight of a Fund’s activities. In addition, each Fund relies on information systems to store sensitive information. Certain of each Fund’s and our activities will be dependent upon systems operated by third-parties, including prime brokers, the administrator, market counterparties and other service providers. At times, we may not be in a position to adequately verify the risks or reliability of such third-party systems. Failures in the systems employed could result in mistakes made in the confirmation or settlement of transactions, or in transactions not being properly booked, evaluated, or accounted for. Disruptions in a Fund’s operations or breach of a Fund’s information systems may cause a Fund to suffer, among other things, financial loss, the disruption of its business, liability to third-parties, regulatory penalties, or reputational damage. Any of the foregoing failures or disruptions could have a material adverse effect on a Fund and its Investors.

#### Cybersecurity Risk

With the increased use of technologies such as the Internet to conduct business, each Fund is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets

or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with a Fund's ability to value its securities or other investments, impediments to trading, the inability of shareholders to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which a Fund invests, counterparties with which a Fund engages in transactions, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for shareholders) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While each Fund's service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, each Fund cannot control the cyber security plans and systems put in place by its service providers or any other third-parties whose operations may affect a Fund.

### C. Material Risks Associated with Particular Investments

#### Healthcare Sector Investment Risks

A Fund may focus, in part, on investments in the global healthcare industry and its subsectors, which may include, without limitation, investments in issuers such as generic pharmaceutical companies and their services companies, such as generic drug manufacturers. These issuers often face regulatory barriers to licensing, product approvals, and ongoing compliance are in some cases very high and very costly. Due in many cases to the actual and/or perceived possibility of high potential profits in many segments of the global healthcare markets, competition and litigation risks are heightened. Investing in the healthcare sector may also present additional risks that are not typical in other sectors, including, but not limited to:

##### *Government Regulation and Intervention.*

Governments around the world closely monitor and regulate most facets of the healthcare industry and adjust policies and procedures regularly, causing healthcare companies to have to constantly adapt procedures, submit data, and subject themselves to various inspections and audits.

##### *Global Oversight Entities.*

Certain pipeline products of pharmaceutical companies are subject to long and costly development testing that is regulated by government entities (such as the Food and Drug Administration, in the United States). Ultimately, the products must be approved before they can be sold, after sometimes intense scrutiny by government regulators. In some cases, a product denied approval may be a healthcare company's only product candidate. If a product is not approved, extreme volatility in shares of the underlying company can occur and sales and/or profits may be delayed indefinitely. In addition, even once approved, a product's safety and efficacy, as well as its manufacturing process, continue to be monitored and assessed by regulatory agencies. Failure to comply with regulations can result in large fines, in a product being removed from the market, or in the product being banned from sale indefinitely until the company can satisfy the regulatory agency.

##### *Government Reimbursement.*

Most healthcare companies in the United States rely in some way on government reimbursement. These programs are perpetually evolving and funding cuts or shifting of resources within these programs cause inherent risks for the companies which depend on them for all or part of the payment for their products or services.

##### *High Risk and High Cost Research and Development Strategies.*

Most healthcare/life sciences product companies embark on very costly development plans that involve scientific experiments on animals and humans to test the safety and efficacy of their products, prior to

the product's broad availability. There are multiple opportunities for cost overruns and timeline setbacks that are inherent in this process.

*Pipeline Failures.*

In the event of a pipeline failure or delay due to a safety, manufacturing or efficacy issue with a product, significant costs can be incurred, and sales can be delayed for a prolonged period while a healthcare company attempts to correct the issue or issues and negotiates with regulatory authorities to seek a path forward.

*Single Product Risk.*

Many early stage healthcare and devices companies depend on the success of one product. In the event that the product is not approved, or is removed from the market, or has its approved label changed to include safety issues or a smaller addressable end-market, these companies can swing from profitable to not profitable, or be forced to raise additional funds in the equity or debt markets at depressed prices or unfavorable terms.

*Product Obsolescence and Patent Risk.*

Science, healthcare, and the ability to deliver related services lead to a rapidly evolving marketplace. Due to the perceived high profits in these areas, competition is very high and patent life is subject to defined timeframe and invalidation risk. In many cases, multiple options are marketed by multiple companies to address medical needs and "newer, better" options are constantly being approved for sale and distribution. If a healthcare company's product offering is unable to remain relevant, or the company is unable to garner steady pricing, profits can decline versus prior levels. If a patent is challenged and invalidated in the courts, sales and profits may be eroded by generic competition at lower prices.

*Single Security Volatility.*

Due to inefficiencies of information flow and the velocity of change in regulatory laws and innovation, healthcare company securities are in many cases more volatile than those of issuers in some other market sectors.

*Product Liability.*

Healthcare companies are exposed to a high level of product liability risk during the testing and sales of many products. Claims against these companies can result in delay or stoppage of clinical trials, reduction of demand and revenues from products, high litigation costs, substantial fines, or monetary outlays to third-parties, and costly specialized consulting engagements designed to seek to rectify these sorts of problems.

*Specialized Workforce.*

Healthcare companies employ highly educated and trained specialists in many fields ranging from medicine to advanced research and development to manufacturing, and in many cases these specialties are unique to the industry. Due to the barriers to obtaining these skills, relevant experience, and academic degree levels, the pool of applicants is finite and most development successes depend on a company's ability to attract, hire, and retain these highly specialized personnel. In the event that a healthcare company's management is unsuccessful in hiring personnel who are qualified to perform in these areas, and retain them on acceptable terms, development delays and quality issues could harm the company and its ability to execute on its business model.

High Growth Industry Related Risks

Certain of the high growth companies (e.g., healthcare, and life sciences companies) in which a Fund may invest, may allocate, or may have allocated, greater than usual amounts to research and product development. The securities of such companies may experience above-average price movements associated with the perceived prospects of success of the research and development programs. In addition, companies in which a Fund invests could be adversely affected by lack of commercial acceptance of a new product or products or by technological change and obsolescence. Some of these companies may have limited operating histories. As a result, these companies may face undeveloped or limited markets, have limited products, have

no proven profit-making history, may operate at a loss or with substantial variations in operating results from period to period, have limited access to capital and/or be in the developmental stages of their businesses.

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

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

#### Investments in Corporate Debt and other Fixed Income Securities

A Fund may invest in bonds or other fixed income securities, including, without limitation, bonds, notes, and debentures issued by corporations, limited funds, and other similar entities. A Fund may also invest in debt securities issued or guaranteed by the U.S. or foreign government or one of its agencies or instrumentalities, commercial paper, and “higher yielding” (and, therefore, higher risk) debt securities of the former categories. These securities may pay fixed, variable, or floating rates of interest, and may include zero coupon obligations. Fixed income securities are subject to the risk of the issuer’s inability to meet principal and interest payments on its obligations (i.e., credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (i.e., market risk). A major economic recession could disrupt severely the market for such securities and may have an adverse impact on the value of such securities. In addition, any such economic downturn could adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon and increase the incidence of default for such securities.

#### American Depositary Receipts (“ADRs”) and Global Depositary Receipts (“GDRs”)

It is expected that a portion of a Fund’s assets may be invested in ADRs and GDRs (as each term is defined below). ADRs are receipts issued by a U.S. bank or trust company evidencing ownership of underlying securities issued by foreign issuers. ADRs may be listed on a national securities exchange or may be traded in the over-the-counter market. GDRs are receipts issued by either a U.S. or non-U.S. banking institution representing ownership in a foreign company’s publicly traded securities that are traded on foreign stock exchanges or foreign over-the-counter markets. Holders of unsponsored ADRs or GDRs generally bear all the costs of such facilities. The depository of an unsponsored facility frequently is under no obligation to distribute investor communications received from the issuer of the deposited security or to pass through voting rights to the holders of depositary receipts in respect of the deposited securities. Investments in ADRs and GDRs pose, to the extent not hedged, currency exchange risks (including blockage, devaluation and non-exchangeability), as well as a range of other potential risks relating to the underlying shares, which could include expropriation, confiscatory taxation, imposition of withholding or other taxes on dividends, interest, capital gains or other income, political or social instability or diplomatic developments that could affect investments in those countries, illiquidity, price volatility and market manipulation. In addition, less information may be available regarding the underlying shares of ADRs and GDRs, and foreign companies may not be subject to accounting, auditing and financial reporting standards and requirements comparable to, or as uniform as, those of U.S. companies. Such risks may have a material adverse effect on the performance of such investments and could result in substantial losses.

#### Options

A Fund may invest, from time to time, in options. In addition, a Fund may write and sell covered and uncovered call and put option contracts. A call option gives the purchaser of the option the right to buy, and obligates the writer to sell, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Similarly, a put option gives the purchaser of the option the right to sell, and obligates the writer



to buy, the underlying investments at a stated exercise price at any time prior to the expiration of the option. Options written by a Fund may be wholly or partially covered (meaning that the Fund holds an offsetting position) or uncovered. Options on specific investments may be used by a Fund to seek enhanced profits with respect to a particular investment. Alternatively, they may be used for various defensive or hedging purposes. For example, they may be used to protect against a future adverse change in the market price of particular portfolio investments held by a Fund without requiring a sale of the investments.

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

Use of put and call options may result in losses to a Fund, force the sale or purchase of portfolio investments at inopportune times or for prices higher than (in the case of put options) or lower than (in the case of call options) current market values, limit the amount of appreciation a Fund can realize on their investments or cause a Fund to hold an investment it might otherwise sell. For example, a decline in the market price of a particular investment could result in a complete loss of the amount expended by a Fund to purchase a call option (equal to the premium paid for the option and any associated transaction charges). An adverse price movement may result in unanticipated losses with respect to covered options sold by a Fund. The use of uncovered option writing techniques may entail greater risks of potential loss to a Fund than other forms of options transactions. For example, a rise in the market price of the underlying investment will result in a Fund realizing a loss on the calls written, which would not be offset by the increase in the value of the underlying investments to the extent the call option position was uncovered.

#### Illiquid Securities and Designated Investments

A Fund may make Designated Investments. Designated Investments are investments that we determine, either at the time of acquisition or anytime thereafter, are (or become) private or otherwise restricted from being traded, including private investments in public equity. Such Designated Investments may have to be held for a substantial period of time before they can be liquidated, if at all. Market prices for such Designated Investments may be volatile and may not be ascertainable. The resale of restricted and illiquid securities often may have higher brokerage charges. Designated Investments may represent capital not available for redemption.

#### Purchasing Securities of Initial Public Offering

From time to time a Fund may purchase securities that are part of initial public offerings. The prices of these securities may be very volatile. The issuers of these securities may be undercapitalized, have a limited operating history, and lack revenues or operating income without any prospects of achieving them in the near future. Some of these issuers may only make available a limited number of shares for trading and therefore it may be difficult for a Fund to invest in these securities without unfavorably impacting their prices. In addition, investors may lack extensive knowledge of the issuers of these securities. A Fund may invest in securities that are "new issues," as defined by Rule 5130. Rule 5130 and Rule 5131 restrict certain persons from participating in "new issues." A Fund will provide a mechanism for the purchase of new issues that excludes participation in such investment by any Investor that is deemed restricted.

#### Swap Transactions

A Fund may enter into swap agreements with respect to securities, indexes of securities and other assets or other measures of risk or return. Swap agreements are typically two-party contracts entered into primarily by institutional investors for periods ranging from a few weeks to many years. In a standard "swap" transaction, two parties agree to exchange the returns (or the differential in rates of return) earned or realized on

particular predetermined investments, instruments, or indices. The gross returns to be exchanged or “swapped” between the parties are generally calculated with respect to a “notional amount.” Whether a Fund’s use of swap agreements will be successful depends on our ability to select appropriate transactions for the Fund. Swap transactions may be highly illiquid. Moreover, a Fund bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or insolvency of its counterparty. Many swap markets are relatively new and still developing. It is possible that developments in the swap markets, including potential government regulation, could adversely affect a Fund’s ability to terminate existing swap transactions or to realize amounts to be received under such transactions. Swaps and certain other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Total return swaps are another form of swap transaction that a Fund may utilize in its investment program. A total return swap allows the total return receiver to receive the change in market value of an asset (whether a security, interest rate, form of debt, currency, or other asset) from the total return payer in return for paying a floating or fixed interest-rate on a predetermined amount. The total return payer is synthetically short and the total return receiver is synthetically long. Thus, total return swap agreements may effectively add leverage to a Fund’s portfolio because, in addition, to its total net assets, the Fund would be subject to investment exposure on the notional amount of the swap agreement.

In addition, a Fund may enter into credit default swap transactions. The credit default swap market in high yield securities is comparatively new and rapidly evolving compared to the credit default swap market for more seasoned and liquid investment grade securities. Swap transactions dependent upon credit events are priced incorporating many variables, including, for example, the pricing and volatility of the common stock, potential loss upon default and the shape of the U.S. Treasury Yield curve, among other factors. As such, there are many factors upon which market participants may have divergent views. A Fund may also enter into credit default swap transactions, even if the credit outlook is positive, if we believe that participants in the marketplace have incorrectly valued the components which determine the value of a swap.

#### Foreign Securities

A Fund may invest in securities of non-U.S. issuers. A Fund’s investments in securities and instruments in foreign markets involve substantial risks not typically associated with investments in U.S. securities. Foreign securities investments may be affected by changes in currency rates or exchange control regulations, changes in governmental administration or economic or monetary policy (in the U.S. and abroad) or changed circumstances in dealings between nations. Changes in foreign currency exchange rates relative to the U.S. dollar will affect the U.S. dollar value of a Fund’s assets denominated in that currency and thereby impact a Fund’s total return on such assets. A Fund may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective.

Investments in foreign securities will also occasion risks relating to political and economic developments abroad, including the possibility of expropriations or confiscatory taxation, limitations on the use or transfer of Fund assets and any effects of foreign social, economic, or political instability. Foreign companies are not subject to the regulatory requirements of U.S. companies and, as such, there may be less publicly available information about such companies. Moreover, foreign companies are not subject to uniform accounting, auditing and financial reporting standards and requirements comparable to those applicable to U.S. companies. Finally, in the event of a default of any foreign debt obligations, it may be more difficult for a Fund to obtain or enforce a judgment against the issuers of such securities.

Securities of foreign issuers may be less liquid than comparable securities of U.S. issuers and, as such, their price changes may be more volatile. Furthermore, foreign exchanges and broker-dealers are generally subject to less government and exchange scrutiny and regulation than their American counterparts. Brokerage commissions, dealer concessions and other transaction costs may be higher in foreign markets than in the U.S. In addition, differences in clearance and settlement procedures in foreign markets may occasion delays in settlements of a Fund’s trades affected in such markets.

In addition, changes, or modifications in existing judicial decisions or in the current positions of the IRS, either taken administratively or as contained in published revenue rulings and revenue procedures (which changes

or modifications may apply with retroactive effect), and the passage of new legislation, could lead to unfavorable treatment of certain non-U.S. investments which could adversely impact a Fund's portfolio.

#### Other Derivative Investments

Derivative instruments or "derivatives" include futures, options, structured securities and other instruments and contracts that are derived from, or the value of which is related to, one or more underlying securities, financial benchmarks, currencies, or indices. Derivatives allow an investor to hedge or speculate upon the price movements of a particular security, financial benchmark currency or index at a fraction of the cost of investing in the underlying asset. The value of a derivative depends largely upon price movements in the underlying asset. Therefore, many of the risks applicable to trading the underlying asset are also applicable to derivatives of such asset. However, there are a number of other risks associated with derivatives trading. For example, because many derivatives are leveraged, and thus provide significantly more market exposure than the money paid or deposited when the transaction is entered into, a relatively small adverse market movement may expose a Fund to the possibility of a loss exceeding the original amount invested. Derivatives may also expose investors to liquidity risk, as there may not be a liquid market within which to close or dispose of outstanding derivatives contracts. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the swap counterparty, including risks relating to the creditworthiness of the swap counterparty.

Futures positions may be illiquid because certain commodity exchanges limit fluctuations in certain futures contract prices during a single day by regulations referred to as "daily price fluctuation limits" or "daily limits." Under such daily limits, during a single trading day no trades may be executed at prices beyond the 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. This could prevent a Fund from promptly liquidating unfavorable positions and subject the Fund to substantial losses.

#### Exchange Traded Funds

A Fund may invest in and sell short shares of exchange traded funds ("ETFs") and other similar instruments. These transactions may be used to adjust a Fund's exposure to the general market or industry sectors and to manage a Fund's risk exposure. ETFs and other similar instruments involve risks generally associated with investments in a broadly-based portfolio of common stocks, including the risk that the general level of stock prices, or that the prices of stocks within a particular sector, may increase or decrease, thereby affecting the value of the shares of the ETF or other instruments.

#### Money Market Instruments

A Fund may invest, for defensive purposes or otherwise, all or a portion of the Fund's assets in high quality fixed-income securities, money-market instruments, and money-market mutual funds, or hold cash or cash equivalents. Money market instruments are high quality, short-term fixed-income obligations, which generally have remaining maturities of one year or less, and may include U.S. government securities, commercial paper, certificates of deposit and bankers' acceptances issued by domestic branches of U.S. banks that are members of the Federal Deposit Insurance Corporation and repurchase agreements. However, there can be no assurances that such investments will not be subject to significant risks.

THE FOREGOING LIST OF RISK FACTORS ARE NEITHER INTENDED NOR PURPORTED TO BE A COMPLETE ENUMERATION OR EXPLANATION OF THE RISKS INVOLVED IN AN INVESTMENT IN THE FUNDS. PROSPECTIVE INVESTORS ARE STRONGLY ENCOURAGED TO READ THE ENTIRE APPLICABLE COM AND CONSULT WITH THEIR OWN LEGAL, TAX, AND FINANCIAL ADVISORS BEFORE DECIDING TO INVEST IN ANY FUND MANAGED BY OCTAGON. THE FOREGOING LIST OF RISK FACTORS IS QUALIFIED IN ITS ENTIRETY AND MAY BE BOTH SUPPLEMENTED AND SUPERSEDED BY INFORMATION PROVIDED IN THE EACH FUND'S RESPECTIVE FUND DOCUMENTS.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to an investor or potential investor's evaluation of the Firm or its management. Octagon has no disciplinary information to disclose.

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

- A. Neither Octagon nor any of our management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Octagon nor any of our management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or as an associated person of the foregoing entities.
- C. Octagon Investments GP, LLC, our affiliate, serves as the General Partner of certain Funds. This relationship between us, the General Partner, and certain Funds does not create material conflicts of interest between us or our Clients. We do not otherwise have any additional relationships with related persons to disclose or that could cause a material conflict of interest with a Client.
- D. We do not recommend or select other investment advisers for Clients or Investors, nor do we have business relationships with other advisers that would give rise to material conflicts of interest.

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

- A. Pursuant to Rule 204A-1 of the Advisers Act of 1940, as amended ("Advisers Act"), we have adopted a written code of ethics ("Code of Ethics") that sets forth standards of conduct expected of employees and addresses conflicts that can arise from personal trading. Our Code of Ethics describes our fiduciary duties and responsibilities to investors and sets forth our practice of supervising the personal securities transactions of its supervised persons. The Code of Ethics requires all supervised persons to place Client interests ahead of our own and to maintain full compliance with any applicable federal and state securities laws governing registered investment advisory practices. We will provide a complete copy of our Code of Ethics to any Client upon written request to our Chief Compliance Officer.
- B. Neither we, nor any of our related persons have any material financial interest in securities we recommend to Clients.
- C./D. We seek to avoid recommending investments in which we or any of our officers, partners, directors, and/or employees (collectively, our "Access Persons") also invest in, buy, or sell, to Clients. We generally focus Clients' investments, subject to the terms of their Governing Documents, on companies in the healthcare sector. Accordingly, to mitigate potential conflicts that may arise in connection with personal trading, our Code of Ethics generally prohibits Access Persons from personally investing in any security, ETF, or mutual fund (unless meeting certain requirements), within the healthcare sector. Our Code of Ethics also establishes policies and procedures to monitor our Access Persons' personal securities transactions, including provisions that generally require Access Persons to obtain pre-approval for personal securities transactions and to regularly disclose their personal securities holdings and transactions to us. Access Persons are also generally required to divest holdings in healthcare related securities either upon becoming an Access Person or at a later time at our Chief Compliance Officer's direction if immediate divestment would create a material conflict of interest.

## Item 12 – Brokerage Practices

- A. Subject to the terms of each Client's Governing Documents, we generally select broker-dealers for Clients to execute trades and negotiate commissions paid on such transactions. In selecting brokers or dealers to execute transactions, we need not solicit competitive bids and generally do not have an obligation to seek the lowest available commission cost. It is not our practice to negotiate "execution only" commission rates, thus we may be deemed to be paying for research, brokerage, or other services provided by the broker which are included in the commission rate.

Our primary consideration in placing transactions with particular broker-dealers is to obtain execution in the most effective manner possible. We also consider a variety of other factors, including the financial strength, integrity, and stability of the broker-dealer and the commissions to be paid. Further, we may also consider the quality, comprehensiveness, and frequency of available research (including discussions with research personnel and research related services) and other products and services considered to be of value. The products and services furnished by broker-dealers may include, among other things, written information and analyses concerning specific securities, companies, or sectors; market, financial and economic studies, and forecasts; statistics and pricing or appraisal services; discussion with research personnel; special execution capabilities; order of call and the availability of stocks to borrow for short trades. We do not select brokers based upon client referrals.

Clients may pay higher prices for the purchase of securities from, accept lower prices for the sale of securities to, or otherwise pay higher commissions to, brokerage firms that provide us with research and trading related products and services ("Soft Dollar Benefits") if we determine such prices or commissions are reasonable in relation to the overall services provided. Accordingly, Clients may be deemed to be paying for Soft Dollar Benefits with "soft" or commission dollars ("Soft Dollars"), which provides us with a benefit to the extent that we do not have to produce or otherwise pay for Soft Dollar Benefits received. Our receipt of Soft Dollar Benefits may incentivize us to select or recommend a brokerage firm based on Soft Dollar Benefits rather than a Client's interest in receiving most favorable execution. Our Soft Dollar use is limited to that allowed under Section 28(e) of the Exchange Act. Soft Dollars accrued by the Funds may be used to service other Clients. Where a Soft Dollar Benefit provides "mixed-use" research and brokerage products and services to us, we will make a reasonable allocation of the cost that may be paid for with Soft Dollars. Although we believe that Clients generally benefit from many of the Soft Dollar Benefits obtained with Soft Dollars accrued through our Clients' trades, a Client may not benefit exclusively or at all. In addition, we may determine to use one or more third-party service providers to perform certain trading functions for Clients, and Clients may pay higher brokerage commissions than if we had performed this function ourselves, particularly where we direct certain trades to be executed with a broker other than such third-party service provider. Such service provider may be subject to certain restrictions and conflicts that may limit its ability to perform such services.

- B. The nature of our current investment strategies does not typically require us to aggregate Client trades. However, subject to the terms of a Client's Governing Documents, we may aggregate Client trades where such aggregation may be economically advantageous, permissible, or otherwise appropriate. In such a case, Client trades will be allocated on a pro-rata basis where possible. When aggregating and allocating Client trades, our Chief Compliance Officer will arrange for periodic review of our aggregated Client trades to ensure fairness and accuracy. In general, we believe that participating Clients benefit from such trade aggregation. The precise extent to which a Client participates in an aggregated trade will depend on various factors, including the size of the overall order and the Client's Governing Documents, investment objectives, cash availability, and practicability of participating in such a trade.

### **Item 13 – Review of Accounts**

- A. Octagon portfolio managers have daily access to trades. Ting Jia, the Firm’s owner, Managing Member, and Chief Investment Officer is responsible for daily review of accounts by virtue of this trade supervisory function. On a daily basis, Justin Hirsch, our Chief Compliance Officer, reviews accounts by reconciling trades, cash positions, and profit & loss.
- B. We consistently review Client accounts on an ongoing basis.
- C. Investors are able to review their capital accounts monthly by a written statement they receive directly from the applicable Fund’s administrator. Additionally, within 120 days after the end of each fiscal year, a written annual report containing audited financial statements is delivered to each Fund’s Investors.

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

- A. Other than as discussed in Item 12, we do not receive economic benefits from non-Clients in connection with our provision of investment advice to Clients.
- B. Octagon or the Funds may appoint placement agents, and such placement agents may charge fees in connection with soliciting and introducing Investors to the Funds. Notwithstanding the foregoing, Octagon does not currently compensate directly or indirectly any third-parties for Client or Investor referrals.

### **Item 15 – Custody**

Octagon is deemed to have custody of the Funds’ assets because, among other reasons, it has the authority as investment manager to obtain the Funds’ assets, for example, by deducting advisory fees from a Fund’s account or otherwise withdrawing funds from a Fund’s account to pay Fund expenses. The Funds’ assets are maintained with qualified custodians or otherwise as permitted under Rule 206(4)-2 under the Advisers Act (the “Custody Rule”).

To ensure compliance with the Custody Rule, Octagon has a reasonable belief that all Investors will be provided with financial statements, audited by an independent accounting firm that is registered with and subject to review by the Public Company Accounting Oversight Board, in accordance with U.S. Generally Accepted Accounting Principles, within 120 days of the end of such fiscal year.

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

Investment advice is provided directly to the Funds on a discretionary basis, subject to the discretion and control of the General Partner(s) or director(s) of each Fund, as applicable, and not to individual Investors.

Investment advisory services are provided to the Fund in accordance with each Fund’s respective Fund Documents. Octagon generally exercises discretion to determine what securities to trade on behalf of the Funds as well as other Clients, subject to the terms of their respective Governing Documents. This discretion includes, but is not limited, to discretion over the amount and timing of transactions or securities as well as the choice of executing brokers for such transactions. All limitations and restrictions placed upon an Investor’s investment, such as in the form of a side letter agreement, must be presented to us and agreed to in writing by us and such Investor.

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

- A. We generally seek to vote proxies on behalf Clients in a manner that attempts to maximize the value of a Client's assets, subject to the terms of a Client's Governing Documents and our proxy voting policies. Our Chief Compliance Officer coordinates our proxy voting process and ensures that we comply with applicable proxy voting rules and recordkeeping rules.

We have adopted a proxy voting policy we believe is reasonably designed to ensure that proxies are voted in the best interest of Clients, and in accordance with our fiduciary duties and Rule 206(4)-6 under the Advisers Act. Our proxy voting policy includes policies and procedures for detecting and resolving potential conflicts in connection with voting Client proxies, such as the collection of proxy voting conflict questionnaires and other records.

In the event that we believe there may be a potential material conflict of interest in connection with voting a proxy on behalf of a Fund between us and such Fund, a representative may be elected by the vote of such Fund's Investors in order to assess the appropriateness our vote on behalf of such Fund. The representative will generally be informed of our opinion related to the vote, informed of the potential conflict of interest, and provided with information necessary to understand the nature of such conflict, and receive any further information they request related to the vote or conflict from our Chief Compliance Officer.

As a general matter, individual Investors do not have the ability to direct our vote on behalf of any Fund, and we seek to vote proxies on behalf of each Fund in a manner consistent with the best interests of such Fund's Investors. Our proxy voting log and policies and procedures are available to Clients upon request.

- B. Not applicable.

## **Item 18 – Financial Information**

- A. Not applicable. We do not require or solicit payment of more than \$1,200 in fees per Client, six months or more in advance.
- B. Not applicable. We do not have any financial conditions to disclose that are reasonably likely to impair our ability to meet contractual commitments to Clients.
- C. Not applicable. We have not been the subject of a bankruptcy petition at any time during the past ten-years.