



**Form ADV: Part 2A Investment Adviser Brochure**  
**SEC Number: 801-122764**  
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March 31<sup>st</sup>, 2023

This brochure (“Brochure”) provides information about the qualifications and business practices of StonePine Asset Management Inc. (“StonePine,” “we” or “us”) an investment adviser registered with the US Securities and Exchange Commission (“SEC”) under the Investment Advisers Act of 1940, as amended (“Advisers Act”).

If you have any questions about the contents of this Brochure, please contact us, at [info@stonepineam.com](mailto:info@stonepineam.com) or at +1 (438) 793 0444.

The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Registration under the Advisers Act as an investment adviser does not imply any level of skill or training.

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

## **Item 2. Material Changes**

StonePine's last annual amendment to Part 2A of Form ADV was made on March 30<sup>th</sup>, 2022. Since StonePine's last annual amendment, we note the following material changes:

- StonePine now provides investment management services to private investment funds that are offered to investors on a private placement basis (the StonePine Global Equity Fund LLC and the StonePine International Equity Fund LLC, both Delaware limited liability companies). The Brochure has been updated throughout (specifically **Item Four** – Advisory Business, **Item Five** – Fees and Compensation, **Item Six** – Performance-Based Fees and Side-by-Side Management, **Item Seven** – Types of Clients, **Item 11** – Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading, **Item 15** – Custody, and **Item 16** – Investment Discretion) to reflect this change.

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#### **Item 4: Advisory Business**

StonePine Asset Management Inc. (“StonePine” or the “Firm”) is a boutique investment manager based in Montreal, QC, Canada. Our Firm was founded in 2021 by Nadim Rizk who serves as StonePine’s Chief Executive Officer, Chief Investment Officer and Lead Portfolio Manager and is StonePine’s sole owner.

StonePine was formed with the singular mission to provide our clients with what the Firm believes to be superior risk-adjusted returns over the long term through disciplined, rigorous fundamental analysis and portfolio management.

StonePine provides investment advisory and sub-advisory services on a fully discretionary or non-discretionary basis. StonePine also provides investment management services to private investment funds that are offered to investors on a private placement basis (the StonePine Global Equity Fund LLC and the StonePine International Equity Fund LLC, both Delaware limited liability companies, together the “Funds”). We focus primarily on managing three equity investment strategies: Global Equity, International (Non-US) Equity, and US Equity. Subject to client-driven restrictions, all portfolios in each strategy are managed similarly to limit the dispersion of returns across client portfolios.

A client may customize its investments with investment guidelines, restrictions, and limitations (“guidelines”). These client-driven guidelines are typically set forth in the investment management agreement between our clients and us. Our management of the Funds consists of investment advice provided directly to the Funds; advice is not provided directly to investors in the Funds. Investors in the Funds may not restrict investments by the Funds in any capacity. StonePine also serves as a sub-adviser to unaffiliated private funds.

This Brochure does not constitute an offer to sell or solicitation of an offer to buy any securities. Persons reviewing this Brochure should not construe this as an offer to sell or solicitation of an offer to buy the securities of any of the Funds described herein. Any such offer of solicitation will be made only by means of a confidential private placement memorandum.

As of December 31, 2022, StonePine managed US\$37,074 billion in client assets on a discretionary basis, and \$2,208 billion on a non-discretionary basis.

## **Item 5: Fees and Compensation**

### **Separately Managed Accounts**

The management fees charged for our investment management services are generally charged monthly or quarterly, in arrears, based on the value of the assets under management during the month or quarter.

Management fees (per annum) for our separately managed accounts are negotiable and generally range between 0.40% and 0.85% depending on the size of the mandate, scope of the relationship, and several other factors. Minimum account sizes for separately managed accounts are generally US\$150 million.

In limited circumstances, we may, in our sole discretion, negotiate to charge a lesser management fee or permit a lower minimum initial investment than reflected above. These decisions are made based on the size of the mandate, the scope of the relationship, and several other factors.

We may amend our fee schedule at any time. In some cases, we may agree to provide our investment management services to a “qualified client” for a performance-based fee in accordance with the requirements of Rule 205-3 of the Advisers Act. The terms of each arrangement will be negotiable on a case-by-case basis; however, the fee will consist of a fixed percentage-of-assets component (base fee) and a performance-based component (performance fee).

Fees for client accounts are typically billed quarterly in arrears and must be paid upon receipt. Clients may select whether to have us automatically deduct fees from their custodial accounts or to have us bill them for fees incurred.

While not required by StonePine, clients may pay fees in advance. Any pre-paid fees that have not been earned at the termination of a contract with a client will be refunded. Any such refunded amounts will be calculated pro-rata based on the time of termination.

Our clients pay other fees and expenses in addition to our investment management fees. Such fees include, for example, brokerage commissions, transaction costs, custody fees, governmental fees, and foreign withholding taxes. Clients should consult their custodian for information on custodial fees, clearing expenses, wire transfer, and electronic fund fees, foreign exchange transactions expenses, and the way an account’s foreign exchange transactions are executed by the custodian under the custody agreement between the client and the custodian. In addition, to the extent that a client’s excess cash is invested in a fund (e.g., a money market fund) made available by the client’s custodian, the client will pay its proportionate share of the fund’s expenses.

### **Funds**

The management fee for each Fund shall be calculated and accrued daily and shall be payable monthly in arrears within ten business days after the last day of each calendar month, or with respect to any units redeemed other than on the last business day of a calendar month, upon such redemption date.

Management fees for the Funds range between 0.50 % - 0.75%, on an annualized basis, deducted directly from the Fund or invoiced quarterly in arrears by StonePine and must be paid upon receipt by the client. Detailed information regarding the management fees charged is provided in each Fund’s offering memorandum and other governing documents. StonePine in its sole discretion, can waive or reduce all or any portion of the above stated fees with respect to an investor.

The Fund (and in turn the investors) will bear all other expenses, to the extent permitted by ERISA, if applicable, including the following:

- (i) all costs and expenses associated with the offering of units and expenses relating to capital raising activities and operation of the Fund;
- (ii) all transaction costs and investment related expenses incurred in connection with investment and trading activities (including, but not limited to, brokerage commissions, expenses related to

clearing, and settlement charges, custodial fees, fees of third-party service providers, and other costs related to Fund trading activity);

- (iii) the fees, expenses and costs associated with the formation of the Fund and the formation and operation of any investment vehicles formed by StonePine to facilitate investments,
- (iv) any and all taxes;
- (v) routine operational costs, such as legal, accounting, bookkeeping, auditing, consulting, insurance, and other professional expenses, administration, and tax preparation expenses;
- (vi) legal and regulatory expenses incurred in connection with the Fund's operations, holdings, investments, and investment activities;
- (vii) other administrative and operational expenses.

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

As noted above, StonePine may agree to enter into a performance-based fee arrangement with certain clients. The terms of each arrangement will be negotiable on a case-by-case basis; however, the fee will consist of a fixed percentage-of-assets component and a performance-based component. All of StonePine's private funds are charged management fees based on assets under management.

We [and our supervised persons] manage accounts that pay performance-based fees side-by-side with accounts maintained by clients that pay only a fixed percentage-of-assets management fee. This creates a conflict of interest in that we have an economic incentive to favor the accounts that pay performance-based fees over accounts that do not pay performance fees (as well as favor accounts with a higher fee over accounts with a comparatively lower fee). Performance-based compensation creates an incentive for us and our supervised persons to make investments that are riskier or more speculative than would be the case where we are only paid an asset-based fee. Depending on the performance of the portfolio, we may be paid more or less compared to the non-performance-based fee received on other portfolios that we manage.

StonePine has written compliance policies and procedures designed to mitigate or manage actual and potential conflicts of interest that arise from side-by-side management, including policies and procedures to seek fair and equitable trade allocations amongst our clients, regardless of the type of fees we receive from the clients. Please see **Item 12: Brokerage Practices** below.

In addition, our compliance department may periodically monitor the performance of accounts paying a performance-based fee compared to accounts in the same strategy that do not pay performance-based fees to ensure that no preferential treatment is given to those accounts. There is no guarantee that our policies and procedures will cover every situation in which a conflict of interest arises.

## **Item 7: Types of Clients**

StonePine provides advisory services to a broad range of institutional, private wealth clients (“separately managed accounts”) and to the Funds offered to certain investors on a private placement basis as well as private funds sub-advised by StonePine. These include “qualified clients” (as described in Item 4 above) for those clients who pay a performance fee. These clients are domiciled both within and outside the U.S. Institutional separately managed account clients include corporate and public pension plans, endowments, foundations, insurance companies, and healthcare organizations.

The minimum initial investment and to maintain each separate account strategy is US\$150 million. We may waive the minimum initial and ongoing investment requirements from time to time at our discretion. We collect know your client (KYC) identification documentation from each client and conduct other verification procedures for anti-money laundering purposes, including vetting clients against the Sanctions Program Listings maintained by the U.S. Department of the Treasury’s Office of Foreign Asset Control (OFAC) and other government sanctions lists as appropriate.

The offering documents of each Fund sets minimum amounts for investment by prospective investors in such Funds. The minimum amounts may be waived by StonePine. Investors will be required to meet certain suitability qualifications, such as being an “accredited investor” within the meaning set forth in Rule 501(a) of Regulation D under the Securities Act and “qualified purchasers” as defined in Section 2(a)(51)(A) of the U.S. Investment Company Act of 1940 (the “Company Act”) and the rules promulgated thereunder. Details concerning applicable investor suitability criteria are set forth in the respective Governing Fund Documents and subscription materials, which are furnished to each investor.



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

StonePine currently offers three investment strategies: Global, US, and International (Non-US) Equities. The strategies are managed using the same investment philosophy and process (adjusted for geographic scope).

StonePine's investment strategies generally focus on attempting to achieve sustainable returns by investing in a concentrated (yet diversified) portfolio of what we believe to be high quality businesses. Through these investments, StonePine seeks to:

- Generate strong return on invested capital (ROIC).
- Provide ample long-term growth potential at incrementally higher ROIC.
- Generate solid and predictable free cash flows.
- Consistently compound shareholder wealth over the long term.
- Preserve capital.

StonePine's fundamentally driven investment process focuses on bottom-up company research. The investment process consists of the following four steps:

- a) Idea Generation
- b) Fundamental Analysis
- c) Portfolio Construction
- d) Risk Management

### **a) Idea Generation**

The investment universe extends beyond the constituents of the benchmark index. Subject to liquidity, transparency, or custodial constraints, the Investment Team is free to look across all markets for investment ideas. The initial investable universe varies by strategy and generally consists of thousands of stock exchange listed companies.

### **Screening**

The Investment Team begins the process by applying a quantitative screen to narrow the investable universe based on several metrics, including market capitalization, leverage, liquidity, ROIC and profitability. The outcome of this process yields several hundred stocks. Companies are then ranked based on their attractiveness by applying the following criteria:

- Quality (ROIC, Margins, ROE, etc.)
- Growth (Sales per share growth, etc.)
- Valuation (EV/NOPAT, P/E ratio, etc.)

Through this process, the Investment Team typically identifies approximately 150 to 200 possible investment opportunities for further fundamental analysis.

## **Other Sources**

In addition to the quantitative screen, the Investment Team will also look to other sources for investment ideas, including company meetings, research, and publications, discussions with current holdings where competitors, suppliers, and key clients are identified, internal idea-sharing, and discussions.

### **b) Fundamental Research**

After identifying companies for investment opportunity, the Investment Team will further analyze the companies, based on the following criteria:

- Sustainable competitive advantages with high barriers to entry.
- Pricing power and lower capital requirement in a growing industry.
- A track record of stable and high ROIC, attractive operating margins, and attractive capital allocation discipline.
- Experienced management teams, and commitment to corporate governance and shareholder value.
- Balance sheets that appear to offer a high level of free cash flow with a low debt ratio.

The Investment Team derives a long list of approximately one hundred companies that are subject to preliminary fundamental analysis, and an initial view will be formulated. The initial view typically takes an analyst between 3-5 days to prepare to identify the key aspects. Securities deemed worthy of in-depth fundamental analysis (25-35 stocks) are subjected to a rigorous examination of the company's competitive position, cash flow generation, commitment to creating shareholder value, threats and risks and results from all financial statements and filings, with an emphasis on meeting with the management, competitors, suppliers, and customers. Management meetings are critical to the investment approach as they allow the Investment Team to gain better insight into a company's culture and the strategic direction of management.

Once companies are thoroughly assessed, analysts quantify the results using the Firm's proprietary "Test of TIME" scorecard, based on their attractiveness for the following categories / attributes:

- Economic Moat & Industry Attractiveness
- Business Attributes
- Management/Track Record

Threats and risks are identified and evaluated. As a result, points will be deducted from the total scores based on the negative variables identified. This standardized, repeatable, and consistent scoring framework allows objective comparison of the companies within the universe, as well as within their respective industries and countries. Most importantly, it uncovers the magnitude of differences and the key attributes that may impact the quality of the business. We note however, investing always involves risk and no effort to identify and manage risk should be interpreted as an ability to eliminate risk.

The "Test of TIME" allows the Investment Team to communicate their fundamental analysis to the remainder of the Investment Team and allows for a better means of comparing a particular candidate to others being discussed, as well as to revisit the investment thesis over time.

The Investment Team can follow a stock over multiple years. Once a potential investment has been identified, the research process on the new stock takes approximately 3-6 weeks to prepare a full detailed

research report. During this time, analysts assess Return On Invested Capital (ROIC), Return On Equity (ROE), leverage ratios, profit margin as well cash flows dynamics and growth, among others.

The Investment Team also seeks to determine a level of expected return for each company that is of interest.

### **c) Portfolio Construction**

The Investment Team discusses the findings of its fundamental research and, drawing from its collective experience and judgment, determines whether a particular security should be included in the portfolio. Companies are selected for inclusion in the portfolio based on a combination of the Investment Team's confidence in the company's ability to generate sustainable and strong ROIC and on the assessment of the fair value and expected return, which is based on its proprietary valuation methodologies. Following a discussion amongst the Investment Team members, a decision is made to either purchase a security, abandon the idea, or, in many cases, additional analysis is requested in order to build a higher level of conviction on the idea. **All final buy and sell decisions are made by the CEO, CIO and Lead Manager, Nadim Rizk.**

The Investment Team generally maintains a list of 20-25 companies for consideration for investment in client accounts. If they find that valuations become attractive, the name may go into a client's portfolio.

The Investment Team manages relatively concentrated portfolios. Depending on the specific strategy, the number of names could range from 25-35 stocks. The size of a position and the speed with which it is established is dependent on the Investment Team's conviction and the company's risk/reward profile. The Investment Team's portfolio allocation strategy is entirely predicated on a stock-by-stock analysis, emphasizing the most compelling business opportunities on a global scale. Sector and country weights are a residual of the stock selection process. Generally, index benchmark weights are not a driver, though consideration is given to assessing sector and geographic concentration to manage inherent risks. Stocks are typically purchased with a 5 to 10 year holding period outlook but can be held for a much longer period of time. The expected level of annual portfolio turnover is below 20%. Historically, the strategy's name turnover has been in the range of 5-15% annually.

To help ensure proper diversification, the following constraints are in place:

- The portfolio must invest in at least six of the 11 GICS sectors at any given time.
- The market value invested in each sector is limited to  $\pm 20\%$  of the sector's weight within the strategy benchmark weights.
- The Global and International Equity strategies can invest in emerging markets subject to specific caps for each strategy.

### **d) Risk of Loss**

We define risk primarily as the probability of permanent capital loss. Therefore, risk controls are focused predominantly on the individual security level. Risk is managed through the quality of the businesses in which the portfolio invests and avoids overpaying for those businesses. Moreover, the Investment Team's risk management process is applied at the security and portfolio levels, and StonePine's Compliance Department ensures that all portfolios adhere to all the applicable investment objectives and guidelines.

### **Security Level**

We attempt to avoid businesses with what we have identified as excessive leverage, poor economics, aggressive accounting, and weak corporate cultures. The Investment Team also avoids investing in securities where we believe political and regulatory risks are prominent. In addition, the Investment Team stresses patience, and a disciplined approach towards valuation.

## Portfolio Level

At the portfolio level, risk is assessed in terms of industry and geographic risk. In considering industry concentration, the Investment Team focuses on what we believe to be the specific business lines of the companies in the portfolio and the factors affecting their ability to grow their businesses. The Investment Team strives to create a portfolio that is diversified in terms of the investment thesis, pricing power, competitive advantages, end markets, and growth drivers.

We believe that concentrated portfolios of higher-quality, growing companies, managed in a benchmark agnostic fashion, will enable us to offer attractive risk-adjusted returns against the market index. Therefore, our investment philosophy is rooted in buying what we believe are high-quality, growing companies, and building portfolios that focus on diversifying end-consumer risk.

## Material Risks of Our Investment Strategies

While StonePine makes every effort to preserve and grow our client's capital, material risks associated with our investment strategies are described below. Investing involves risk, and all StonePine clients and investors in the Funds should be prepared to bear the risks associated with investing, including total loss of a client or investor's principal investment. The market value of equity securities fluctuates and investing in equity securities, like all investing, involves the risk of loss of principal. Security values may decline for several reasons, including those that relate to the issuer of the security, as well as those that relate to the broader equity markets, general market conditions, governmental policy and/or other matters. StonePine undertakes rigorous analysis to manage these risks; however, there is no guarantee the Investment Team will be able to mitigate or eliminate risks. Clients and investors consider the risks below, in addition to risks in applicable Fund offering documents, before opening an account with StonePine.

- **Investment Style Risk:** StonePine focuses on companies able to consistently generate strong economic returns over the long run, thus compounding shareholder wealth. As part of our process, we form views of the intrinsic value of these companies and make judgments as to the likelihood our expectations will be realized. This quality focus may, from time to time, fall out of favor with investors, cause our investment performance to vary widely from that of the benchmark. We do not expect our Investment Team to deviate from their process, even in challenging market conditions. Even if our assessment of a security is correct, it may take a long period of time for the market to recognize the true value of the security. Our clients should hold a long-term investment horizon. The risk is that our investment style will result in our performance varying from that of the benchmark at certain periods and can be at times lower than that of the benchmark.
- **Key Person Risk:** Nadim Rizk is the founder, CEO, CIO, and Lead Portfolio Manager of StonePine. While Mr. Rizk is supported by the Investment Team, including Andrew Chan, the Firm's Head of Research, Mr. Rizk makes final buy and sell decisions and therefore holds significant influence over the performance of the strategies. In the event of a temporary or permanent absence by Mr. Rizk, the performance of the strategies could be adversely impacted.
- **Market Risk:** Financial markets can suffer from periods of higher than usual volatility. As a result, investment in equity securities involves risks that the portfolio value may be affected by a sudden overall price decline in the financial markets. The prices of equities may drop in reaction to tangible and intangible events and conditions. This type of risk is typically caused by external factors. For example, political, economic, and social conditions may trigger market events that could adversely impact the performance of the portfolio.
- **Concentration Risk:** StonePine manages concentrated portfolios, which results in larger position sizes. A large loss in a significant holding will have a greater impact on the total portfolio return than it would on a more broadly diversified portfolio.

- **Currency Risk:** StonePine's strategies are generally valued in US dollars. Non-U.S. securities that trade in and receive revenues in foreign currencies are subject to the risk that those currencies will fluctuate in value relative to the US dollar.
- **Counterparty Risk:** There is a risk that counterparties will not make payments (or will be unable to make payments) on the securities they issue. Instances of financial difficulty or bankruptcy could result in our counterparties failing to meet their obligations. Any such development could result in damaging losses or even complete loss of investors' capital.
- **Foreign Market Risk:** Many of the securities in which we invest are traded outside of the U.S. The value of foreign securities may fluctuate more than U.S. investments because companies outside of the U.S. are not subject to the same regulations, standards, reporting practices, and disclosure requirements that apply in the U.S. Public information may be limited with respect to foreign issuers and foreign issuers may not be subject to uniform accounting, auditing and financial standards and requirements comparable to those applicable to U.S. companies. Some foreign markets may not have laws to protect investor rights. Political instability, social unrest, government policies, or diplomatic developments in foreign countries could adversely affect the functioning of foreign markets and/or the value of securities traded in such markets. There is a chance that foreign securities may be highly taxed or that government-imposed exchange controls and sanctions may prevent investors from taking money out of the country.
- **Emerging Markets Risk:** StonePine's Global and International (Non-US) Strategies can invest in emerging markets securities. Investments in emerging market countries involve exposure to changes in economic and political factors. The economies of most emerging market countries are earlier in their development, as are their financial markets. This can result in more rapid changes in their political and economic systems and increased volatility of their markets. High inflation and more volatile currency markets are typical examples of the risks of emerging market countries.
- **United States Risk:** Investments in U.S. issuers may be susceptible to economic, political, regulatory, or other events or conditions affecting issuers within the United States. A more prominent political divide has created more potential for market volatility. The government's stances on trade regulations, foreign relations, and domestic tax policy may increase the risks to markets.
- **Liquidity Risk:** While the investment strategies favor large capitalization, highly liquid companies, liquidity can be affected by company specific events, market events and political and economic events. Therefore, there may be periods when securities issued by these companies are difficult to buy or sell, and the value of strategies that buy these securities may rise and fall substantially. Smaller companies may not be listed on a stock market or traded through an organized market. They may be challenging to value because they are developing new products or services for which there is not yet an established market or revenue stream.
- **Smaller Capitalization Issuer Risk:** Generally, StonePine invests in medium to large capitalization companies, however investment guidelines do allow the strategies to purchase smaller capitalization companies. Securities of issuers with relatively small equity market capitalizations may involve greater issuer risk than larger capitalization securities. The markets for such securities may be more volatile and less liquid. Specifically, small capitalization companies often have limited product lines, markets or financial resources and may depend on one person or a few key persons for management. The securities of such companies may be subject to more volatile market movements than securities of larger, more established companies. The securities typically are traded in lower volume and because the issuers typically are more subject to changes in earnings and prospects.

- **Cybersecurity Risk:** StonePine and the companies in which we invest are subject to operational, technology, and information security-related risks (collectively, “cyber risk”). With the increased reliance on technology for purposes of conducting business, cyber risk, and the potential for a disruptive cyber related incident increase. Cyber incidents can result from, for example, deliberate attacks by bad actors (e.g., denial-of-service attacks), unintentional actions or information system or power system failures. Cyber incidents have the potential to cause financial loss, business disruptions, reputational damage, and violations of law, among other things, all of which can adversely impact the value of a client’s portfolio. While StonePine has established a business continuity plan in the event of a cybersecurity breach as well as risk management strategies, systems, policies, and procedures that to seek to prevent, cybersecurity breaches, there are inherent limitations in such plans, strategies, systems, policies, and procedures including the possibility that certain risks have not been identified. Furthermore, StonePine and its clients cannot control the cybersecurity plans, strategies, systems, policies, and procedures put in place by other service providers to the clients and/or the issuers in which clients invest.
- **Force Majeure Risk:** StonePine and the companies in which we invest are subject to risks related to natural and man-made disasters and catastrophes, such as a tornado, hurricanes, earthquakes, diseases, epidemics, pandemics, terrorist acts and climate change, which could adversely affect our business and/or the issuers in which we invest. The COVID-19 pandemic is a recent example of these risks and one which challenged global markets and our operations. Any of these events could have an adverse effect on our or an issuer’s ability to conduct business and/or its respective future business prospects, which could adversely impact the value of a client’s portfolio. These events may also force employees to work from home from time to time resulting in reliance on external sources for information and technology systems for their business-related communications and information sharing, that business will likely be more vulnerable to cybersecurity incidents and cyberattacks and could have more difficulty resuming normal operations in the event it is the target of such incident or attack (refer above to **Cybersecurity Risk**).
- **Inflation Risk:** Certain investments are subject to inflation risk, which is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money (i.e., as inflation increases, the values of assets can decline). Inflation rates can change frequently and significantly as a result of various factors, including unexpected shifts in the domestic or global economy and changes in economic policies, and a client’s investments might not keep pace with inflation, which can result in losses to investors.
- **Financial Institution Risk:** Actual events involving reduced or limited liquidity, defaults, non-performance, or other adverse developments that affect financial institutions or other companies in the financial services industry, including banks and other custodians of an investor’s funds and securities, or impact the financial services industry generally, as well as concerns or rumors about any events of these kinds, have in the past and may in the future lead to market-wide liquidity problems, defaults on financial obligations, non-performance of contractual obligations, and other adverse impacts on these financial institutions, investors that deposit funds and securities at these institutions, lenders and borrowers of these institutions, and other companies in the financial services industry. For example, on March 10, 2023, Silicon Valley Bank, was closed by the California Department of Financial Protection and Innovation, which appointed the Federal Deposit Insurance Corporation as receiver. Investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult to acquire financing on acceptable terms or at all. Any decline in available funding or access to cash and liquidity resources could, among other risks, adversely impact the ability to meet operating expenses, satisfy financial

obligations, liquidate portfolio holdings, withdraw capital, or fulfill other obligations, or result in breaches of financial and/or contractual obligations. Any of these impacts, or any other impacts resulting from the factors described above or other related or similar factors not described above, could have material adverse impacts on portfolio holdings, investment performance, or the Firm's business operations.

## **Item 9. Disciplinary Information**

Neither StonePine nor any of its management persons have any disciplinary events that are reportable under this Item 9.



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

StonePine is not affiliated with any other financial institutions or industry organizations.

StonePine is not a broker-dealer and is not affiliated with a broker-dealer. In the future, certain StonePine employees may be registered with FINRA, which would require StonePine to create a broker-dealer or enter into an agreement with a separate broker-dealer.

StonePine and its management persons are not registered as and do not have any application to register as a futures commission merchant, commodity pool operator, commodity trading advisor or an associated person of the forgoing entities.

StonePine organizes and sponsors the Funds, which are private investment companies. These pooled investment vehicles managed by StonePine are controlled by affiliated entities (“Affiliated Entities”). StonePine or the Affiliated Entities will be responsible for all decisions regarding portfolio transactions of the Funds and have full discretion over the management of the Funds’ investment activities. While the Affiliated Entities are not separately registered as investment advisers with the SEC, all of their investment advisory activities are subject to the Investment Advisers Act of 1940, as amended (the “Advisers Act”) and the rules thereunder. In addition, employees and persons acting on behalf of the Affiliated Entities are subject to the supervision and control of StonePine. Thus, the Affiliated Entities, all of its employees and the persons acting on its behalf would be “persons associated with” the registered investment adviser so that the SEC could enforce the requirements of the Advisers Act on the Affiliated Entities.

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

StonePine has a written Code of Ethics that is applicable to our Directors and Employees (including certain contractors and consultants). We adopted the Code of Ethics in accordance with Rule 204A-1 under the Advisers Act.

This Code of Ethics focuses on the high level of professional ethics incumbent on all StonePine's Directors and Employees in the performance of their duties. The Code of Ethics has been approved by StonePine's senior management.

A copy of the Code of Ethics will be provided to all new Directors and Employees upon joining the company. All Employees and Directors must confirm adherence with the Code of Ethics on an annual basis. StonePine must also ensure that a comparable code governs any external advisors or consultants.

StonePine's objective is to emphasize the honesty, transparency, integrity, professionalism, and confidentiality that must prevail at each level of the Corporation to ensure that the interests of its clients, shareholders and/or unitholders of the funds that it manages and of any other stakeholders, remains the Firm's top priority.

The measures expressed in this Code of Ethics are designed to protect StonePine's clients, the Firm's reputation, and its Employees and Directors. All persons covered by this Code of Ethics must act with fairness and integrity under all circumstances during their employment and with regard to specific matters after its termination.

StonePine will also provide a copy of this Code of Ethics to its clients, prospective clients, Fund investors, and to any other stakeholders upon request.

The Code of Ethics does not cover all situations that could occur. Directors and Employees are to be cautious at all times. For any additional information relating to the Code of Ethics and its application, please contact StonePine's Chief Compliance Officer [compliance@stonepineam.com](mailto:compliance@stonepineam.com).

The Code of Ethics is a supplement to the applicable laws and regulations. Whenever a discrepancy between the law and the Code of Ethics should exist, the more restrictive provisions will prevail.

This Code of Ethics includes the following policies of StonePine (the "**Policies**"):

- Standards of Business Conduct
- Compliance with Applicable Securities Laws
- Insider Trading Policy
- Personal Securities Transactions and Reporting Policy
- External Activities and Conflict of Interest Policy
- Gifts and Entertainment Policy

A breach of any of the Policies hereinabove mentioned is considered a breach of this Code of Ethics. By completing a Compliance Certificate, Directors and Employees acknowledge and agree to be bound to the Code of Ethics and its Policies, as applicable.

StonePine has adopted the Personal Trading Policy, which governs Employees' trading. This policy prohibits insider trading and explains the responsibilities and obligations of Employees regarding confidentiality and timely disclosure when trading securities.

StonePine, its employees and affiliates may give advice or take action for their own accounts that differ from, conflict with or be adverse to advice given or action taken for clients. These activities may adversely affect the prices and availability of other securities or instruments held by or potentially considered for one or more clients.

StonePine's directors, officers and employees may from time to time make personal investments in securities or instruments in which StonePine invests its clients' assets. In addition, StonePine's personnel may invest in eligible Funds of their choosing and are not required to invest in all Funds. Neither StonePine nor its personnel are required to keep any minimum investment in any of the Funds. Potential conflicts also may arise due to the fact that StonePine and its personnel may have investments in some Funds, but not in others or have different levels of investments in the various Funds.

StonePine, its affiliates and its personnel serve as investment advisers and investment managers to multiple clients. It is StonePine's policy to allocate investment opportunities among all clients fairly, to the extent practical and in accordance with each client's applicable investment strategy, over a period of time. StonePine, its affiliates and its personnel may take action or give advice with respect to certain clients that differs from the advice given to other Clients and will have no obligation to purchase or sell a security for, enter into a transaction on behalf of, or provide an investment opportunity to any client solely because StonePine purchases or sells the same security for, enters into a transaction on behalf of, or provides an opportunity to any client if, in its reasonable opinion, such security, transaction or investment opportunity does not appear to be suitable, practical or desirable for the client. StonePine, its affiliates and its personnel will devote as much time to the activities of each client as they deem necessary and appropriate, and the amount of time devoted to different clients varies.

## **Item 12. Brokerage Practices**

### **The Selection of Broker-Dealers for Client Transactions**

StonePine maintains procedures for determining which brokers and counterparties are selected for use in specific purchase or sale transactions to obtain best execution. These procedures determine which brokers and counterparties are selected for the Firm's approved broker/counterparty list. The qualitative criteria may include, but is not limited to:

- Perceived broker-dealer creditworthiness.
- Verification of the ability to trade.
- Legal and regulatory history or issues.
- Use of technology and other special services.
- Reputation and perceived financial stability of the broker.
- Value of any research provided including general research as well as transaction specific research.
- Nature and value of corporate access provided.
- Availability of alternative electronic crossing networks.
- Total cost of the execution.
- Competitiveness of commission rates and spreads.
- Broker's ability to execute block trades and odd lots.
- Accuracy of recommendations on particular securities.
- Broker's overall responsiveness, reliability, and integrity.
- The traders' experience with a particular broker, including the frequency of trading errors.
- The broker-dealers back-office capability to efficiently handle trading activity especially in volatile or high-volume markets.
- How prior execution compares relative to other brokers in the marketplace.

### **Research and Other Soft Dollar Benefits**

Subject to StonePine's Best Execution policy and Soft Dollar Policy, we accept proprietary research and corporate access that is provided to the Firm by certain broker-dealers to which we direct trades on behalf of our clients in a manner consistent with the "safe harbor" requirements of Section 28(e) of the Securities Exchange Act of 1934.

When StonePine uses client brokerage commissions to obtain research and other soft dollar benefits, we receive a benefit because we do not have to produce or pay separately for these benefits. Conflicts of interest arise as a result whereby StonePine has an incentive to select broker-dealers based on its interest in receiving proprietary research, corporate access, or other services, rather than on client's interest in receiving most favorable execution.

StonePine has an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution.

StonePine uses soft dollar benefits to service all of its client accounts and does not seek to allocate soft dollar benefits based on the client that paid for them.

Proprietary research provided by brokers-dealers may include, but is not limited to, information on the economy, industries, groups of securities, individual companies, statistical information, accounting and tax law interpretations, political developments, legal developments affecting portfolio securities, technical market action, pricing and appraisal services, credit analysis, risk measurement analysis, performance analysis and analysis of corporate responsibility issues. Such research services are received primarily in the form of written reports, telephone contacts, personal meetings with securities analysts, and specialized seminars and conferences. StonePine will also use soft dollars to pay for other research related expenses including expert networks.

On a quarterly basis, StonePine's Trading Management Oversight Committee meets to review commissions paid to each broker-dealer and evaluates whether the commissions paid are appropriate and provide reasonable benefit to clients considering execution and services received from its broker-dealers. StonePine shall provide to any client who requests a report detailing the names of all dealers and third parties that provide research goods and services pursuant to a soft dollar arrangement. Please see the contact information in this disclosure document in order find out more information and make a request.

### **Brokerage for Client Referrals**

When selecting a broker-dealer to execute our clients' transactions, we do not consider whether we or any of our related persons receive client referrals from that broker-dealer or any of its related entities. Best execution is our priority in selecting broker-dealers as well as the criteria described in the above section.

### **Directed and Restricted Brokerage**

StonePine can direct or restrict brokerage for separately managed account clients at the client's written request and subject to StonePine's best execution policies.

From time to time, a Managed Account may designate a particular broker-dealer to effect transactions. When this occurs, StonePine's ability to obtain best execution may be impaired and the separately managed account may not obtain best execution. In addition, separately managed accounts that designate a particular broker-dealer may not receive efficiencies that are available to other clients (including Funds) that participate in an aggregated trade. Orders directed to a particular broker-dealer shall be entered after StonePine places its orders for clients who have not designated a particular broker-dealer, and StonePine assumes no responsibility for any adverse consequences that may occur as a result from the use of a designated broker-dealer.

### **Trade Aggregation and Allocation**

StonePine shall avoid any unfair treatment in the investment process and shall make every effort to treat all clients in a fair and equitable manner. Accurate records are kept for trades and client account positions.

StonePine allocates trades to its clients generally on a pro-rata basis subject to clients' investment suitability. Trades are allocated pro-rata based on the market execution across each account based on the relative proportion of each account's participation in the open quantity of the order. Trades may also be allocated based on the asset size of each account (the "Pro-Rata Rule"). This process applies as well to orders placed in a fashion generally known as "block orders" (that is, when the order for one Client is entered concurrently with orders of other clients) or as well to "bunch orders" (that is, where the order is for a basket of securities for one or more Client's accounts) and as well in the event of a partial fill.

StonePine does not include orders for its own account and/or its employees' accounts.

The Pro-Rata Rule is also encouraged when allocating initial public offerings and private placements, as well as for partially filled orders.

## **Exceptions to the Pro Rata Rule**

While managing several accounts, there arise occasions when the quantity of a security available at the same price is insufficient to satisfy the requirements of every client, or the quantity of a security to be sold is too large to be completed at the same price. Similarly, new issues of a security may be insufficient to satisfy the total requirements of all clients. Under such conditions, as a general policy, and to the extent that no client will receive preferential treatment, purchases or sales will be allocated to client accounts in a manner similar to one of the following:

- Based on the relative proportion of each account's participation in the order
- Pro-rata by asset size of each account
- Alphabetical and/or Numerical

There may be circumstances where the automatic pro-rata apportionment will be inappropriate. Should such a circumstance arise, an allocation will be determined by StonePine on a fair and reasonable basis. In making the determination, StonePine shall consider, among other things:

- The potential investment needs of the participating client accounts
- The appropriateness of the investment to a portfolio's style, investment objectives, and risks
- Whether the investment fits more closely to the client account's industry or investment specialization or region of investment and the significance of the order in relation to the size of the account
- Existing levels of portfolio ownership in the intended investment and in similar types of companies.

If a non-pro-rata allocation is made, StonePine will document the reasons for such decision and the methodology chosen.

Whichever method is chosen, it must be followed in the future where similar conditions exist. Where it is impossible to ensure complete fairness, despite following these guidelines, every effort shall be made by StonePine to compensate at the next opportunity in order that every client, large or small, over time, receives equitable treatment in the filling of orders.

## **Transaction Costs**

StonePine also focuses on allocating fills at the same average price for all clients taking part in a trade. However, StonePine cannot guarantee allocation at the average where differences are not material. The same principle applies to commissions paid by clients.

Transaction costs are real and have an impact on overall investment performance. In allocating trades, portfolio managers must use their judgment to balance, on the one hand, the need to minimize transaction costs and, on the other, the desire to ensure fair allocation. Portfolio managers will focus on achieving this balance in a consistent manner.

## **Trade Errors**

Errors may occur during the trading process, operations process, and client service process; these types of errors are considered "trade errors". As a fiduciary, StonePine has the responsibility to effect orders correctly, promptly and in the best interests of its clients. In the event any trade error occurs in the handling of any Client transactions, due to StonePine's actions, or inaction, StonePine's policy is to:

- 1) Correct the error as soon as practicable and in such a manner that the client will be in the same position they would have been if the error had not occurred.

- 2) Notify the client of such error in case of material breach.
- 3) Maintain a record of all trade errors, the action taken to correct them, and the suggested remediation plan.

If errors are caused by third parties, the Firm is not responsible for errors that it can show were the fault of third parties. However, if the Firm identifies such an error, it will undertake the following:

- 1) Work with the third party to analyze the causes and impacts of the error.
- 2) Ask the third party to correct the error as soon as practicable.
- 3) Consider taking reasonable steps to seek reimbursement for the affected clients if the error resulted in losses.
- 4) Notify the affected client if appropriate.
- 5) Consider the matter as part of the next best execution or counterparty review

### **Item 13. Review of Accounts**

All portfolios are monitored by the portfolio managers and the compliance department to ensure compliance with the respective prospectus, offering document, or client investment management agreement governing the account relationship. Our monitoring process is intended to ensure that all accounts are managed in accordance with applicable investment guidelines and restrictions. Any noted exceptions are communicated to the investment team, which works with the compliance department to resolve any issues.

Clients are provided account statements directly by their chosen custodian on at least a quarterly basis. We provide a written customized appraisal or report that includes information such as portfolio evaluation, account holdings, asset allocation, relative benchmark weights at least quarterly. Confirmation of security purchases and sales are typically provided to clients directly by their respective custodians within a few days of each transaction.

Reviews of accounts occur daily as part of the portfolio management process but will also be triggered if a client notifies StonePine of any changes in its investment objectives or changes to its governing documents that impact its investment approach. All clients are encouraged to discuss their needs, goals, and objectives with us and to keep us informed of any changes in their financial circumstances or investment needs, and are reminded periodically to do so, to the extent required by applicable law.

Investors in the Funds will be provided with annual audited financial statements prepared in accordance with U.S. GAAP.



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

StonePine may compensate employees or other firms for distribution and referral services. Third-party referral agents may receive a percentage of the advisory fee paid to us by clients who are solicited pursuant to written agreements between the referral agent and StonePine. Presently, StonePine does not currently compensate third-party firms for distribution and referral services.

## **Item 15. Custody**

StonePine is not a custodian nor a broker-dealer. Separately managed clients' accounts are held in custody by broker-dealers or banks that are not affiliated with us. Account custodians generally provide statements directly to the account owners on at least a quarterly basis. We also send reports directly to clients on at least a quarterly basis. Clients should carefully review their account custodians' statements and should compare these statements to any account information we provide.

StonePine does not maintain physical custody of client assets. However, SMA clients can elect to have StonePine deduct advisory fees directly from their accounts, as described in Item 5 above. For those accounts for which StonePine can directly deduct advisory fees, StonePine is deemed to have "custody" as defined in Rule 206(4)-2 under the Advisers Act (the "Custody Rule").

StonePine does not maintain physical custody of the Fund assets. However, StonePine is deemed to have "custody," as defined Custody Rule, of the Funds' assets because StonePine's fully owned subsidiary serves as the Managing Member of the Funds and has authority to deduct fees directly from the Funds. The Funds are subject to an annual audit by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board, and the audited financial statements are distributed to each Investor. The audited financial statements will be prepared in accordance with generally accepted accounting principles and distributed within 120 days of each Fund's fiscal year end.

## **Item 16. Investment Discretion**

StonePine retains investment discretion over most clients' accounts. Our discretionary authority is set forth in a written investment management agreement between each client and us or in a sub-advisory agreement. Clients can place reasonable restrictions on our investment discretion. For example, a client may have restricted securities "screens" based on the issuer's industry, country, or products. Any guidelines or restrictions applicable to an account are typically set forth in the client's investment management agreement or related investment policy statement and/or investment guidelines.

StonePine's investment decisions and advice with respect to each Fund are subject to the Fund's investment objectives and guidelines, as set forth in its offering documents.

## **Item 17. Voting Client Securities**

StonePine votes proxies of companies owned by clients who have granted us voting authority. Clients may choose not to give us proxy voting authority. In accordance with our fiduciary duty to clients and in compliance with Rule 206(4)-6 of the Advisers Act, we have adopted and implemented written policies and procedures governing the voting of client securities where we have this authority. All proxies that we receive are treated in accordance with these policies and procedures. The Chief Compliance Officer is responsible to ensure the establishment and annual review of these guidelines. A StonePine client or investor can obtain a copy of StonePine's proxy voting policies and information on how StonePine voted proxies on behalf of such client upon request [info@stonepineam.com](mailto:info@stonepineam.com).

### **Objective**

StonePine will exercise its voting rights to maintain the highest standard of corporate governance, sustainability of the business, and practices of the companies whose shares are held. High standards are necessary for maximizing shareholders' value as well as protecting the economic interest of shareholders. Proxy voting is a key element of StonePine's integration of environmental, social, and governance ("ESG") factors in the investment process. The intent is to provide and communicate StonePine's guidelines for the exercise of voting rights addressing ESG issues.

### **Governing Principles**

Our mandate as an investment manager is to generate the best returns possible within the risk constraints of each individual investment policy. Within this framework, financial criteria should take precedence over any other factors at all stages of the investment process, including security selection, portfolio construction, and proxy voting.

ESG issues are taken into consideration in our fundamental research to the extent that they are material to the financial performance of the company. These guidelines are not absolute, and each company's individual circumstances must be weighed at the time of the vote, in particular for companies with unique characteristics (size, stage of development, access to required resources, etc.). Considerations should include the impact of any proposal on the company's value and operating capacity without unduly restricting the flexibility of the board of directors or burdening the board with obligations that are outside the scope of the company's mission.

Considerations will also be given to the reasonableness of the costs/benefits of proposals. While StonePine will generally vote proxies in accordance with the voting guidelines specified in the Firm's proxy voting guidelines, there may be circumstances where StonePine believes it is in the best interests of the shareholders to vote differently than the manner contemplated by the guidelines, or to withhold a vote or abstain from voting. In such cases, StonePine shall document the rationale when voting differently than the guidelines would indicate and will ensure that no conflicts exist.

## **Item 18. Financial Information**

StonePine has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

StonePine does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance.