

## Part 2A of Form ADV: Ikarian Capital, LLC Brochure

### Item 1 Cover Page

March 31, 2023

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This brochure provides information about the qualifications and business practices of Ikarian Capital, LLC (“**Ikarian**” or the “**Adviser**”). If you have any questions about the contents of this brochure, please contact us at (214) 276-0670. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “**SEC**”) or by any state securities authority.

Ikarian Capital, LLC is an SEC registered investment adviser firm. Registration of an investment adviser does not imply any level of skill or training.

This brochure does not constitute an offer to purchase any securities of any entities described herein. Any such offer or solicitation will be made solely to qualified investors by means of a private placement memorandum and related subscription materials.

Additional information about Ikarian Capital, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 Material Changes

Ikarian has prepared this Part 2A of Form ADV (this “**Brochure**”) dated March 31, 2023 in connection with the annual updating amendment of its Form ADV. This Brochure replaces Ikarian’s last Brochure dated March 31, 2022. Since the last annual update, the following material changes to the Brochure have occurred:

Item 4 was amended:

- To update the advisory firm description with the retirement of Chart Westcott from his management positions. Mr. Westcott continues to remain an owner of Ikarian.

Item 5 was amended:

- To update the description of and reference certain potential additional expenses associated with Ikarian’s advisory services.

Item 8 was amended:

- To update the description of and provide clarification around the principal investment strategy associated with Ikarian’s advisory services.
- To update and include additional and revised risk factor disclosures.

This Brochure has also been amended to incorporate conforming changes and updates to the offering documents of clients and Ikarian’s policies and procedures, in addition to certain changes for clarification purposes.

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#### Item 4 Advisory Business

- A. **Advisory Firm Description.** The Adviser is a Delaware limited liability company and has its principal place of business in Dallas, Texas. The Adviser was formed in 2015 by its founders, Neil Shahrestani and Chart Westcott. Vikram Khanna joined the Adviser prior to the launch of its business and is also considered a co-founder. Chart Westcott retired from his managerial positions at the Adviser in 2022, but the principal owners continue to be (directly or indirectly) Neil Shahrestani and Chart Westcott.
- B. **Advisory Services Offered.** The Adviser provides discretionary investment advisory services to clients structured as (i) private investment funds comprised of sophisticated, qualified investors, including but not limited to, high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions (each, a “**Fund**” and together, the “**Funds**”); and (ii) separately managed accounts generally organized for the benefit of private investment funds for which the Adviser acts as a sub-adviser, but that may also be beneficially owned directly by high net worth individuals, retirement plans, trusts, partnerships, corporations or other institutions (each, a “**Separate Account**” and together, the “**Separate Accounts**” and, collectively with the Funds, the “**Clients**”). The Funds are generally organized in a master-feeder structure in which the master fund is a Cayman Islands exempted limited partnership, and the feeder funds include a U.S.-domiciled feeder fund organized as a Delaware limited partnership and a non-U.S. domiciled feeder fund organized as a Cayman Islands exempted company. The feeder funds invest all or substantially all of their assets in, and conduct their investment activities indirectly through, the master fund. *See* Item 7 “Types of Clients” of this Brochure for additional discussion on types of Clients and investors therein.
- The Adviser seeks to generate consistently high, risk-adjusted returns for its Clients that are uncorrelated to the broader market. The Adviser seeks to achieve this objective primarily by employing a fundamental approach to identify investment themes across the biotechnology and pharmaceutical sub-sectors. *See* Item 8 “Methods of Analysis, Investment Strategies and Risk of Loss” of this Brochure for additional information on the Adviser’s investment strategy.
- C. **Tailored Advisory Services.** While each of its Clients follows the general investment objective and strategy stated above, the Adviser provides specific advisory services with respect to each Client based on the particular investment objectives and strategies described in the applicable Client’s (i) confidential offering memorandum or separate account agreement (as applicable) and (ii) governing documents (referred to collectively as “**Offering Documents**”), and not in accordance with the individual objectives of any particular underlying investor or beneficial owner of a Client. The Offering Documents of the Funds generally contain no restrictions on investing in any type of security. However, the Offering Documents of the Separate Accounts generally do set forth certain specific investment guidelines and parameters that have included restrictions on investing in (or limiting exposure to) certain types of securities, which can result in disparate performance compared with other Clients employing a similar investment objective and strategy.
- D. **Wrap Fee Arrangements.** The Adviser does not participate in wrap fee agreements.
- E. **Amount of Client Assets.** As of December 31, 2022, the Adviser’s regulatory assets under management were \$375,072,066.10 in discretionary assets and \$0.00 in non-discretionary assets.

**All information in this Brochure with respect to the investment objective and strategy of any Client of the Adviser (or any other term applicable to a specific Client) is qualified in its entirety by reference to the Offering Documents of such Client. There can be no assurance that any Client will achieve its investment objective or that an investment in any Client will be profitable.**

## Item 5 Fees and Compensation

- A. **Advisory Services Compensation.** Below is a discussion of how the Adviser is compensated in connection with providing advisory services to its Clients. The Adviser may enter into different fee arrangements on a Client-by-Client basis.

### **Advisory Fees Related to Funds**

*Management Fees.* For its advisory services to the Funds, the Adviser is entitled to a management fee (the “**Management Fee**”) at an annual rate of (i) one and a half percent (1.5%) with respect to each investor’s account attributable to Founders Class interests and two percent (2.0%) with respect to each investor’s account attributable to Class B interests. The Management Fee is calculated and paid each calendar month in advance. In the event of a full withdrawal by an investor who has elected to participate in Special Investments (as defined in Item 8 of this Brochure), a portion of the withdrawal proceeds will be held back to pay for Management Fees expected to be earned over the life of any applicable Special Investments (the “**Management Fee Reserve**”). Upon the realization or deemed realization of a relevant Special Investment, any unused Management Fee Reserve associated with such Special Investment will be paid to such investor. In the event the Management Fee Reserve is insufficient to pay for Management Fees with respect to an investor’s interests in Special Investments, an annual statement will be invoiced to such investor providing for the payment of the Management Fee with respect to such investor’s interests in such Special Investments.

*Performance Allocations.* Additionally, an affiliate of the Adviser is entitled to a performance-based profit allocation (the “**Performance Allocation**”) at the end of each calendar year equal to fifteen percent (15%) with respect to each Founders Class account and twenty percent (20%) with respect to each Class B account of the net profits attributable to each investor’s interest in a Fund, but only to the extent that such profits exceed any losses carried forward from prior years. Net profits include unrealized appreciation or depreciation of portfolio positions, but generally include only realized amounts in the case of any Special Investments (as defined in Item 8 of this Brochure).

A Performance Allocation will also be calculated and allocated using the same methodology described above with respect to withdrawn capital as of any date of withdrawal with respect to an investor. In the event of a partial withdrawal, the amount of losses carried forward from prior years (if any) will be reduced in proportion to the amount withdrawn. With respect to an investor who has fully withdrawn from a Fund (other than such investor’s interest in any Special Investments), a Performance Allocation with respect to a realized Special Investment will be charged as of the date of the realization or deemed realization of such Special Investment.

The Performance Allocation may be calculated and allocated separately for each capital contribution or subscription by an investor in a Fund.

The Management Fee and Performance Allocation set forth in a Fund’s Offering Documents are generally not negotiable. However, the Adviser has agreed and may agree with certain investors to a variation or waiver of the Management Fee, Performance Allocation and/or other terms set forth in a Fund’s Offering Documents.

### **Advisory Fees Related to Separate Accounts**

*Management Fees.* The Management Fee associated with advisory services performed for a Separate Account is negotiated with each account and specified in each account's Offering Documents. Management Fees may be payable on a monthly or quarterly basis and may range up to two percent (2.0%) per annum of an account's asset value, but have been typically structured at more favorable rates than other types of Clients based on account size and/or other factors. Management Fees have also been calculated and payable on a notional account value or as a "draw" against performance fees.

*Performance Fees.* The Adviser is generally also entitled to a performance-based fee for its advisory services to a Separate Account (the "**Performance Fee**"), which may be payable as of the end of each calendar quarter or year. Performance Fee rates and terms associated with the Separate Accounts are negotiated with each account and specified in each account's Offering Documents. Separate Accounts may be charged a Performance Fee of up to twenty four percent (24%) per annum of the net profits generated by the account, but generally only to the extent that such profits exceed any losses carried forward from prior years. In unique circumstances, a Separate Account has paid, or may pay, a higher Performance Fee in exchange for a reduction in, or in lieu of, a Management Fee.

- B. Payment and Timing of Fees.** Management Fees and Performance Allocations due from the Funds are deducted directly from the underlying investors' accounts and Management Fees and Performance Fees due from the Separate Accounts are payable upon invoice to the account holder, in each case, at the times indicated in Item 5.A. above and as set forth in the Offering Documents of the applicable Client.
- C. Other Fees and Expenses.** Each Client pays or reimburses the Adviser or its affiliates for other fees and expenses associated with such Client's operations as set forth in the Offering Documents of such Client. A summary of such other fees and expenses is provided below.

*Withdrawal Fees.* Investors in a Fund who withdraw all or part of their investment before the twelve (12) month anniversary of the date of their investment are generally required to pay a withdrawal fee, for the benefit of the master fund in the Funds' master-feeder structure described in Item 4 of this Brochure, equal to four percent (4%) of the aggregate amount withdrawn.

*Organizational Expenses.* A Fund bears, and reimburses the Adviser and its affiliates for, all costs, fees and expenses incurred in connection with the formation and organization of a Fund (including legal and accounting fees).

*Fund Expenses.* Other fees and expenses charged by a Fund include all fees, costs and other expenses incurred in connection with the business, activities, operations and investments of a Fund including, without limitation, the following categories of expenses: (a) a feeder fund's proportionate or allocable share of the master fund's expenses and costs; (b) all expenses incurred in connection with a Fund's offering, including, but not limited to, marketing and offering expenses (including subscriptions to investor databases and attendance at allocator conferences), travel (including the cost of first class or business class commercial airfare), meal, lodging, entertainment expenses in connection with marketing or offering of Fund interests to existing and prospective investors or otherwise in connection with offering interests,

documentation of performance and the admission of investors; (c) all operating and administrative expenses relating to the operation and business of a Fund such as tax preparation fees (including, without limitation, any such fees related to the preparation of tax returns and Schedule K-1s, if applicable), governmental fees and taxes (or any other governmental charges levied against a Fund), Fund administrator fees, custodial and prime brokerage expenses and fees, communications with investors and ongoing legal, accounting, auditing, administration, appraisal, bookkeeping, consulting and other professional fees and expenses, including for litigation, and preparation of a Fund's financial statements and reports; (d) all Fund costs, expenses and charges incurred in connection with the investment and trading activities of a Fund (e.g., brokerage commissions, mark-ups, margin interest, expenses related to short sales, custodial fees, clearing and settlement charges and other transaction costs to brokers and expenses relating to or in respect of middle office support services); (e) legal, professional and other advisory and consulting expenses incurred in connection with investment due diligence and negotiation, monitoring or the assertion of rights or pursuit of remedies (including, without limitation, pursuant to bankruptcy or other legal proceedings, or participation in informal committees of creditors or other security holders of an issuer); (f) all fees and other expenses incurred in connection with the investigation, prosecution or defense of any claims by or against a Fund; (g) interest on, and fees and expenses arising out of, all borrowings made by a Fund; (h) expenses of any meetings of or reports to the investors or existing or prospective investor communications, notices or letters (including any investor relationship management and portfolio analytics platforms or software associated therewith); (i) costs of compliance with applicable laws and regulations of governmental and self-regulatory bodies, including costs incurred by the Adviser and its affiliates in complying with applicable laws and regulations that apply to any such entities as a result of their services to a Fund; (j) the costs of any litigation and indemnification relating to the affairs of a Fund; (k) fees and expenses related to third-party research, publications, data and data services (including pricing services) (such as Bloomberg services), including research provided by banks, brokerage firms and other vendors (regardless of the mechanism used to pay for such research), expert matching services, news services, business and political analysis services, due diligence and other investigative services, pricing feeds (including real-time pricing and historical pricing and other data) and a wide range of other data, including data about markets, financial instruments, issuers and other inputs into models or systems; (l) a Fund's expenses associated with forming and maintaining the legal existence of a Fund, including directors' fees, administrators' fees and other operating costs; (m) investment, operations, portfolio and trading-relating software, including trade order management software (i.e., software used to route trade orders) and related connectivity costs; (n) all expenses and costs incurred in connection with any regulatory or legal filings (or registrations) required to be made with respect to a Fund), such as Form PF, but excluding expenses related to preparation of the Adviser's Form ADV; (o) expenses attributable to compliance with the European Union Alternative Investment Fund Managers Directive, anti-money laundering laws, know-your-customer requirements and the Foreign Account Tax Compliance Act and Common Reporting Standards regimes; (p) all fees and expenses incurred in connection with obtaining and maintaining an insurance policy or policies for a Fund, the Adviser, and their officers, principals, affiliates, and partners; (q) travel expenses and other costs incurred in connection with the business and investment activities of a Fund, such as attendance at broker-sponsored and similar industry conferences, and the investment due diligence process (including, without limitation, transportation (including the cost of first or business class airfare), meals, lodging, international data and roaming, entertainment and incidentals); and (r) all other reasonable expenses related to the management and operation of a Fund and/or the purchase, sale or disposition of a Fund's interests, including, in the case of any expenses directly



related to a Fund's and one or more of its related funds' investments, any portion of any such joint expenses that the Adviser or its affiliates determines are properly and ratably allocable to a Fund.

*Separate Account Expenses.* Expenses associated with a Separate Account are negotiated with each account holder and specified in each account's Offering Documents. Separate Account expenses vary, but generally include all brokerage and other transaction costs related to portfolio positions held in the account and may also include a limited sub-set of the other types of expenses borne by a Fund as set forth above.

*Brokerage and Other Transactions Costs.* As set forth above, Clients will incur brokerage and other transaction costs. See Item 12 "Brokerage Practices" of this Brochure for a discussion on how the Adviser selects brokers and determines the reasonableness of their compensation.

*Expense Allocation.* To the extent an expense is incurred on behalf of or with respect to more than one Client (as determined by the Adviser or its affiliates in their discretion) and the Offering Documents of such applicable Clients permit such expense to be charged or allocated to or among such Clients, such expense will generally be allocated among such Clients in proportion to their respective net asset values, in proportion to the size of the investment made by each, or in such other manner deemed to be appropriate by the Adviser or its affiliates in their discretion. Notwithstanding the foregoing, the Adviser or its affiliates may utilize a variety of methodologies to allocate expenses, depending on the applicable facts and circumstances, which may take into account or consider such factors or considerations deemed relevant or appropriate by the Adviser or its affiliates in their discretion.

Clients are reliant on the Adviser and its affiliates to determine the allocation of investment expenses and any common or joint expenses as between or among one or more applicable Clients and/or the Adviser and its affiliates. Such expense determinations and allocations give rise to a conflict of interest for the Adviser and its affiliates because of the inherent incentive to minimize expenses payable by the Adviser and its affiliates. Expense allocation determinations have resulted and may result in instances where a particular Client or group of Clients pays or bears all or a disproportionate share of certain costs and expenses relative to the benefits received or as compared to one or more other Clients or the Adviser and its affiliates. Certain expenses borne or paid by Clients or a group or subset of such Clients may directly or indirectly benefit the Adviser and its affiliates, and/or one or more other Clients (who may or may not be required to bear any or all of such expenses). See "Conflicts of Interest – Expense Allocation" under Item 10.C. of this Brochure.

- D. Refund of Fees in Connection with Fund Investor Withdrawal or Client Termination.** As stated above, Fund Management Fees are payable monthly in advance. Investors are generally permitted to withdraw their investment in a Fund (other than the portion (if any) of their investment allocated or attributed to Special Investments (as defined in Item 8 of this Brochure) as of the close of business on the last day of any calendar quarter with forty-five (45) days prior written notice. In the event of a withdrawal by a Fund investor or termination of a Separate Account prior to the date covered by the pre-payment of a Management Fee, a pro rata portion of the Management Fee, based on the number of days remaining in the billing period, shall be refunded by the Adviser to the investor or account holder in accordance with the applicable Offering Documents.

In the event of a full withdrawal by an investor in a Fund who has elected to participate in Special Investments, a portion of the withdrawal proceeds will be held back to pay for Management Fees expected to be earned over the life of any applicable Special Investments (the “**Management Fee Reserve**”). Upon the realization or deemed realization of a relevant Special Investment, any unused Management Fee Reserve associated with such Special Investment will be paid to such investor.

- E. Compensation for the Sale of Securities.** Neither the Adviser nor any of its supervised persons receives any compensation from the sale of securities or other investment products.

**All information in this Brochure with respect to the fees and expenses of any Client of the Adviser (or any other term applicable to a specific Client) is qualified in its entirety by reference to the Offering Documents of such Client.**

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

As described in Item 5 above, the Adviser or its affiliates generally receives a performance-based fee or allocation from all Clients, which is generally calculated on a basis that includes unrealized gains as well as realized gains. These fees are subject to Section 205(a)(1) of the Investment Advisers Act of 1940, as amended, in accordance with the available exemptions thereunder, including the exemption set forth in Rule 205-3, which requires that performance-based fees only be charged to “qualified clients” (as such term is defined in Rule 205-3). Performance-based fees, in general, create an incentive for the Adviser to make investments that are riskier and more speculative than would be the case in the absence of a performance-based fee. Employees of the Adviser who are compensated to some extent based upon Client trading profits for which they are responsible face the same potential conflict of interest.

As discussed throughout this Brochure, the Adviser manages multiple Clients with similar investment strategies on a side-by-side basis. Different types of Clients pay varying levels of fees, including performance-based fees, as disclosed in Item 5 above. In addition, the Adviser, its affiliates and employees have different ownership interests in the Clients. The Adviser and its employees face conflicts of interest that arise out of managing Clients at the same time with varying fee arrangements and proprietary ownership interests. For example, such differing fee arrangements and different levels of proprietary financial interests create an incentive to favor higher fee-paying Clients or Clients in which the Adviser, its affiliates and employees have a greater ownership interest over other Clients with respect to (i) the allocation of investment opportunities, including but not limited to, limited investment opportunities or investments that the Adviser regards as more attractive or have the potential for better performance and (ii) the allocation of the Adviser’s or its employees’ time or other resources.

To address the conflicts of interest discussed above, the Adviser has implemented reasonably designed policies and procedures that seek to allocate investment opportunities among Clients in a manner that the Adviser considers to be fair and equitable over time, taking into account any relevant facts and circumstances. *See* “Conflicts of Interest – Allocation of Investment Opportunities” under Item 10.C. of this Brochure.

*See also* “Conflicts of Interest” generally under Item 10.C. of this Brochure and the Offering Documents of a Client for additional disclosure on various actual and potential conflicts of interest that exist among the Adviser, its affiliates, employees and Clients.

## **Item 7 Types of Clients**

As discussed in Item 4 “Advisory Business” of this Brochure, the Adviser provides investment advisory services to Clients structured as (i) Funds comprised of sophisticated, qualified investors, including, but not limited to, high net worth individuals, pension plans, funds of funds, family offices, endowments and other institutions; and (ii) Separate Accounts generally organized for the benefit of private investment funds for which the Adviser acts as a sub-adviser, but that may also be beneficially owned directly by high net worth individuals, retirement plans, trusts, partnerships, corporations, or other institutions.

To subscribe for an interest in a Fund domiciled in the U.S., each prospective investor generally is required to certify that it is, among other things, (a) both (i) a “U.S. Person,” as such term is defined in Rule 902(k) of Regulation S under the Securities Act of 1933, as amended (the “**Securities Act**”), and (ii) a “United States person,” as such term is defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended, (b) an “accredited investor,” as such term is defined in Rule 501(a) of Regulation D under the Securities Act, and (b) a “qualified purchaser,” as such term is defined in Section 2(a)(51)(A) of the Investment Company Act of 1940, as amended (the “**Company Act**”), or a “knowledgeable employee” with respect to the Adviser, as such term is defined in Rule 3c-5 under the Company Act. To subscribe for an interest in a Fund domiciled outside the U.S., each prospective investor generally is required to certify that it is, among other things, (i) either (a) not a “United States person”, or (b) a tax-exempt “United States person”, (ii) an “accredited investor”, and (iii) a “qualified purchaser”, as such terms are defined above. In general, account holders of Separate Accounts make similar certifications as set forth above.

The minimum investment in a Fund is \$1,000,000, although the Adviser has accepted and may accept investments in a lesser amount at its sole discretion. The minimum investment for opening a Separate Account is negotiable.

**Additional information on investor eligibility requirements is set forth in the Offering Documents for each Client.**

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

### **Principal Investment Strategy Overview**

The Adviser seeks to identify compelling long and short investment ideas primarily in biotechnology and pharmaceutical companies. The Adviser utilizes financial and medical analysis combined with scientific proficiency in an effort to discover investable moments throughout the development lifecycle of a new drug that potentially exhibit asymmetric risk/reward profiles. There are typically multiple investable moments in the development process of a therapeutic, starting with the science and progressing to various pre-clinical and clinical trials, regulatory approvals, and commercial viability. The Adviser's investment strategy aims to capture idiosyncratic alpha around these value inflective events by creating an optimal trade structure primarily through a mixture of equities and/or options. Specific catalysts for investments include (among other things): clinical and statistical trial designs (safety and efficacy studies, etc.), regulatory decisions, product launches, prescription trends, competitive dynamics, intellectual property disputes, and distressed situations. The Adviser seeks to invest where it believes there is a margin of safety with a positively skewed risk/reward ratio and a clear exit strategy defined by the event path of the specific catalyst.

### **Types of Security Investments**

The Adviser primarily trades and invests in publicly-traded equity securities, but may also trade and invest in other publicly-traded or private financial instruments to the extent deemed appropriate by the Adviser, including without limitation, common stocks, preferred stocks, limited partnership interests, warrants, equity derivatives, convertible securities, debt securities, exchange-traded products, listed and unlisted options, shares of beneficial interest, convertible preferred obligations, rights, options, puts and calls with respect to the foregoing, and to a limited extent, commodity interests (futures, options on futures, certain swaps subject to regulation by the Commodity Futures Trading Commission), other swaps and derivatives of any kind.

### **Special Investments**

From time to time, certain Clients have acquired, and may acquire, securities, financial instruments and other assets that the Adviser determines (i) lack a readily ascertainable market (or have a limited market or are otherwise illiquid) including private investments, unregistered or restricted securities or other assets that are not freely tradeable, (ii) and/or should be held until the resolution or occurrence of a special event or circumstance, which generally will be outside the control of the Adviser, such as the registration of such securities by the issuer pursuant to applicable securities laws. The Adviser may (but is not required to) designate any such securities, financial instruments or other assets as special investments ("**Special Investments**"). Client capital that is allocated or attributable to a Special Investment generally is not available for withdrawal until such Special Investment is liquidated, or until the Adviser determines that such investment need not be treated as a Special Investment anymore (such determination, a "deemed realization" of such Special Investment). Clients and investors in a Fund Client generally will have the option of whether to elect to participate in Special Investments as further described in the applicable Offering Documents.

### **Methods of Analysis**

The Adviser generates its investment ideas from the institutional knowledge and familiarity of the investment team with companies in the biotech sub-sector, healthcare conferences, clinical data testing events and other sources. After an idea has been generated, the Adviser's investment team conducts a preliminary fundamental analysis to seek to understand the key factors, catalysts, and

event path facing a stock. Once a favorable initial conviction is identified, the team begins a rigorous analysis of available scientific and financial information on a company. This information may include, but is not limited to: breaking down the molecular structure of or science behind a drug, analyzing data from any clinical trials, understanding the regulatory environment for the drug, sizing the commercial opportunity, assessing the expense reimbursement potential for the drug, looking at the management of the company, and sifting through financial information and company filings. Based on its review of the available data, the Adviser determines a risk/reward ratio for a stock given its estimated event path timeline and other factors. If the ratio is deemed appropriate, then the investment team will rank the conviction of the name versus the rest of the portfolio. The investment will be sized according to conviction. Once an investment is in the portfolio, the Adviser continuously reviews its investment thesis as new information on the drug or company becomes available or the event occurs, and the position is monetized.

**The investment strategy, types of securities and methods of analysis summarized above represent the Adviser's current principal intentions. Depending on conditions and trends in the financial markets and the economy in general, the Adviser generally may pursue any objective, employ any investment techniques or purchase any type of financial instrument whether or not described in this Brochure. At times, Clients have held or may hold financial instruments of issuers with limited or no exposure to the biotechnology or pharmaceutical industries. The foregoing summary is qualified in its entirety by the information contained in the Offering Documents of the Clients.**

#### **Risk Factors**

***An investment in or through a Client involves a substantial degree of risk and is intended and appropriate only for investors whose sophistication and financial resources are sufficient to enable them to evaluate such an investment and to assume such risks, including the risk of complete loss of their investment. In evaluating whether to invest in or through a Client, prospective investors are encouraged to carefully consider the following risk factors, as well as additional risk factors included in the Client's Offering Documents, among others. Investors are urged to consult with their own financial, legal and tax advisors before making any decision regarding an investment in or through a Client. The various risks discussed below are not the only risks associated with an investment in or through a Client.***

***Any statements set forth below regarding the future activity of a Client and opportunities in the markets are forward-looking statements. The matters discussed in such statements may be affected by a number of events, including general market and economic conditions and the other factors described in this Brochure or in the Offering Documents of a Client.***

#### **General Economic and Regulatory Risks**

***General Economic and Market Conditions.*** The success of a Client's activities is affected by and subject to general economic and market conditions, such as changes in interest rates, availability of credit, inflation rates, commodity prices, economic uncertainty, changes in laws (including laws relating to taxation of a Client's investments), trade barriers, trade wars, tariffs, protectionist regulatory policies, unemployment rates, release of economic or employment data, global supply chain disruptions, delays and issues, currency exchange controls, national and international political circumstances and developments and other circumstances (including wars, epidemics and pandemics, terrorist acts, security operations and natural disasters and cyber-attacks), as well as changes in government policy precipitated by the foregoing. These and other factors may affect the level and volatility of securities prices, the correlations and relationships between the prices of various securities and the liquidity of a Client's investments in ways that impair a Client's

profitability or result in losses. Unpredictable or unstable market conditions may also result in reduced opportunities to find suitable investments to deploy capital or make it more difficult to exit and realize value from a Client's investments. From time to time, including during 2008 and 2009, various markets around the world have experienced extreme periods of volatility, illiquidity, correlation with other markets, negative (or positive) performance and other disruptions and conditions that would previously have been viewed as extremely unlikely or even impossible. Such market developments have led to large losses and insolvencies at numerous investment funds soon thereafter. For example, during the second half of 2008, the state of the worldwide economy deteriorated into a severe recession. If a similar economic situation were to occur in the future, a Client could experience a reduction in attractive investment opportunities and a Client's investments could be materially impaired in many ways that cannot be predicted. In March 2023, both Silicon Valley Bank ("SVB") and Signature Bank were closed and swept into receivership with the Federal Deposit Insurance Corporation (the "FDIC"). In addition, First Republic Bank's credit rating was downgraded after securing billions in funds from other financial institutions to avoid closure, and Credit Suisse was rescued with a buy-out from UBS. Such failures led to depositors withdrawing their funds from these and other financial institutions, leading to severe market disruption and extreme volatility in the prices of the securities issued by financial institutions. The short-term and the longer-term impact of these events are uncertain, but they could continue to have a material effect on general economic conditions, consumer and business confidence and market liquidity.

There can be no assurance that general market developments in the future will not have a material adverse effect on a Client. A Client could incur material losses even if the Adviser reacts quickly to difficult market or economic conditions, and there can be no assurance that a Client will not suffer material losses and other adverse effects from rapid changes in market or economic conditions in the future. Investors should realize that markets for the financial instruments in which a Client invests can correlate strongly with each other (or cease to correlate) at times or in ways that are difficult for the Adviser to predict. Even a well-analyzed approach may not protect a Client from significant losses under certain market conditions.

The particular or general types of market or economic conditions in which a Client may incur losses or experience unexpected performance volatility cannot be predicted, and a Client may materially underperform other investment funds or vehicles with substantially similar investment objectives and approaches.

***Regulatory Developments.*** The legal, tax and regulatory environment worldwide for private investment funds and other alternative investment vehicles is evolving, and changes in the regulation of and laws applicable to private investment funds and vehicles, their managers and their trading and investing activities may have a material adverse effect on the ability of a Client to pursue its investment program and the value of investments held by a Client. There has been an increase in scrutiny of the alternative investment industry by governmental agencies and self-regulatory organizations. New laws and regulations or actions taken by regulators that restrict the ability of a Client to pursue its investment program or conduct business with brokers and other counterparties could have a material adverse effect on a Client.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "***Dodd-Frank Act***") and the rules and regulations promulgated thereunder and other laws and regulations have added and may continue to add costs to the legal, operational and compliance obligations of the Adviser and possibly the Clients and increase the amount of time that the Adviser spends on non-investment-related activities. The European Union ("***EU***") has approved the Alternative Investment Fund Managers Directive (Directive 2011/61/EU) ("***AIFMD***"), which seeks a common EU approach to the regulation of hedge funds and other types of alternative investment funds. The Dodd-Frank Act, AIFMD and other laws could cause certain investment strategies in which a Client currently

engages or may otherwise have engaged to become not viable, economically or practically. Additional laws, rules and regulations could have a material adverse impact on the potential of a Client and its business. Among other possible effects, such laws and regulations could change the functioning of capital markets in unpredictable ways, limit the scope of a Client's investment activities, including through limitations on short selling imposed with little or no notice, limit access to financing, increase margin or collateral requirements, limit leverage, impose position limits, require disclosure of confidential information, change applicable accounting requirements, impose new taxes or impose significant administrative burdens, which divert resources, time and attention. Consequently, a Client may not be capable of, or successful at, preserving the value of its portfolio, generating positive investment returns or effectively managing its risks.

This Brochure cannot address or anticipate every possible current or future law, rule or regulation that may affect a Client, the Adviser or their respective businesses. Such laws, rules and regulations may have a significant impact on a Client or the operations of a Client, including, without limitation, restricting the types of investments a Client may make, preventing a Client from exercising its voting rights with regard to certain financial instruments, requiring a Client to disclose the identity of underlying investors or otherwise. A Client may choose to become subject to such regulations if it believes that an investment or business activity is in the Client's interest, even if such regulations may have a detrimental effect on one or more investors. Prospective Clients and investors are encouraged to consult their own advisors regarding an investment in or through a Client.

***Potential for Fraud.*** There is a risk that a Client will be subject to fraud in connection with its business or investment activities and there is no assurance the Adviser will be able to prevent all types of fraud by parties with whom a Client or the Adviser transact business (including the prime brokers and custodians). The Adviser frequently relies on financial and other information provided or made available by issuers, persons associated therewith or affiliates thereof and other persons (including various third-party service providers). The Adviser generally has no ability to independently verify the financial information disseminated by the issuers in which a Client invests and is dependent upon the integrity of both the management of these issuers and the financial reporting process in general. Corporate mismanagement, fraud and accounting irregularities relating to the investments held by a Client may result in material losses.

***Terrorist Attacks, War and Natural Disasters.*** Terrorist activities, anti-terrorist efforts, armed conflicts involving the United States or its interests abroad and natural disasters may adversely affect the United States, its financial markets and global economies and could prevent the Adviser and a Client from meeting their respective investment objectives and other obligations. The potential for future terrorist attacks, the national and international response to terrorist attacks, acts of war or hostility and natural disasters have created many economic and political uncertainties in the past and may do so in the future, which may adversely affect the United States and world financial markets and a Client for the short or long-term in ways that cannot presently be predicted.

***Epidemics, Pandemics, Outbreaks of Disease and Other Public Health Issues.*** Clients, the Adviser, public and private issuers and others have been materially impacted by the outbreak and spread of COVID-19 and could be materially adversely affected or impacted in the future by the continuation or worsening of the COVID-19 global pandemic and other outbreaks of disease, epidemics, pandemics and public health issues, whether globally or limited to particular regions of the world, such as diseases or public health issues caused by other novel coronaviruses (including as a result of the emergence of new coronaviruses), Ebola virus disease, H1N1 flu, H7N9 flu, H5N1 flu (and other types or subtypes of influenza viruses), Severe Acute Respiratory Syndrome, or SARS, or other epidemics, pandemics, outbreaks of disease or public health issues (including virus mutations). The COVID-19 global pandemic has severely and materially affected (and may



continue to materially affect and materially impact) the global economy, global equity markets, economies, commerce, labor market, shipping and supply chains (including as a result of quarantines, shelter-in-place orders, vaccine mandates, social-distancing measures, mask mandates and other government-directed or mandated measures or actions to stop or slow the spread of COVID-19). Efforts, actions and measures undertaken by governments, businesses and communities to protect the public health in the face of the COVID-19 pandemic (including measures designed or intended to “flatten the curve” and protect the healthcare systems in such applicable countries and jurisdictions from collapse or undergoing significant breakdowns) have resulted in partial or complete shutdowns of many sectors of the economy (including manufacturers and industrial production) generally as well as severe restrictions, limitations and consequences on the means by which the Adviser and others operate their business (*e.g.*, travel restrictions or bans, mandatory quarantines, shelter-in-place orders and social distancing measures and rules), which could adversely affect or negatively impact the business, activities, financial condition, and operations of the Adviser, Clients and others, directly or indirectly.

The impact of a health crisis such as the COVID-19 pandemic, and other epidemics, pandemics and outbreaks of disease that may arise in the future, depends on the duration and spread of the outbreak, the severity, the actions to contain, slow down or halt the spread of the virus or treat its impact (including vaccine production, distribution and efficacy), and how quickly and to what extent normal or semi-normal economic and operating conditions can resume, which could affect the global economy in ways that cannot necessarily be foreseen at the present time. A health crisis may exacerbate other pre-existing political, social and economic risks, and frequently results in a deterioration of the situations involving such risks. Any such impact could adversely affect a Client’s performance, resulting in losses to a Client or underlying investors.

The COVID-19 pandemic and actions, measures and steps taken by governments around the world in response to such pandemic may cause material disruptions to (or otherwise materially impact or affect) the business operations and activities of service providers on which Clients and the Adviser rely (including administrators, custodians and counterparties). It may also adversely impact a Client’s investments, the ability of the Adviser to access markets or implement a Client’s investment strategies in the manner originally contemplated, a Client’s net asset value and therefore underlying investors.

***Failure to Implement Any Business Continuity Plans.*** Should the Adviser, or any of its or a Client’s critical service providers, or issuers in which a Client invests, experience a significant local or regional disaster or other significant business disruption, the Adviser’s or such other entity’s ability to remain operational will depend in part on the safety and availability of the Adviser’s or company’s personnel and office facilities, and the proper functioning of the Adviser’s or company’s network, telecommunication and other related systems and operations. The Adviser expects to establish appropriate backup systems and contingency plans, but it cannot ensure that they will be adequate under all or any applicable circumstances or that material interruptions and disruptions will not occur. In addition, the Adviser relies to varying degrees on outside vendors (including administrators and IT service providers) for disaster recovery support, and it cannot guarantee that these vendors will be able to perform in an adequate and timely manner. Failure by the Adviser, or any of its or a Client’s critical service providers, to implement any business continuity plans, including system backup facilities, would impede its ability to operate in the event of a significant business disruption, which could result in financial losses to a Client and its underlying investors.

***Disruption in the Banking and Financial Services Industry.*** The Adviser’s ability to make investments, secure funding and engage in other transactions could be adversely affected by the actions and stability of banks and other financial institutions. Banks and financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. As a

result, defaults or failures by, or even rumors or questions about, one of more financial service institutions or banking institutions, or the industry generally, have historically led to market-wide liquidity problems, credit crunches and market volatility. Losses of depositor, creditor and counterparty confidence could lead to losses or defaults by the Clients or other institutions. In response to the bank failures at SVB and Signature Bank and the resulting market and public reaction, the Secretary of the Treasury, the Federal Reserve and the FDIC indicated that all depositors of SVB and Signature Bank would have access to all deposits by utilizing the Deposit Insurance Fund, including bridge banks to assume all of the deposit obligations of the failed banks, while leaving unsecured lenders and equityholders of such institutions exposed to such losses. The Federal Reserve also created the Bank Term Funding Program to ensure banks have the ability to meet the needs of their depositors. There is no guarantee that the Department of Treasury, FDIC and the Federal Reserve will provide access to uninsured funds in the future in the event of the closure or failure of other financial institutions (or do so in a timely fashion) and it is uncertain whether these steps or actions by government agencies and authorities will be sufficient to calm the financial markets, reduce the risk of significant depositor withdrawals at other institutions and thereby reduce the risk of additional bank failures.

***Proposed Private Fund Adviser Rules.*** On February 9, 2022, the SEC proposed new rules and rule amendments under the Advisers Act that would, if adopted, significantly impact and affect private fund advisers, including those registered with the SEC and those exempt from registration (the “**Proposed Private Fund Adviser Rules**”). The Proposed Private Fund Adviser Rules generally provide for (i) increased transparency with respect to fee and expense disclosure and financial performance disclosures, (ii) mandatory annual audits of private funds and guidance on reporting standards and record-keeping requirements, (iii) new requirements with respect to certain adviser-led secondary transactions, including requirements to obtain third-party fairness opinions in connection with such transactions, and (iv) prohibitions and restrictions on certain practices and activities of private fund advisers with respect to private funds managed thereby, including, but not limited to, exculpation, standard of care and indemnification provisions relating to private fund advisers, charging fees or expenses related to a portfolio investment on a non-pro rata basis, borrowing from a private fund and certain types of preferential treatment of particular investors. It is anticipated that the Proposed Private Fund Adviser Rules will be subject to substantial public and industry comment. Accordingly, it is not clear whether or not any or all of the proposed new rules will ultimately be adopted by the SEC or materially changed from their current form. As there has been substantial public and industry comment, it is unclear whether, when and to what extent the proposed rules will be materially changed from their current form (if at all), if adopted. If adopted, however, the Proposed Private Fund Adviser Rules could significantly increase the costs of compliance for private funds and private fund advisers, including the Adviser and Clients, and require significant amendments and revisions to the partnership agreements of Clients.

## **Portfolio Risks**

***Investment and Trading Risks Generally.*** All investments risk the loss of capital. No guarantee or representation is made that a Client’s program will be successful. A Client’s investment program has involved and may involve, without limitation, risks associated with limited diversification, short-selling, inflation risks, equity risks, distressed issuers, interest rates, commodity interest trading risk, risks associated with businesses in the healthcare industry, new or changing laws, rules and regulations (including new laws or regulations impacting or affecting the healthcare industry or issuers operating within the healthcare industry or sector), illiquidity, volatility, tracking risks in hedged positions, security borrowing risks in short sales, credit deterioration or default risks, systems risks and other risks inherent in a Client’s activities. Certain investment techniques of a Client may, in certain circumstances, substantially increase the impact of adverse market movements to which a Client may be subject. In addition, a Client’s investments may be materially

affected by conditions in the financial markets and overall economic conditions occurring globally and in particular countries or markets where a Client invests its assets.

The Adviser's methods of minimizing such risks may not accurately predict future risk exposures. Risk management techniques are based in part on the observation of historical market behavior, which may not predict market divergences that are larger than historical indicators. Also, information used to manage risks may not be accurate, complete or current, and such information may be misinterpreted.

***Healthcare – Industry Risks.*** Clients invest in healthcare-related companies and in companies operating in the healthcare industry. Many healthcare-related companies are smaller and less seasoned than companies in other sectors. Healthcare-related companies may also be strongly affected by scientific or technological developments and their products may quickly become obsolete. Healthcare-related companies offer products and services that are subject to governmental regulation and may be adversely affected by changes in governmental policies or laws. Additionally, public health issues and outbreaks of disease, such as pandemics like coronavirus (or COVID-19), Ebola, H1N1 flu, H7N9 flu, H5N1 flu, Severe Acute Respiratory Syndrome, or SARS among others, may have a unique impact on the healthcare industry. For example, public health issues may divert healthcare resources away from other healthcare sectors, such as the conduct of clinical trials, to focus on pandemic concerns.

***Regulatory Risks in the Healthcare Industry.*** The healthcare industry is heavily regulated by federal, state and local governmental bodies. A number of legislative proposals concerning healthcare have been considered and/or enacted by the U.S. Congress in recent years. These span a wide range of topics, including cost control, national health insurance (including the Affordable Care Act (“ACA”)), incentives for compensation in the provision of health care services, tax incentives and penalties related to health care insurance premiums, and promotion of prepaid healthcare plans. The Adviser cannot predict what (if any) proposals will be enacted or what effect such proposals may have on healthcare-related companies. Depending on how any such proposals or regulations are implemented, a Client could be adversely affected. In addition, the ACA has helped to re-shape the healthcare industry. There are still numerous unknowns and uncertainties related to the ACA, including substantial uncertainty about whether parts of the ACA or the ACA in its entirety will remain or continue to remain in effect, as well as uncertainty about how the law will be applied and such uncertainty is expected to continue. The likelihood of future litigation with respect to certain provisions as well as legislative efforts to repeal and defund portions of the ACA or the ACA in its entirety may negatively impact the success of certain Client investments.

***Limited Diversification and Risk Management Failures.*** Clients primarily invest in equity and option securities of U.S.-based issuers in the biotechnology and pharmaceutical industries. As such, a Client's portfolio will not be diversified to any material extent (including a concentration of investments in issuers operating within the same industries) and, as a result, a Client could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers whose securities are owned by a Client, decline. In addition, the significant concentration of a Client's portfolio in a limited number of issuers, types of financial instruments, industries, sectors, strategies and geographic regions will increase the risk of losses suffered by a Client than would be the case if a Client maintained a wider diversification among issuers, types of securities, industries, sectors and geographic regions. This limited diversity could expose a Client to losses disproportionate to market movements in general. Although the Adviser attempts to identify, monitor and manage certain significant risks related to specific investments, these efforts cannot take all risks into account, including systematic market risk, and there can be no assurance that these efforts will be effective. Many risk management techniques are based on observed historical market

behavior, but future market behavior may be entirely different. Any inadequacy or failure in the Adviser's risk management efforts could result in material losses for a Client.

***Investment in Small- and Medium-Capitalization Companies.*** Clients invest across all market capitalizations, including in small- and mid-cap issuers. Smaller capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. For example, prices of small-capitalization and even medium-capitalization stocks are often more volatile than prices of large-capitalization stocks, and the risk of bankruptcy or insolvency of many smaller companies (with the attendant losses to investors) is higher than for larger, "blue-chip" companies. In addition, due to thin trading in some small-capitalization stocks, an investment in those stocks may be highly illiquid. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience. In certain cases, the departure of just a few key personnel (or just a single key person) could have a material adverse effect on a small issuer.

***Investments in Undervalued Equity and Equity-Related Securities.*** Clients invest in what the Adviser believes to be undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances 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. Returns generated from a Client's investments may not adequately compensate for the business and financial risks assumed. Clients make certain speculative investments in securities which the Adviser believes to be undervalued; however, there are no assurances that the securities purchased will in fact be undervalued. In addition, a Client may be required to hold such securities for a substantial period of time before realizing their anticipated value. During this period, a portion of a Client's assets may be committed to the securities purchased, thus possibly preventing the Client from investing in other opportunities. In addition, a Client may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If a Client takes long positions in stocks that decline and short positions in stocks that increase in value, then the losses of the Client may exceed those of other portfolios that hold long positions only.

***Equity Risks.*** Clients invest in equity and equity-derivative securities. The market price of securities owned by Clients may go up or down, sometimes rapidly or unpredictably. A risk of investing in a Client is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or the sectors in which a Client invests. Depending on whether a Client has a long or short position in a particular equity security, the value of such equity security may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, a Client may lose all or substantially all of its investment in any particular instance.

***Long/Short.*** The identification of investment opportunities in the implementation of the Adviser's long/short investment strategies is a difficult task, and there are no assurances that such

opportunities will be successfully recognized or acquired by a Client. In the event that the perceived opportunities underlying a Client's positions were to fail to converge toward, or were to diverge further from values expected by the Adviser, a Client may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Adviser to close out one or more positions. Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with the Adviser's long/short strategies may become outdated and inaccurate as market conditions change.

**Short Selling.** A Client's investment program involves the use of short sales and short selling. In a short sale, the seller sells a security that it does not own, typically a security borrowed from a broker or other counterparty. Because the seller remains liable to return the underlying security that it borrowed from the broker or counterparty, the seller must purchase the security prior to the date on which delivery to the broker or dealer is required. The making of short sales exposes a Client to the risk of liability for the market value of the security that is sold, which is an unlimited risk in theory due to the lack of an upper limit on the price to which a security may rise. In addition, there can be no assurance that securities necessary to cover a short position will be available for purchase or that securities will be available for a Client to borrow at reasonable costs. If a request for a return of borrowed securities occurs at a time when other short sellers of the security are receiving similar requests, a "short squeeze" can occur, in which case a Client may be compelled to replace borrowed securities previously sold short with purchases on the open market at the most disadvantageous time, possibly at prices significantly in excess of the proceeds received in originally selling the securities short. The potential for material losses associated with "short squeezes" has been and may be exacerbated by the volatility in heavily shorted stocks driven by retail-trader speculation and other factors. For example, a significant "short squeeze" event occurred in 2021 with respect to the securities of GameStop Corp (GME), where retail investors utilized Robinhood and other popular commission-free trading platforms and social media platforms to execute a "short squeeze" strategy aimed at destroying the short sale efforts of prominent hedge funds and other institutional investors who were attempting to profit from the demise of GME stock. The efforts of these retail investors pushed the price of GameStop stock to record levels in a very short period of time, and many hedge funds and other investors lost billions of dollars as they were forced to close out their short positions on GameStop stock in connection with the short squeeze. This situation is likely to reoccur in the future, as social media and popular commission free trading platforms have made it easier for a large number of retail investors to band together and cause disruptions in the trading strategies of hedge funds and other institutional investors. The recent controversy relating to GameStop may lead to SEC scrutiny and greater regulation of such strategies.

The SEC has in the past adopted interim rules requiring reporting of all short positions above a certain de minimis threshold and may adopt or enact additional rules requiring public disclosure of short positions in the future. In addition, other non-U.S. jurisdictions where a Client trades or may trade or utilize short selling have adopted or may adopt reporting requirements. If a Client's short positions or the Adviser's short strategy becomes generally known, it could have a material or significant effect on the Adviser's ability to implement or effect a Client's investment strategies. In particular, it would make it more likely that other investors could cause or lead a Client into a "short squeeze" in the securities held short by the Client, forcing the Client to cover its positions at a loss. Such reporting requirements likely would also limit the Adviser's ability to access management and other personnel at certain issuers where a Client seeks to take or establish a short position. In addition, if other investors engage in copycat behavior by taking positions in the same issuers as a Client, the cost of borrowing securities to sell short could increase significantly and the availability of such securities to a Client could decrease significantly. The SEC has adopted various restrictions or limitations on the short sale of securities which fall more than 10% in a given day (referred to as the "circuit breaker" or "modified uptick rule"). The SEC and regulatory authorities in other jurisdictions could adopt (and in certain cases have adopted) bans or restrictions or limitations on

short sales of certain securities or short sales with respect to certain issuers in response to significant market events. Restrictions, limits or bans on short selling would make it more difficult for the Adviser to execute or effect certain investment strategies and may have a material adverse effect on a Client's ability to achieve its investment objectives and generate returns.

**Call Options.** Clients trade in call options. There are significant risks associated with the sale and purchase of call options. A call option is a financial contract that gives the buyer of the contract the right, but not the obligation, to buy a security or other financial instrument from the seller (or "writer") at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the call option. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

**Put Options.** Clients trade in put options. There are risks associated with the sale and purchase of put options. A put option is a financial contract that gives the buyer of the contract the right, but not the obligation, to sell a security or other financial instrument to the seller of the put at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the put option. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire premium investment in the put option.

**Investments in Distressed Issuers.** Clients have invested and may in the future invest in securities of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, or facing special competitive or product obsolescence problems. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule and otherwise continue to operate could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that the Adviser will analyze such investments correctly.

**Highly Volatile Markets.** The prices of financial instruments in which a Client invests can be volatile and subject to extremely rapid or volatile price movements. Price movements of the

financial instruments in which a Client's assets may be invested will be influenced by, among other things, interest rates, changes in healthcare laws, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments and national and international political and economic events and policies, in addition to issuer specific results, events and announcements. A Client is subject to the risk of failure of any of the securities exchanges on which its positions trade or of its clearinghouses. In addition, governments from time to time intervene in certain markets, directly, by regulation and otherwise, particularly in currencies, futures and options. Such intervention is often intended to directly influence prices and may, together with other factors, cause some or all of these markets to move rapidly in the same direction. The effect of such intervention is often heightened by a group of governments acting in concert.

***Relative Value and Directional Investments.*** Many of a Client's investment strategies depend on the Adviser's ability to accurately predict future price movements or the convergence of market prices toward the theoretical values expected by the Adviser. Any such attempt to predict future price movements is inherently risky and inaccurate. Often, price movements are determined by unanticipated factors, and the Adviser's analysis of known factors may prove incorrect, in each case potentially leading to substantial losses to a Client.

***Stock Index Options.*** Clients have purchased and sold, and may in the future purchase and sell, call and put options on stock indices listed on securities exchanges or traded in the over-the-counter market for the purpose of realizing its investment objective or for the purpose of hedging its portfolio and managing its net exposure. A stock index or index option fluctuates with changes in the market values of the stocks included in the index. The effectiveness of purchasing or writing stock index options for hedging purposes depends upon the extent to which price movements in a Client's portfolio correlates with price movements of the stock indices selected. Because the value of an index option depends upon movements in the level of the index rather than the price of a particular stock, whether a Client realizes gains or losses from the purchase or writing of options on indices depends upon movements in the level of stock prices in the stock market generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular stocks. Accordingly, successful use by a Client of options on stock indices is subject to the Adviser's ability to correctly predict movements in the direction of the stock market generally or of particular industries or market segments. This requires different skills and techniques than predicting changes in the price of individual stocks.

***Risks of Investments in Special Situations.*** Clients invest in "event-driven" and other special situations, such as recapitalizations, spin-offs, restructurings, reorganization, bankruptcy, litigation, corporate control transactions, corporate events and other catalyst-oriented strategies. The Adviser could be incorrect in its assessment of the downside risk associated with such investments, thus resulting in significant losses to a Client. Investments in such securities often are difficult to analyze or may have limited trading histories or in-depth research coverage. Moreover, in certain situations the Adviser may be unable to, or may choose not to, implement risk management strategies because of the costs involved or other relevant circumstances.

***Derivative Instruments.*** Clients have used derivative instruments in the past, and expect to continue to use and invest in such instruments in the future. The risks and expenses associated with derivative instruments are generally greater than those associated with the direct purchase or sale of the underlying financial instrument(s) to which their value is related. Derivative instruments are subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk, operations risk and risks associated with the use of leverage. The Adviser generally has unlimited discretion to cause a Client to use derivative instruments, including (among others) convertible bonds, convertible preferred stock, options (including speculative positions such

as buying and writing call options and put options on either a covered or an uncovered basis), futures, forward contracts, repurchase agreements, reverse repurchase agreements and many different types of swap agreements. In many cases, derivatives provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment in much the same way that incurring indebtedness would. Many derivatives provide exposure to potential gain or loss from a change in the market price of a financial instrument (or a basket or index) or other event or circumstance in a notional amount that greatly exceeds the amount of cash or assets required to establish or maintain the derivative contract. Accordingly, relatively small price movements in the underlying financial instruments or other events or circumstances may result in immediate and substantial losses to a Client. In some cases, a Client's exposure under a derivative contract is limited to the amount invested (for example, when a Client buys a call option). In other cases, the derivative contract creates an open-ended obligation (for example, when a Client writes a call option). Many derivatives, particularly those negotiated over-the-counter, are substantially illiquid or could become illiquid under certain market conditions. As a result, it may be difficult or impossible to determine the fair value of a Client's interest in such contracts. Many derivative contracts involve exposure to the credit risk of the counterparty, because a Client acquires no direct interest in the underlying financial instrument, but instead depends on the counterparty's ability to perform under the contract. Further, if and when a Client takes economic exposure through a derivative, it generally will not have any voting rights and may not be able to pursue legal remedies that would be available if it invested directly in the underlying financial instrument.

Many derivatives also involve substantial legal risk and uncertainty, because the terms of the contract may be difficult to draft, apply, interpret and enforce, particularly in the context of unforeseen market conditions or events. In many cases, the counterparty has discretion (either pursuant to the express terms of the contract or in practice) to interpret the contract, make required calculations and demand or withhold payments in the manner most favorable to the counterparty and most unfavorable to a Client. An adverse interpretation or calculation under one derivative contract could trigger cross-defaults with other contracts and could have a materially adverse effect on a Client's liquidity and performance. Any dispute concerning a derivative contract could be expensive and time consuming to resolve, particularly given the potential for complex and novel legal issues and the involvement of multiple legal jurisdictions. Even a favorable resolution could come too late to prevent cross-defaults, trading losses and material liquidity problems.

Generally, a swap is an agreement between a Client and a financial counterparty whereby cash payments are periodically exchanged between the parties based upon changes in the price of underlying financial instruments (such as an equity security, stock index or other asset). To the extent the relevant swap or other derivative is not executed through a clearing organization, such swaps and other derivatives are subject to the risk of non-performance by the counterparty (the risk that the counterparty will not perform its contractual obligations). In certain cases, it may not be possible to close out a swap or other derivative position without the consent of the counterparty, and a Client may not be able to enter into an offsetting contract in order to cover its risk. See "Leverage and Liquidity Risks" and "Counterparty Risks" below.

**Litigation.** A Client's investment activities may subject it, the Adviser or its affiliates to the risks of becoming involved in litigation with third parties. The expense of defending against claims against a Client by third parties and the payment of any amounts pursuant to settlements or judgments generally would be borne by a Client, reduce distributions and could require underlying investors to return previously distributed capital and earnings to a Client. The Adviser and its affiliates will generally be indemnified by a Client in connection with any such litigation, subject to certain conditions set forth in a Client's Offering Documents.



**Non-U.S. Investments.** Clients have invested and may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations (including the potential for increased risks and costs) not usually associated with investing in financial instruments of U.S. companies or the U.S. Government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict a Client's investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the U.S. than for those located in the U.S. As a result, the Adviser may be unable to structure a Client's transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce a Client's rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to a Client under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

**Currency Risks.** Although the base or functional currency of a Client generally is the U.S. dollar, a Client invests or may invest in securities and other assets and incurs or may incur liabilities that are or may be denominated in other currencies. Accordingly, the value of a Client's assets and liabilities may be affected favorably or unfavorably by fluctuations in currency exchange rates. The Adviser may (but historically has not and does not intend to) seek to hedge the foreign currency exposure of a Client through spot and forward foreign exchange contracts, foreign exchange futures contracts and other hedging techniques. For example, the Adviser historically has not, and is not required to, hedge against fluctuations in exchange rates between the U.S. dollar and the non-U.S. currencies in which a Client's investments are denominated, thus a Client generally will be exposed to, and the values of such investments generally will fluctuate with, the exchange rates between the relevant currencies. Such fluctuations in currency exchange rates could materially adversely affect a Client or its investments. A Client may also engage in speculative trading in currencies themselves. In many cases, hedging activity or investments in currencies are made through financial instruments that involve embedded leverage, magnifying the risks associated with such activity or investments. There can be no assurance that any of a Client's currency hedging or investment activities (if and as applicable) will be available, effective or successful, and fluctuations in the relative values of currencies could cause material losses for a Client.

**Competition.** The markets in which Clients participate are extremely competitive. There can be no assurance that the Adviser can identify or successfully pursue attractive investment opportunities in current and future environments. Clients and underlying investors should expect that a Client's investments will involve substantially more company-specific and market risk and associated volatility in the future than the risks involved in such investments in the past. The Adviser will compete with many firms, some of which may have substantially greater financial resources, more favorable financing arrangements, larger research staffs and more securities traders than are available to the Adviser.

***Less Liquid and Illiquid Instruments.*** Clients primarily make investments in publicly-traded equity securities that generally are expected to be relatively liquid under normal market conditions. However, in certain circumstances, securities that generally are liquid at the time of purchase have become materially less liquid over time due to various factors and circumstances (for example, due to the relevant issuer becoming distressed, macro market or economic forces or otherwise). Clients also invest in the securities of companies with micro- and small-capitalizations, which may be thinly traded and otherwise illiquid. In addition, a Client from time to time holds large positions with respect to a specific issuer or type of instrument, which may reduce a Client's liquidity. Clients invest in and hold other illiquid financial instruments. A Client may be unable to timely dispose of certain assets, which would adversely affect a Client's ability to rebalance its portfolio or to meet or satisfy underlying investor withdrawal requests. In addition, such circumstances may force the Adviser to dispose of a Client's assets at reduced or unfavorable prices, thereby adversely affecting a Client's performance. Further, the Adviser may be forced to dispose of more liquid Client assets it would otherwise have preferred to maintain if it is unable to dispose of thinly traded or otherwise illiquid positions in order to satisfy withdrawal requests of underlying investors, thereby increasing a Client's exposure (and any other Client's exposure that is traded *pari passu* with such Client) to less liquid and illiquid investments which could significantly increase overall portfolio risk. If there are other market participants seeking to dispose of similar assets at the same time, the Adviser may be unable to sell such assets or prevent losses to a Client relating to such assets. Furthermore, if a Client incurs substantial trading losses, the need for liquidity could rise sharply while its access to liquidity could be impaired. In conjunction with a market downturn, a Client's counterparties could incur losses of their own, thereby weakening their financial condition and increasing a Client's credit risk to them.

***Illiquidity of Investments.*** Clients make investments in securities that are illiquid or have limited liquidity (such as equity investments, debt investments or other interests in micro or small capitalization companies), including the portion of its portfolio invested in private investments (such as Special Investments as defined in Item 8 of this Brochure), which are not registered under the Securities Act or any other applicable securities laws and generally may not be sold or transferred to any person without the consent of the applicable issuer, among other things. Such investments may take a long period of time to reach a state of maturity when partial or complete realization of the investment can be achieved. There is or will be no readily available market for certain of a Client's illiquid investments (including Special Investments (as applicable)) and such investments may be extremely difficult to accurately value. Special Investments or other illiquid investments held by a Client generally will not be able to be sold except pursuant to a registration statement filed under the Securities Act or in accordance with Rule 144, Regulation D or another exemption under the Securities Act. The issuer of such securities may have no obligation to register such securities for resale unless a Client is a party to a registration rights agreement, which typically contains a number of terms and conditions that must be satisfied prior to the issuer's obligation to seek registration. Security registration may never occur or may only occur after a significant waiting period. If an exemption from registration is available, it may be conditioned on various requirements including, but not limited to, time and manner of sale, holding periods, and/or on requirements relating to the issuer which are outside of a Client's control, and which the issuer is under no obligation to fulfill and/or may never be able to satisfy.

The market prices, if any, of such private or illiquid investments tend to be volatile, and a Client may not be able to sell such investments when it desires, or, upon sale, to realize what it perceives to be their fair value. Further, companies whose securities are not publicly traded are not subject to the disclosure and other investor protection requirements applicable to publicly traded companies. In light of the foregoing, no return from the disposition of a Client's illiquid investments will occur until a significant period of time has passed. Furthermore, disposition of such investments may result in distributions in-kind to investors. If a Client is unable to sell or otherwise dispose of an

investment, a Client and/or underlying investors may receive an in-kind distribution of their respective *pro rata* share of that investment, which generally will be illiquid. With respect to any private or illiquid investment, the Adviser may need to sell, distribute or otherwise dispose of investments at disadvantageous times or prices at the end of a Client's term or otherwise. In addition, although the Adviser generally expects to use commercially reasonable efforts to reduce to cash and cash equivalents all of a Client's investments to the extent practicable, subject to obtaining fair value for such assets and any tax or other legal considerations, there can be no assurances with respect to the time frame in which realization or deemed realization of any investment will occur (if at all).

***Initial Public Offerings.*** Participation in and trading of securities with respect to initial public offerings is an investment approach in which the Adviser has engaged, and may in the future engage, on behalf of a Client. To this end, the Adviser maintains relationships with investment banks, service providers, company executives and others which may, from time to time, result in allocations to a Client of securities of companies in initial public offerings. The possibility of the purchase and sale by a Client from time to time of securities of companies in initial public offerings or shortly thereafter involves special risks, including a limited number of shares available for trading, unseasoned trading, lack of investor knowledge of the company and limited operating history. These factors could contribute to substantial price volatility for the shares of these companies and, thus, for a Client. The limited number of shares available for trading in some initial public offerings may make it more difficult for a Client to buy or sell shares without an unfavorable impact on prevailing market prices. Further, such risk may be exacerbated if one or more other Clients attempt to buy or sell the same securities as a Client in any public offering. In addition, some companies in initial public offerings are involved in relatively new industries or lines of business, which may not be widely understood by investors. Some of these companies may be undercapitalized or regarded as developmental stage companies, without revenues or operating income, or the near-term prospects of achieving them.

Clients and underlying investors should also be aware that the purchase of new issues or other initial public offerings involves greater risk than securities trading in general. Although many investors typically assume that new issues and other securities in an initial public offering will open at a price higher than their initial price, and that they will continue to trade at a premium until they are liquidated, there is no guarantee that either of these scenarios will occur. The prices of newly issued securities may not increase as anticipated and, in fact, may decline more rapidly.

***Less Established Companies.*** Clients make investments in companies that are in a conceptual or relatively early stage of development. These companies are often characterized by short operating histories, new technologies and products, quickly evolving markets and management teams that may have limited experience working together, all of which enhance the difficulty of evaluating these investment opportunities. The management of such companies will need to implement and maintain successful marketing, finance, personnel and other operational strategies in order to become and remain successful. Other substantial operational risks to which such companies are subject include uncertain market acceptance of the company's products or services, a high degree of regulatory risk for new or untried and/or untested business models, products and services, high levels of competition among similarly situated companies, lower capitalizations and fewer financial resources, and the potential for rapid organizational or strategic change. In addition, such companies may not be profitable at the time of investment and may experience substantial fluctuations in their operating results. The success of such companies may also depend on the management talents and efforts of one person or a small group of persons whose death, disability or resignation would adversely affect their businesses.

Relative to more mature companies, emerging companies often have not yet developed comprehensive legal, regulatory, financial audit, control and similar compliance capabilities. This will make it more difficult for the Adviser to conduct diligence upon prospective portfolio companies and to monitor companies in which a Client has invested, which enhances the risks that otherwise successful portfolio companies will experience adverse consequences due to violations of legal, regulatory or similar obligations. It also enhances the risks that portfolio companies or a Client will experience adverse consequences due to intentional wrongdoing by portfolio company personnel or third parties.

In addition to the risks above, emerging biotechnology companies are subject to risks based on the characteristics of the industry, including the possibility that rapid biotechnological developments may render a company's biotechnology obsolete, uneconomical or uncompetitive prior to the company achieving profitability.

The public market for biotechnology and other emerging growth companies is extremely volatile. Any such investments in emerging companies are considered highly speculative and are more likely to result in the loss of a Client's entire investment.

***Hedging Transactions.*** Clients are expected to utilize financial instruments, both for investment purposes and for risk management or hedging purposes, in order to: (i) protect against possible changes in the market value of a Client's investment portfolio resulting from fluctuations in the securities markets and changes in interest rates; (ii) protect a Client's unrealized gains in the value of a Client's investment portfolio; (iii) facilitate the sale of any such investments; (iv) enhance or preserve returns, spreads or gains on any investment in a Client's portfolio; (v) hedge against a directional trade; (vi) hedge the interest rate or currency exchange rate on any of a Client's liabilities or assets; (vii) protect against any increase in the price of any securities a Client anticipates purchasing at a later date; or (viii) for any other reason that the Adviser deems appropriate.

The success of a Client's hedging strategies depends, in part, upon the Adviser's ability to correctly identify and measure risks to the portfolio and assess the degree of correlation between the performance of the instruments used in the hedging strategy and the performance of the portfolio investments being hedged. There can be no assurance that risks will be identified, measured appropriately or that a particular hedge will be effective. Since the characteristics of many securities change as markets change or time passes, the success of a Client's hedging strategy will also be subject to the Adviser's ability to continually recalculate, readjust and execute hedges in an efficient and timely manner. While a Client may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for a Client than if it had not engaged in such hedging transactions. For a variety of reasons, the Adviser may not seek to establish a perfect correlation between the hedging instruments utilized and the portfolio holdings being hedged. Such an imperfect correlation may prevent a Client from achieving the intended hedge or expose a Client to risk of loss. The Adviser will not be required to hedge any particular risk in connection with any particular Client transaction or a Client's portfolio generally. Moreover, it should be noted that the portfolio will always be exposed to certain significant known and/or unknown risks that will not be hedged. The successful utilization of hedging and risk management transactions requires skills complementary to those needed in the selection of a Client's portfolio holdings.

***Private Investments in Public Equity ("PIPE Transactions").*** Clients have participated in, and in the future may participate in, PIPE Transactions. PIPE Transactions may involve the sale of common stock, convertible preferred stock, convertible debentures, warrants, or other equity or equity-like securities by an already-public company. In a PIPE Transaction, a Client generally will bear the price risk from the time of pricing until the time of closing. Generally, in a PIPE

Transaction, a Client would enter into a definitive purchase agreement with the company in which it commits to purchase securities at a fixed purchase price and the issuer would not be obligated to deliver additional securities to the Client in the event of fluctuations in stock price or otherwise. A Client's ability to dispose of securities acquired in PIPE Transactions generally will depend upon the registration of the resale of the acquired securities. Any number of factors may prevent or delay a proposed registration, or limit the number of securities which can be registered, and once effective there can be no assurance that the registration will remain in effect. If the issuer fails to register the PIPE securities, in addition to the possibility of being involved in costly litigation, a Client may be unable to dispose of the securities at appropriate prices, if at all, or may experience substantial delays in doing so, and thus a Client may not be able to realize the anticipated proceeds with respect to such investment for a substantial period of time, if ever. There can be no assurance that any issuer will achieve the registration of the securities for public resale. To the extent a resale registration statement becomes effective, the issuer may suspend the use of the resale registration statement upon certain events, such as to remedy a material misstatement or omission. During such suspensions, a Client will not be able to rely on the resale registration statement to sell securities purchased in the PIPE transaction.

While it may be possible for securities acquired in a PIPE Transaction to be resold in transactions exempt from registration in accordance with Rule 144 of the Securities Act or otherwise under the U.S. federal securities laws, the availability of this alternative can be (i) significantly limited where a Client's ownership of securities of the issuer, or its relationship with the issuer, could result in the Client being considered an affiliate of the issuer or (ii) delayed where the issuer is not current in its public information reporting requirements. As a result, a Client may not be able to liquidate PIPE securities quickly, and the delay in the opportunity to sell such securities could expose a Client to the risk of a lower available market price when a Client has the ability to sell the securities. In addition, a Client's ability to hedge its risks associated with a PIPE investment may be limited by applicable laws and regulations, and a Client may face significant risks and uncertainties associated with the application of such laws and regulations to its activities, any of which could result in a material adverse effect on a Client.

***Special Purpose Acquisition Companies.*** Clients have invested, and may invest, in "special purpose acquisition companies" or "SPACs", which are publicly traded companies formed for the purpose of raising capital through an initial public offering to fund the acquisition, through a merger, capital stock exchange, asset acquisition or other similar business combination, of one or more operating businesses. Capital raised through the initial public offering of securities of a SPAC is typically placed into a trust until the target company is acquired or a predetermined period of time elapses. Investors in a SPAC receive a return on their investment in the event that a target company is acquired and the surviving company's value increases. In the event that a SPAC is unable to locate and acquire target companies by the deadline, the SPAC would be forced to liquidate its assets, which may result in losses to investors in the SPAC, such as a Client. Investors in a SPAC are subject to the risk that, among other things, (i) such SPAC may not be able to locate or acquire target companies by the deadline, (ii) assets in the trust may be subject to third-party claims against such SPAC, which may reduce the per share liquidation price received by the investors in the SPAC, (iii) such SPAC may be exempt from the rules promulgated by the SEC to protect investors in "blank check" companies, such as Rule 419 promulgated under the Securities Act, so that investors in such SPAC may not be afforded the benefits or protections of those rules, (iv) such SPAC may only be able to complete one business combination, which may cause it to be solely dependent on a single business, (v) the value of any target company may decrease following its acquisition by such SPAC, (vi) the value of the funds invested and held in the trust decline, (vii) the inability to redeem due to the failure to hold the securities in the SPAC on the record date or the failure to vote against the acquisition and (viii) if the SPAC is unable to consummate a business combination, public stockholders will be forced to wait until the deadline before liquidating

distributions are made. In addition, to the extent that a SPAC completes a business combination, it may be affected by numerous risks inherent in the business operations of the acquired company or companies.

### **Leverage and Liquidity Risks**

Certain Clients borrow funds from time to time, which may result in significant and/or high levels of leverage. A Client borrows funds from brokers, and may also borrow funds from banks and other lenders or certain other parties to finance its investing, trading operations and for other reasons, which borrowings are typically secured by assets of a Client. The use of such borrowing and leverage can, in certain circumstances, maximize the losses to which a Client's investment portfolio is subject. Any event that adversely affects the value of an investment would be magnified to the extent that a particular asset or a Client as a whole is leveraged. The cumulative effect of the use of leverage by a Client in a market that moves adversely to a Client's investments could result in a substantial loss to a Client, which would be greater than if a Client was not leveraged. Leverage may be achieved through, among other methods, direct borrowing and purchases of securities on margin and the use of options and other derivatives.

The use of margin and short-term borrowings results in substantial interest and financing costs to a Client and creates or may create other or additional risks. If the value of a Client's securities falls below the margin level required by a prime broker, additional margin deposits would be required. If a Client is unable to satisfy any margin call by a prime broker, then the prime broker could liquidate a Client's position in some or all of the financial instruments that are in a Client's accounts at the prime broker and cause a Client to incur significant losses. Furthermore, secured counterparties and lenders have the right to sell, pledge, rehypothecate, assign, use or otherwise dispose of collateral posted by a Client. This increases exposure to the risk of a counterparty default since, under such circumstances, a Client may be unable to recover the posted collateral promptly or may be unable to recover all of the posted collateral. The occurrence of defaults may trigger cross-defaults under a Client's agreements with other brokers, lenders, clearing firms or other counterparties, creating or increasing a material adverse effect on the performance of a Client.

The purchase of options, futures, forward contracts, repurchase agreements, reverse repurchase agreements and equity swaps generally involve little or no margin deposit and, therefore, provides substantial leverage. Accordingly, relatively small price movements in these financial instruments may result in immediate and substantial losses to a Client. In addition, the Adviser generally has unlimited discretion to cause a Client to use derivative instruments, which generally provide the economic equivalent of leverage by magnifying the potential gain or loss from an investment.

### **Counterparty Risks**

Clients have established relationships to obtain prime brokerage and custodial services and other services, all of which permit a Client to trade in any variety of markets or asset classes over time; however, there can be no assurance that a Client will be able to maintain such relationships or establish such relationships in the future. An inability to establish or maintain such relationships would limit a Client's trading activities and could create losses, preclude a Client from engaging in certain transactions, financing and prime brokerage services and prevent a Client from trading at optimal rates and terms. Moreover, a disruption in the financing and prime brokerage services provided by any such relationships before a Client establishes additional relationships could have a significant impact on a Client's business due to a Client's reliance on such counterparties.

Some of the markets in which a Client executes its transactions are "over-the-counter" or "inter-dealer" markets. The participants in such markets are typically not subject to credit evaluation and

regulatory oversight as are members of “exchange-based” markets. This exposes a Client to the risk that a counterparty will not settle a transaction due to a credit or liquidity problem, thus causing the Client to suffer a loss. In addition, in the case of a default, a Client could become subject to adverse market movements while replacement transactions are executed. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement or where a Client has concentrated its transactions with a single counterparty or small group of counterparties.

Furthermore, there is a risk that any of a Client’s counterparties could become insolvent and/or the subject of insolvency proceedings. If one or more of a Client’s counterparties were to become insolvent or the subject of insolvency proceedings, there exists the risk that the recovery of a Client’s securities and other assets from a Client’s prime brokers or broker-dealers will be delayed or be of a value less than the value of the securities or assets originally entrusted to such prime broker or broker-dealer. If any of the Clients’ financial institutions or counterparties were to be placed into receivership, there is no guarantee that the Department of the Treasury, the Federal Reserve or the FDIC will intercede to provide Clients or other depositors with access to balances in excess of the \$250,000 FDIC insurance limit, that Clients would be able to access their existing cash, cash equivalents or investments, or that Clients would be able to adequately fund investments, any of which could have a material adverse effect on Clients and/or investors. Any losses would be borne by investors and clients. In addition, if any of the Adviser’s counterparties are unable to access funds pursuant to such instruments or lending arrangements with such a financial institution, such parties’ ability to pay their obligations to the Adviser or Clients or to enter into new commercial arrangements requiring additional payments to the Adviser or one or more Clients could be adversely affected. In this regard, counterparties to credit agreements and arrangements with banks in receivership, and third parties such as beneficiaries of letters of credit (among others), may experience direct impacts from the closure of such financial institutions and uncertainty remains over liquidity concerns in the broader financial services industry.

A Client may use counterparties located in jurisdictions outside the United States. Such counterparties are subject to the laws and regulations in non-U.S. jurisdictions that are designed to protect their customers in the event of their insolvency. However, the practical effect of these laws and their application to a Client’s assets are subject to substantial limitations and uncertainties. Because of the large number of entities and jurisdictions potentially involved and the range of possible factual scenarios involving the insolvency of a counterparty, it is impossible to generalize about the effect of their insolvency on a Client and its assets.

A Client is not restricted from dealing with any particular counterparty or from concentrating any or all of its transactions with one counterparty. Moreover, the Adviser’s internal process for evaluating the creditworthiness of its or a Client’s counterparties may prove insufficient. The ability of a Client to transact business with any one or more counterparties, the lack of complete and “foolproof” evaluation of the financial capabilities of a Client’s counterparties and the absence of a regulated market to facilitate settlement with respect to certain counterparties or certain financial instruments may increase the potential for losses by a Client.

### **Operational and Regulatory Risks**

***General Operational Risks.*** The volume and complexity of a Client’s transactions may place substantial burdens on the Adviser’s operational systems and resources, including those related to trade entry and execution, position reconciliation, corporate actions, collateral and margin maintenance, marking procedures, finance, accounting, profit and loss reporting, internal management and risk reporting and funds transfers. Human error (including, without limitation,

trading errors), system failure or other problems with any of these processes could result in material losses or costs, which will generally be borne by a Client.

**Execution Risks.** A Client's trading strategy depends on its ability to establish and maintain an overall market position in a combination of financial instruments selected by the Adviser. Should a Client's trading orders and investment decisions not be executed in a timely and efficient manner at quantities and prices expected to be received or obtained, a Client might be able to acquire only some, but not all, of the components of such position, or if the overall position were to need adjustment, a Client might not be able to make such adjustment (or make such adjustment at less favorable or disadvantageous prices). In such an event, a Client would not be able to achieve the market position selected by the Adviser and might incur a loss in liquidating its position.

**Systems and Facilities Risks.** The Adviser relies extensively on computer programs and systems to trade, clear and settle securities transactions, to evaluate certain securities based on real-time trading information, to monitor a Client's portfolio and net capital, and to generate risk management and other reports that are critical to oversight of a Client's activities. In addition, certain of the Adviser's or a Client's operations may interface with or depend on systems operated by third parties, including its brokers, custodians and market counterparties. Given the potential for extremely rapid price movements in the markets in which a Client invests, any defect or failure in the Adviser's or a critical third party's computer programs or systems or any interruption in the Adviser's or a critical third party's access to its facilities, however brief, could have a material adverse effect on a Client.

**Frequent Trading and Portfolio Turnover.** The catalyst-driven investment strategy of the Clients generally requires the Adviser to actively trade the Clients' portfolios and exit from positions upon a positive or negative catalyst realization. Higher commissions and other transaction costs will result from frequent trading and higher portfolio turnover (as compared with an investment in strategies with lower frequency of trading and portfolio turnover) which could adversely affect investment performance.

**Valuation Risks.** Although the Adviser generally attempts to mark a Client's portfolio to fair value, substantial uncertainty and subjectivity often exists, particularly for illiquid or private investments, and even the Adviser's best judgment as to fair value may not accurately reflect the prices at which a Client could actually purchase or sell such assets. The Adviser or an affiliate determines the fair value of many investments based on a variety of valuation methodologies, which depend on a variety of inherently unreliable estimates and assumptions, as generally described in the Offering Documents of a Client. The methodologies applied to particular assets or types of assets may vary from case to case and over time depending on a range of factors. A failure to properly value a Client's assets could have a material adverse effect on the returns earned by a Client or underlying investors. Many assets are subject to rapid changes in value caused by sudden company-specific or industry-wide developments. For certain illiquid or private investments, long periods of time may pass during which the Adviser or an affiliate will have no basis upon which to change the reported value of the investment, with the result that large price movements could occur suddenly when information does become available or an investment is liquidated. Performance-based compensation is generally calculated based on unrealized gains, on the basis of an estimate of fair value, which could be inaccurate. All values assigned to assets and liabilities by the Adviser or an affiliate generally will be conclusive and binding on Clients and underlying investors.

In order to value the assets and liabilities of a Client, the Adviser, its affiliates and an administrator (as applicable) may rely on information provided by the Adviser or employees of the Adviser, its affiliates, or other outside parties, and such persons may provide inaccurate, incomplete, outdated or otherwise unreliable information. The Adviser and its affiliates face a conflict of interest in valuing the portfolio of a Client because the fees earned by and payable to the Adviser and its affiliates are



based in whole or in part on the deemed fair value of such investments. Accordingly, the Adviser and its affiliates are incentivized to maximize the value of a Client's investments and therefore increase their profitability. In addition, in the case of the Adviser's employees who receive compensation based on the performance of certain investments, such employees face the same conflict and may be motivated to provide incorrect valuation information in order to receive inflated or increased compensation. See "Conflicts of Interest" under Item 10.C. of this Brochure. A Client, the Adviser or its affiliates and an administrator (as applicable) may be unable to detect every error contained in valuation information. To the extent the information received by a Client, the Adviser or its affiliates and an administrator (as applicable) is inaccurate or unreliable, the valuation of a Client's assets and liabilities may be inaccurate.

***Internal Controls and Employee Misconduct.*** The Adviser has adopted and implemented various policies and procedures reasonably designed to detect and prevent the misappropriation of a Client's property and other misconduct and violations of law by employees of the Adviser. There can be no assurance, however, that such procedures and controls will be effective. Any violation of such procedures and controls, including acts of fraud and dishonesty by employees of the Adviser, or even unsubstantiated allegations of such misconduct, could result in material losses or costs, which are generally borne by a Client.

***Regulatory and Legal Matters.*** In the course of its investment activities on behalf of a Client, the Adviser may employ unusual or novel investment strategies, securities, financing structures, contractual arrangements and other techniques, both in the United States and in other countries. The use of these techniques, as well as more ordinary techniques employed on behalf of a Client, frequently may give rise to circumstances in which it is difficult or impossible to identify and apply governing laws and regulations (including those relating to securities, trading and tax issues, among others) to a Client's specific activities with any certainty. Although the Adviser strives to comply with all applicable laws and regulations, there can be no certainty that this objective will be achieved. Even an inadvertent violation or an alleged violation of applicable laws or regulations could result in regulatory investigations and impose significant costs on a Client, including disgorgement of profits, penalties, settlement payments, loss of necessary licenses, restrictions on future activities, adverse publicity and otherwise.

The Adviser and a Client and their affiliates may in the future be named as defendants in civil litigation related to their investment management activities or investments. The expenses of defending against claims and paying any amounts pursuant to settlements or judgments generally will be borne by a Client, and the Adviser and its affiliates generally will be indemnified by a Client in connection with any such litigation, subject to certain conditions. Litigation could also be a distraction for the Adviser's personnel and, the negative publicity or an adverse judgment or settlement, could result in costs that would make it difficult for the Adviser to attract and retain key personnel or otherwise achieve its objective.

Such costs and expenses (including penalties, damages, settlement amounts, etc.) associated with regulatory, investigatory, administrative and litigation matters generally will be borne by a Client, even if such costs and expenses result from the negligence of the Adviser or its employees or personnel (but generally not if resulting from the fraud, bad faith, willful misconduct or gross negligence of the Adviser). Furthermore, at the time a Client bears or pays such costs, the composition of the underlying investors will likely be different than it was at the time of the regulatory or legal matter giving rise to such costs. There generally will be no mechanism or ability by which a Client may recapture such costs from, or otherwise allocate such costs to, withdrawn investors. As a result, the investors at the time such costs are paid by a Client would bear a disproportionate share of such costs.

***Restrictions on Trading, Material Non-Public Information and Position Limits.*** From time to time in connection with the Adviser's activities, the Adviser acquires confidential information (including material non-public information) with respect to an issuer or otherwise becomes restricted in its investment activities. For example, this occurs in connection with the execution of a confidentiality agreement with respect to evaluating new investments, receiving an "over the wall" communication from an issuer or its agent, or serving on the board of directors or creditors' committee of an issuer. In such event, the Adviser will generally not be free to act upon such confidential information in the course of performing its duties for all Clients until the information is made public, and therefore, the Adviser will generally not be able to initiate a transaction for its Clients that it otherwise might have initiated, with the result being that Clients are unable to purchase or dispose of a position. Such restrictions would apply even if a Client were not involved in, and could not have benefited from, the receipt of such information or the imposition of such other restriction. A Client may be materially adversely affected if the Adviser is unable to realize a profit or avoid a loss on a Client position due to trading restrictions. The Adviser may receive material non-public information in connection with a PIPE transaction (i.e., the fact that the issuer is considering a financing transaction). If that information is not known to the public, the Adviser (and Clients) will be prohibited from trading in the securities of the issuer until the transaction is announced (or the issuer determines to abandon the transaction). In certain cases, the Adviser may execute a confidentiality agreement in connection with a PIPE or other transaction of an issuer and the Adviser (and Clients) may be prohibited from trading in the securities of the issuer for a substantial period of time.

Position limits and ownership thresholds imposed by various regulations may also limit a Client's ability to effect desired trades. Position limits include maximum amounts of net long or net short positions that any one person or entity may own or control in a particular financial instrument. Other ownership thresholds include reporting requirements, volume limitations, short-swing profit rules, mandatory tender offer requirements, poison pill provisions and other regulatory or contractual requirements that make it illegal or undesirable to exceed a certain threshold of ownership in a particular issuer. In general, all positions owned or controlled by the same person or entity, even if in different accounts, will be aggregated for purposes of determining whether the applicable position limits or ownership thresholds have been exceeded. Thus, even if a Client itself does not intend to exceed the applicable limits, it is likely that different accounts managed by the Adviser may be aggregated. If at any time positions managed by the Adviser were to exceed the applicable limits, the Adviser could be required to liquidate positions, which might include positions of a Client, to the extent necessary to come within those limits. Further, to avoid exceeding the applicable limits, a Client may have to forego or modify certain of their contemplated trades.

***Absence of Regulatory Oversight.*** While a Client may be considered similar to an investment company, Clients are generally not registered as such under the Investment Company Act of 1940, as amended (the "**Company Act**"), or similar laws of other applicable jurisdictions, and, accordingly, the provisions of the Company Act (which, among other matters, require investment companies to have a majority of disinterested directors and regulate the relationship between the adviser and the investment company) generally are not applicable to a Client.

***Cyber Security Breaches and Identity Theft.*** A Client, the Adviser, and their respective service providers depend on information technology systems and, notwithstanding the diligence that the Adviser may perform on its or a Client's service providers, it may not be in a position to verify the risks or reliability of such information technology systems. A Client, the Adviser, and their service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and

disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The Adviser's, a Client's and their respective service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes which can result in a material adverse impact on a Client. Although the Adviser and its affiliates have implemented certain measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser and/or a Client may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Adviser's and a Client's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to underlying investors (and the beneficial owners of investors). Such a failure could harm the Adviser's or a Client's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to a Client or individual underlying investors by interfering with the operations of the Adviser or its affiliates. A Client may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose a Client and/or the Adviser to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and a Client may be required to indemnify the Adviser against any losses incurred in connection therewith.

***Trade Errors and Similar Errors.*** The Adviser places orders on behalf of Clients to buy, sell and otherwise trade in financial instruments. Errors related to such trading ("trade errors" or "trading errors") are an inherent risk of a Client's investment strategies, and such errors do occur. Generally, a trade error occurs when an investment professional (the "trader") executes a trade that is inconsistent with his or her intention at such time. Trade errors occur for a variety of reasons, including verbal miscommunications, keystroke errors when entering trades into an electronic trading system or typographical errors when drafting a derivatives contract or other agreement. As a result of trade errors, transactions may be executed in the wrong financial instrument, for the wrong quantity or price, to buy when the trader intended to sell, or to sell when the trader intended to buy, among other consequences. Similar errors may occur in connection with allocating trades among Clients of the Adviser or allocating expenses among the Adviser's Clients and the Adviser. (In addition to trade errors, the Adviser and its personnel make programming errors and errors of judgment, strategy and analysis. Such errors are generally not considered to be trade errors, although their effects on a Client could be the same or similar.) To the extent an error is caused by a third party, such as a broker, the Adviser may (but is not obligated to) seek to recover losses associated with such error from such third party, taking into account such factors as it deems relevant, including operational, contractual and relationship-driven considerations (including considerations as to the effect on all Clients). As a result of the indemnification and exculpation provisions in the Offering Documents of Clients, the Adviser and its affiliates and personnel generally are not liable to Clients for any trading errors, trade allocation errors, expense allocation errors, programming errors or any similar errors, absent bad faith, willful misconduct or gross negligence. Accordingly, Clients generally will absorb any losses resulting from such errors. Trade error and similar error losses, including potential lost profits and transaction costs with respect to the incorrect trade or its reversal, can be substantial. The Adviser generally determines whether a trade error or similar error occurred and whether an error will be reimbursed to a Client. Such determinations give rise to a conflict of interest for the Adviser because of the inherent incentive to

minimize the liability of or expenses payable by the Adviser. See “Conflicts of Interest” under Item 10.C. of this Brochure. The Adviser does not, and generally would not, notify Clients or underlying investors of any trade errors or similar errors occurring with respect to a Client.

***Ongoing Engagement of Service Providers.*** The Adviser and its personnel have cultivated and developed an extensive network of service providers and industry contacts that it leverages to source, finance, execute, improve, maintain and support the various investments and other transactions it undertakes. The Adviser believes that maintaining and expanding this network, as well as the Adviser’s reputation, can provide the Adviser and Clients with a valuable competitive advantage in sourcing, executing and capitalizing on investment opportunities. In making decisions regarding, for example, the retention of service providers, the making of certain investments and related trading strategies (including, without limitation, in connection with new issues), the Adviser may and often will consider and give weight to the longer-term strategic value such actions may contribute to the Adviser’s continued cultivation and maintenance of such networks and reputation, including for the benefit of all Clients or future clients of the Adviser or other investment opportunities, and not just to the near-term ramifications of such action on any one Client, even if such Client would bear all of the costs and risks associated with such action. For example, the Adviser may choose to engage certain bankers or brokers other service providers in connection with a Client’s activities, even though such services may be better provided by other persons, in order to cultivate relationships with such bankers or brokers for the benefit of future investment opportunities in which such Client will not necessarily be able to participate or from which such Client will not necessarily receive a benefit.

Underlying investors of Clients generally are not contractual parties to the agreements with service providers of Clients, including, without limitation, any administrator, auditor and prime broker(s) (as applicable), and therefore investors generally will not be able to bring any contractual claims against any such service provider. In addition, the Adviser is also a service provider to Clients, but generally not to any of the underlying investors individually, and therefore the individual investors generally will not be able to bring any contractual claims against the Adviser. Only the Clients and/or certain of their affiliates generally have or will have a right to enforce the contracts with service providers. Any action sought to be taken by an underlying investor directly against any such service provider may result in the service provider calling on its indemnity from a Client, if applicable. See also “Conflicts of Interest – Service Providers” under Item 10.C. of this Brochure.

***Privacy and Data Protection Risk.*** The Adviser and Clients (and their respective agents, service providers and affiliates) process personal information, including by storing and maintaining personal data related to their respective members, affiliates, employees and representatives, investors, service provider representatives, customers and others. Such processing of personal information, which also includes the use of third-party processors and cloud-based services, will impose legal, operational and regulatory risks on the Adviser and its affiliates. In recent years, there has been an increase in legal requirements relating to the collection, storage, use and transfer of personal information, and the legal framework around such matters is expected to continue to develop at both the international, federal and state level. Certain activities of the Adviser or its affiliates may, for example, be subject to the European Union’s General Data Protection Regulation (“**GDPR**”), the California Consumer Privacy Act (“**CCPA**”) or the Cayman Islands Data Protection Act (“**DPL**”), and other foreign, federal and state privacy laws. While the Adviser and its affiliates intend to comply in all material respects with their privacy and data protection obligations under applicable laws, they may not be able to accurately anticipate or determine the ways in which regulators and courts will apply or interpret the applicable law. For example, the failure of the Adviser, or one or more of its affiliates or agents providing services to a Client, to comply with privacy and data protection laws could result in negative publicity, operational disruptions, and may subject a Client to significant costs associated with litigation, settlements, regulatory action,

judgments, liabilities or penalties and mandatory remediation. The same risks will apply to investments that fail to comply with privacy and data protection laws. If the Adviser or an affiliate or agent thereof uses or discloses information improperly or suffers a security breach impacting personal information, they may be obligated to notify government authorities, stakeholders or individuals affected, which may divert the Adviser's and its affiliate's time and effort and entail operational disruptions, loss of market confidence and goodwill and substantial expense, particularly if any litigation or enforcement action or mandatory remediation were to also arise out of such breach.

***Risks Related to Electronic Communication.*** Clients or underlying investors generally are provided statements, reports and other communications relating to a Client's or an investor's investment in electronic form, such as email or via the password-protected investor portal maintained by an administrator or another website, if applicable. Any such electronic communications may be modified, corrupted, or contain viruses or malicious code, and may not be compatible with a Client's or an investor's electronic system. In addition, reliance on such electronic communications involves the risk of inaccessibility, power outages or slowdowns for a variety of reasons. These periods of inaccessibility will delay or prevent receipt of reports or other information by a Client or investors. The Adviser cannot provide any assurance to a Client or investors that these electronic communication methods are secure, and the Adviser and its affiliates will not be responsible for any problems or malfunctions resulting from any computer viruses or related attacks or issues that may be associated with the use of an electronic or internet based system.

***Force Majeure Risks.*** Force majeure is the term generally used to refer to an event beyond the control of the party claiming that the event has occurred, including acts of God, fire, flood, weather, earthquakes, war, terrorism, labor strikes, outbreaks of disease and potentially other events or occurrences. Force majeure events in the United States and elsewhere in the world may adversely affect the ability of the Adviser, its affiliates or agents or the parties with whom they do business to perform their respective obligations, under a contract or otherwise. In addition, dealing with any force majeure event will divert the Adviser's time and effort, and the cost of repairing or replacing damaged assets could be considerable. Repeated or prolonged service interruptions may result in permanent loss of customers, substantial litigation, or penalties for regulatory or contractual non-compliance. In some cases, agreements can be terminated based on a force majeure event. Force majeure events that are impossible or costly to cure may also have a material adverse effect on a Client or its investments or financing arrangements, and a Client's potential returns would be diminished as a result.

### **Risks Relating to Client Terms and Structure**

***Past Performance.*** Past performance of Clients, the Adviser and its affiliates is not necessarily indicative of the future performance or profitability of a Client or an investment therein. A Client's investment program should be evaluated on the basis that there can be no assurance that the Adviser's assessment of the short-term or long-term prospects of investments will prove accurate or that a Client will achieve its investment objective.

***Incomplete Information.*** A Client or underlying investor generally will not have sufficient information to analyze or evaluate the risks or potential returns of a Client's investment program currently or prospectively. In general, the Adviser does not expect to provide current or detailed information about a Client's portfolio or any advance notice to a Client or investors of anticipated changes in the composition of a Client's portfolio. However, in response to questions and requests and in connection with due diligence meetings and other communications, the Adviser provides or may provide additional information, documents and reports regarding a Client and its investments (or the activities of the Adviser) to certain Clients or underlying investors that are not distributed or

made available to other Clients or underlying investors, and such information may affect a Client's or an investor's decision to request a withdrawal from (or invest additional amounts in) a Client. Each Client or investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions, including whether to invest in or through a Client, and each Client or investor must decide for itself whether the limited information provided by the Adviser is sufficient for its needs.

***Restrictions on Withdrawals.*** An investment in a Fund Client provides limited liquidity since an investor's interest is not freely transferable and an investor generally only has the limited right or ability to withdraw its investment in accordance with, and subject to the terms and conditions and limitations of, the Fund's Offering Documents. For example, if a withdrawal date is less than twelve (12) months after an investment in a Fund Client, an investor generally will be required to pay a withdrawal fee. With respect to an investor who has elected to participate in Special Investments (as defined in Item 8 of this Brochure), capital allocated or attributable to Special Investments generally will not be available for withdrawal or distribution until the Special Investment is liquidated or distributed. It could take a significant amount of time for investors to receive any withdrawal proceeds in respect of Special Investments.

A Fund Client may also suspend the withdrawal rights of investors (or the payment of withdrawal proceeds) under certain circumstances. Withdrawals in Fund Clients are also subject to a withdrawal gate that limits the amount of aggregate investor interests that can be withdrawn as of any withdrawal date as described in a Fund's Offering Documents. The Adviser or an affiliate may also establish reserves or holdbacks for contingencies, which could reduce the amount of a distribution upon withdrawal. An investment in a Fund Client is appropriate only for sophisticated investors who do not require immediate liquidity for their investment.

***In-Kind Distributions.*** While the Adviser and its affiliates endeavor to make distributions in respect of withdrawals in a Fund Client in cash, a withdrawing investor may, at the discretion of the Adviser or its affiliates, receive financial instruments owned by a Fund Client in lieu of, or in combination with, cash. Such distributions may include interests in one or more trading vehicles or special purpose vehicles holding financial instruments owned by a Fund Client or participations therein. To the extent a withdrawing investor is distributed interests in one or more trading vehicles or special purpose vehicles, such withdrawing investor will continue to be at risk of a Fund Client's business (including its credit risk) until all such financial instruments are sold. The value of an in-kind distribution may increase or decrease after the distribution is made and before the security is sold either by the withdrawing investor, if received directly, or by the Adviser or its affiliates, if held through a trading vehicle or special purpose vehicle. In either case, the withdrawing investor will incur transaction costs in connection with the sale of any such instruments and, in the case of interests in trading vehicles or special purpose vehicles, will bear a proportionate share of the operating and other expenses borne by such vehicle. Instruments distributed in-kind will likely not be readily marketable. The risk of loss and delay in liquidating these financial instruments will be borne by the investor, with the result that such investor may ultimately receive less cash than it would have received on the date of withdrawal if it had been paid in cash. Furthermore, to the extent that a withdrawing investor receives interests in one or more trading vehicles or special purpose vehicles, such withdrawing investor generally will have no control over when and at what price the financial instruments in which such vehicles have an interest are sold.

***"Master-Feeder" Structure.*** The Fund Clients utilize a "master-feeder" structure. The master-feeder fund structure—in particular the existence of multiple feeder funds investing in the same master fund—presents certain unique risks to investors. Smaller feeder funds investing in a master fund may be materially affected by the actions of larger feeder funds investing in such master fund. For example, if another feeder fund withdraws from the master fund or experiences significant or

material investor withdrawals, the remaining feeder funds would experience higher pro rata operating expenses, thereby producing lower returns. The master fund's portfolio may become less diverse due to liquidations of positions needed to fund a withdrawal by any other feeder fund or significant withdrawals by investors in such other feeder fund, resulting in increased portfolio risk. The master fund is a single entity and creditors of the master fund may enforce claims against all assets of the master fund. In addition, since a feeder fund's assets generally are invested in the master fund, certain conflicts of interest in determining whether to hold or dispose of an asset may exist due to different tax considerations applicable to the various feeder funds. While the Adviser and its affiliates do not consider tax issues applicable to any particular investor, it generally takes into account the tax positions of the various feeder funds that invest in the master fund. However, the use of a "master-feeder" structure may create a conflict of interest in that different tax considerations for the various feeder funds may cause or result in the master fund structuring or disposing of an investment in a manner or at a time that is more advantageous (or disadvantageous) for tax purposes to one feeder fund or its investors. See "Conflicts of Interest" under Item 10.C. of this Brochure.

***Reliance on the Adviser and Key Personnel.*** The success of a Client's investment program is dependent upon the abilities and retention of the principals and other key personnel of the Adviser. Certain principals and other key personnel of the Adviser have exclusive responsibility for all investment decisions made by the Adviser with respect to a Client. In particular, if any of the principals or key personnel ceases to be involved, directly or indirectly, in the Adviser and the management of a Client or its portfolio, the business of the Client would likely be adversely affected. No assurance can be given that the Adviser will be able to retain its principals or key personnel or to engage or retain new personnel in the event of a departure with comparable investment management skills.

While the Adviser and its affiliates devote as much time to a Client's affairs as they deem necessary and appropriate, they generally are not precluded from engaging in outside activities or providing services with respect to other Clients, vehicles, accounts and funds (which may conflict with the services provided to any Client). The Adviser and its affiliates generally may engage and hold interests in other business ventures and activities of every kind and description for their own account including, without limitation, other investment entities similar to Clients and/or other investment advisory entities similar to the Adviser. The Adviser currently manages, advises and sub-advises various Clients, which have investment strategies and objectives and other attributes or terms which materially overlap and invest or may invest in the same or similar investments which raise conflicts of interest. See "Conflicts of Interest" under Item 10.C. of this Brochure.

***Transparency and Liquidity Rights of Certain Clients.*** The transparency and liquidity terms applicable to certain Clients managed by the Adviser (or the transparency or liquidity rights or terms granted to certain investors in such Clients) are or may be more favorable in certain material respects than the transparency and liquidity terms generally applicable to other Clients or underlying investors generally. As a result, certain Clients managed by the Adviser (or certain investors in such Clients) may be able to request withdrawals or obtain liquidity at a time when other Clients or underlying investors cannot or generally may not be able to request withdrawals or obtain liquidity. Because Clients managed by the Adviser generally share an investment strategy (or have investment strategies and objectives that materially overlap), redemptions, withdrawals or liquidity actions of one or more Clients could affect the price and availability of the securities and instruments in which other Clients invest, if, for example, one or more Clients managed by the Adviser (or the Adviser on behalf of one or more Clients) were to liquidate certain positions that are also held by other Clients in order to effect the withdrawals or provide liquidity. See "Conflicts of Interest" under Item 10.C. of this Brochure.

**Conflicts of Interest.** Various actual and potential conflicts of interest exist (and may exist) among the Adviser, its affiliates, principals and employees, and the various Clients managed by the Adviser, including, but not limited to, actual and potential conflicts of interest related to fees, liquidity or withdrawal rights, portfolio transparency or access to additional information, portfolio composition and valuation, expense allocation, allocation of investment opportunities, allocation of business time, selection of counterparties and other service providers and best execution, treatment of Clients and underlying investors in relation to each other, limitation of liability, indemnification, outside business activities and personal trading. These conflicts of interest increase the risk of a material adverse effect with respect to a Client or an underlying investor. During a Client's term, many additional and different types of conflicts of interest may arise and this Brochure does not purport to identify all such conflicts. See "Conflicts of Interest" under Item 10.C. of this Brochure.

**Dependence on Administrator.** The Adviser relies on an administrator (the "**Administrator**") for certain aspects of its business, including, among other things, certain financial operations, position reconciliation, cash movement, AML compliance and tax reporting obligations, certain regulatory reporting obligations, and certain investor accounting, reporting and other communications. Any interruption or deterioration in the performance of the Administrator, or any risks associated with the Administrator's systems, facilities, software, cybersecurity and data privacy efforts or other activities, could impair the quality of the Adviser's operations, negatively impact its and certain Clients' reputations and investment strategies, limit certain Clients' potential to grow, or result in material losses to a Client.

**Limitation of Liability and Indemnification.** Certain exculpation and indemnification provisions are contained in a Client's Offering Documents. As a result of these provisions, the Adviser and its affiliates and personnel will generally not be liable to a Client for any act or omission (including employee negligence and similar human errors), absent fraud, bad faith, willful misconduct or gross negligence, and a Client will generally be required to indemnify such persons against any losses they may incur by reason of any act or omission related to a Client, absent fraud, bad faith, willful misconduct or gross negligence. As a result of the foregoing, a Client (and not the Adviser) generally will be responsible for all losses resulting from trading errors, allocation errors and similar human errors, even when such losses result from the Adviser's negligence (but not gross negligence). In addition, to the extent an error relates to a prior reporting or fiscal period (i.e., month or year), any profits, losses or expenses paid or received in connection with such error will generally be borne by current underlying investors in a Client at the time of the payment or receipt rather than the investors as of the prior period. **These are important provisions that could materially affect a Client's or an underlying investor's rights in a Client. Clients or underlying investors having any questions or concerns about these provisions should seek advice from qualified counsel.**

**Restrictions on Transferability.** Each investor in a Fund Client is required to represent that it is acquiring interests for investment purposes only and not with a view to distribution or resale; that it understands that it must bear the economic risk of an investment for an indefinite period of time because the interests have not been registered with the SEC, Commodity Futures Trading Commission or any other state or governmental agency; and that it understands interests cannot be sold unless an exemption from such registration is available. In addition, transfers of interests require, among other things, the prior written consent of the Adviser or its affiliate, which consent may be withheld in the Adviser's or its affiliate's discretion and may include such terms and conditions as the Adviser or its affiliate deems appropriate. There is currently no independent market for Fund interests, and none is expected to develop. Consequently, the interests should be considered only as a long-term and illiquid investment and is suitable only for sophisticated investors.



***Effect of Withdrawals.*** A significant withdrawal of capital from a Fund Client may cause an imbalance in a Fund Client's portfolio which may adversely affect the remaining investors. For example, a Fund Client's portfolio may become less diverse due to liquidations of positions needed to fund such a withdrawal, resulting in increased portfolio risk. Additionally, the portion of illiquid positions in the portfolio will generally increase as liquid positions are sold to fund the withdrawal. Furthermore, the remaining investors may experience higher pro rata operating expenses, thereby producing lower returns. The risk of an adverse effect due to a withdrawal increases if a large portion of the capital of a Fund Client is held by a limited number of investors. A Separate Account Client that is managed on a *pari passu* basis with a Fund Client would experience similar increases to portfolio risks described above to the extent the Fund Client experienced a significant withdrawal of capital resulting in changes to the portfolio construction of both the Fund Client and Separate Account Client.

***THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE OR COMPREHENSIVE EXPLANATION OR DESCRIPTION OF ALL ACTUAL OR POTENTIAL RISKS THAT ARE OR MAY BE ASSOCIATED WITH AN INVESTMENT IN A CLIENT. CLIENTS AND UNDERLYING INVESTORS SHOULD READ THE OFFERING DOCUMENTS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS. CLIENTS AND UNDERLYING INVESTORS ARE ALSO URGED TO CONSULT WITH THEIR OWN LEGAL AND TAX ADVISORS BEFORE MAKING ANY INVESTMENT DECISIONS. IN ADDITION, AS A CLIENT'S INVESTMENT PROGRAM DEVELOPS AND CHANGES OVER TIME, AN INVESTMENT IN A CLIENT MAY BE SUBJECT TO ADDITIONAL AND DIFFERENT RISK FACTORS.***

**Item 9 Disciplinary Information**

The Adviser is required to disclose all material facts regarding any legal or disciplinary events that would be material to a Client's or prospective client's evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

The Adviser does not believe there are any legal or disciplinary events that are reasonably likely to be material to an evaluation of the Adviser's advisory business or the integrity of the Adviser's management.

## Item 10 Other Financial Industry Activities and Affiliations

- A. **Broker-Dealer Registration.** The Adviser is not registered, and does not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of the Adviser are registered representatives of a broker-dealer.
- B. **Commodity Futures Trading Commission Registration.** Neither the Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities. The Adviser and certain affiliates have claimed exemptions from registration with the U.S. Commodity Futures Trading Commission as a commodity pool operator and commodity trading advisor on behalf of its Clients.
- C. **Material Relationships or Arrangements and Conflicts of Interest.**

As referenced in Item 4 “Advisory Business” of this Brochure, certain Clients of the Adviser are private investment funds organized in a master-feeder structure in which Ikarian Healthcare Master Fund, L.P., a Cayman Islands exempted limited partnership acts as a master fund (the “**Master Fund**”), Ikarian Healthcare Fund, L.P., a Delaware limited partnership acts as a U.S.-domiciled feeder fund (the “**U.S. Feeder Fund**”) and Ikarian Healthcare Offshore Fund, Ltd., a Cayman Islands exempted company acts as a non-U.S. domiciled feeder fund (the “**Non-U.S. Feeder Fund**”). The U.S. Feeder Fund and the Non-U.S. Feeder Fund invest all or substantially all of their assets in, and conduct their investment activities indirectly through, the Master Fund.

Ikarian Healthcare Fund GP, L.P., a Delaware limited partnership and an affiliate of the Adviser, acts as general partner (the “**General Partner**”) to the U.S. Feeder Fund and the Master Fund. The General Partner has delegated investment advisory authority with respect to the U.S. Feeder Fund and the Master Fund to the Adviser pursuant to an investment management agreement.

The Adviser has no other relationships or arrangements with any related person listed in the instructions to Item 10.C. of this Brochure that are material to its advisory business or to its Clients.

### **Conflicts of Interest**

#### **General**

The Adviser, its affiliates and their principals and employees are engaged or involved in or may in the future be engaged in or involved in, a broad range of activities and matters, including advisory and management services, both for their own accounts and for the accounts of others. In addition to serving as investment manager to Fund Clients, the Adviser provides or performs various investment management, advisory, sub-advisory and other services to Separate Account Clients. These activities of the Adviser and its affiliates present or raise actual or potential conflicts of interest. The Adviser and its affiliates will be guided by their respective fiduciary duties to its Clients, and generally will attempt or endeavor to manage or address or mitigate or disclose such actual or potential conflicts in good faith (to the extent identified by the Adviser or its affiliates) and will seek to ensure that the interests of its Clients are represented or considered (as determined in the sole discretion of the Adviser and its affiliates). However, if the Adviser or an affiliate determines in its sole discretion that it is necessary or appropriate to attempt to seek to resolve or mitigate or address such potential or actual conflict, the Adviser or

its affiliates reserves the right (and will have the discretion or authority) to take such steps, measures and/or actions as the Adviser or an affiliate deems necessary or appropriate in its sole discretion, even if (subject to applicable law), such steps or measures or actions would require a Client to, among other things, (i) forego an investment opportunity or divest of an investment that, in the absence of such conflict, the Client would have made or continued to hold or (ii) otherwise take actions or pursue measures (including in respect of any particular investment or proposed investment or any other matter or transaction involving or that may involve a potential or actual conflict of interest) that may have the effect of benefitting or advantaging any other Client (or the Adviser or any of its affiliates) and therefore may not have been in the best interests of one or more other Clients or underlying investors.

In any event, Clients and underlying investors should be aware of the conflicting interests and incentives faced by the Adviser and its affiliates and personnel and the possibility that such interests and incentives could affect behavior, consciously or unconsciously.

*The Offering Documents of a Client generally contain provisions that, subject to applicable law, purport to reduce or eliminate the duties, including fiduciary and other duties, to a Client to which the Adviser and its affiliates would otherwise be subject; provisions that waive or consent to conduct on the part of the Adviser and its affiliates that might not otherwise be permitted pursuant to such duties; and provisions that limit the remedies and rights of a Client and its underlying investors with respect to breaches of such duties and other acts or omissions of the Adviser and its affiliates. If any matter or transaction or issue arises that the Adviser or its affiliates determines in its good faith judgment constitutes an actual conflict of interest, the Adviser or its affiliates may take such actions or steps or measures as it determines in good faith are or may be necessary or appropriate to ameliorate or address or mitigate the conflict (and upon taking such actions, measures or steps, as applicable, the Adviser and its affiliates will generally be relieved and absolved of any liability for such conflict or the actions, steps or measures undertaken with respect thereto to the fullest extent permitted by law and shall be deemed to have satisfied its fiduciary duties related thereto to the fullest extent permitted by law). There can be no assurance that the Adviser or its affiliates will identify or resolve (or that the Adviser or its affiliates will be able to resolve or mitigate or address or identify) any or all conflicts of interest in a manner that is favorable to (or in the best interests of) a Client or its underlying investors. Accordingly, there may not be a fair and equitable outcome with respect to any particular conflict of interest, and the result in any such case may be materially disadvantageous to a Client or its underlying investors. By subscribing for an interest or otherwise investing in or through a Client, each investor is generally deemed to have acknowledged the existence of any actual or potential conflicts of interest in connection with such Client and its activities, including those described or disclosed herein and in such Client's Offering Documents, and are or may be deemed to have consented thereto and to have waived any claim(s) with respect to any liability arising from the existence of any potential or actual conflict of interest or the resolution thereof (or actions, measures or steps undertaken by the Adviser or its affiliates with respect thereto) as described herein and in such Client's Offering Documents.*

*The conflicts or potential conflicts disclosed or referenced herein and in a Client's Offering Documents are not (and are not intended to be) an exhaustive or comprehensive list of all actual or potential conflicts of interest that are or may be applicable to a Client and its activities or the Adviser's activities in connection with the management and operation of a Client. The Adviser and its affiliates may face or be subject to other actual or potential conflicts in addition to, and separate and apart from, those outlined below and in a Client's Offering Documents.*

## **Other Clients and Advisory Relationships; Side-by-Side Investments**

The Adviser currently manages and advises various Clients, and may in the future manage or advise, various other funds, vehicles, managed accounts and other clients, which have or may have investment strategies, programs and/or objectives which materially overlap with (and are similar or substantially similar to) the investment strategies, program and objective of a Client. All Clients generally invest or may invest alongside other Clients in all or certain investments. The strategies employed or pursued by the Adviser for a Client (and the Adviser's activities and services with respect to a Client) could materially conflict with the transactions, actions and strategies employed or pursued or undertaken by the Adviser with respect to another Client and may affect the prices and availability of the securities in which another Client invests or may invest.

Certain Clients and underlying investors have access to or may have access to certain information, documents and records or reports (including access to portfolio information or enhanced transparency) that are not generally available or made available to other Clients or investors. Clients and underlying investors that have been granted additional or preferential access to portfolio information or enhanced transparency or other preferential information rights may be able to make investment and other decisions (including with respect to exercising liquidity or withdrawal rights) based on information and at times not generally available to other Clients and investors. In addition, certain Clients (including Separate Accounts that generally invest alongside the Funds) have and/or are subject to (or may in the future have or be subject to) different terms or more favorable rights or terms than those applicable to the investors in Funds with respect to (among other things) fees and expenses, investment terms, withdrawal, redemption and liquidity rights, capacity rights and the content and frequency of reports (among other things). In particular, certain Clients of the Adviser have liquidity or withdrawal rights with respect to their accounts that may enable or permit them to obtain liquidity or make withdrawals at a time when the investors in Funds generally cannot, which could have a material adverse effect on investors in Funds or their interests. For example, Separate Account Clients generally have the ability to terminate their arrangements or relationships with the Adviser on short notice and may choose or elect to liquidate their positions without regard to the effect such liquidation would have on other Clients which hold or are likely to hold or own a substantially similar portfolio. Furthermore, in effecting transactions for a Client, it may not always be possible or consistent with the investment objectives of other Clients to make or liquidate the same investment positions at the same time or at the same prices for all such Clients. The "market impact" associated with liquidation of investments by a Client may adversely affect the ability of another Client to liquidate its position; or where the position is liquidated, the price at which such liquidation occurs or is able to occur; or where another Client does not liquidate its position, the mark-to-market value of such position.

A Client that has invested alongside other Clients in investments may be required to liquidate or sell its investments (or a portion thereof) or the Adviser may be required to sell or liquidate investments in whole or in part on behalf of such Client, including, for example, due to the exercise by one or more investors in such Client of their redemption, withdrawal or liquidity rights, due to the dissolution or liquidation of such Client or the termination of such Client and/or due to such Client causing the Adviser to liquidate or sell all or a portion of the investments in its account. With respect to certain Clients, the Adviser may be required to liquidate or sell investments in order to comply with or adhere to the investment guidelines or restrictions applicable to the management of such Clients. In the case of a dissolution or termination of a Client or the exercise by one or more investors of their redemption or withdrawal rights, a Client may be required to sell or dispose of investments under circumstances that may negatively affect the Client's returns or the Client may be required to

dispose of or sell investments at lower prices than it otherwise would be willing to do so. Where a Client that has invested alongside other Clients is forced to liquidate or sell its investments (in whole or in part) (or if the Adviser is required to liquidate or sell investments on behalf of such Client), such liquidation (or the actions taken by the Adviser in connection with the management of such Client) may also negatively affect the value of such other Clients' investments and/or the circumstances of their disposition, which could negatively affect the returns of such other Clients or the investments of underlying investors.

In some cases, even if a Client has investment objectives, programs or strategies that are similar to those of other Clients, the Adviser may give advice or take action with respect to the investments held by, and transactions of, such Client that may differ from the advice given or the timing or nature of any action taken with respect to investments held by, and transactions of, such other Clients for a variety of reasons including differences in investment guidelines and restrictions applicable to the management of such Client, directives or instructions from such Client, regulatory differences, differences in terms or composition of overall portfolio or other reasons.

### **Compensation Conflicts**

Management Fees, which are payable without regard to a Client's performance, could motivate the Adviser to gather more assets than it can manage effectively, thereby diluting returns to Clients and underlying investors. Performance-based compensation could motivate the Adviser, to make investment decisions that are riskier or more speculative than would be the case if such arrangements were not in effect. Individual employees of the Adviser or its affiliates who are compensated to some extent based upon trading profits for which they are responsible face the same potential conflict. In addition, because performance-based compensation is generally calculated on a basis that includes unrealized appreciation in a Client's portfolio, it may be greater than if such compensation was based solely on realized gains. Economic arrangements vary or may vary as between or among Clients or underlying investors, and such differing economic arrangements may create conflicts of interest (including, with respect to dedication of time, other resources and allocation of investment opportunities), as disclosed in further detail below.

### **Valuation**

Because Management Fees and performance-based compensation are generally calculated on a basis that includes unrealized appreciation in a Client's portfolio based upon valuation sources or values approved or assigned by the Adviser or its affiliates, the Adviser or its affiliates face a conflict of interest in valuing a Client's portfolio or making determinations with respect to the fair value of assets in a Client's portfolio. The Adviser or its affiliates are or may be involved in valuing a Client's investments and determining a Client's net asset value, and this process involves substantial discretion and subjectivity, particularly in the case of illiquid and private investments (including securities for which reliable market quotations are not available). Even the Adviser's or its affiliates' best judgment as to fair value may not accurately reflect the prices at which a Client could actually purchase or sell certain assets.

The process of valuing securities and assets for which reliable market quotations are not available is based on inherent uncertainties and the resulting values may differ from the values that would have been determined had a ready market existed for such securities and may differ from the prices at which such securities or assets may ultimately be sold. Further, third-party valuation information will at times not be available regarding certain of a Client's assets and securities. It is expected that certain employees and personnel of the Adviser will be involved in

(i) valuing or determining the value of certain Clients' assets, (ii) verifying title to certain Clients' assets, and/or (iii) monitoring certain Clients' cash, each on behalf of the Client and the Adviser. If the Adviser's valuation estimates or determinations with respect to a Client should prove to be incorrect, the net asset value of the Client's investment could be adversely affected. The determination of the fair value of any investment may impact or affect the calculation of Management Fees and performance-based compensation, which could incentivize the Adviser to inflate the value of Clients' assets. All valuation determinations are generally conclusive and binding on a Client and underlying investors. See Item 8 "Methods of Analysis, Investment Strategies and Risk of Loss – Risk Factors – Valuation Risks" of this Brochure.

### **Tangible and Intangible Benefits**

In connection with their services to a Client and its investments, the Adviser and its affiliates and personnel (including any consultants and third parties engaged or retained by the Adviser or its affiliates) expect to receive the benefit of certain tangible and intangible benefits. For example, in the course of the Adviser's operations, including research, due diligence, investment monitoring, operational improvements and investment activities, the Adviser and its personnel and consultants (expect to receive and benefit from information, "know-how," experience, analysis and data relating to a Client's or a certain investment's (as applicable) operations, activities, services, terms, trends, market demands, customers, products, vendors and other metrics (collectively, "**Adviser Information**"). In many cases, Adviser Information will include tools, procedures and resources developed by the Adviser and its affiliates to organize or systematize Adviser Information for ongoing or future use. Although the Adviser expects a Client and its investments to generally benefit from the Adviser's possession of Adviser Information, it is possible that any benefits will be experienced solely by other or future Clients or investments and not by the Client or relevant investment from which Adviser Information was originally received. Adviser Information generally will be the sole intellectual property of the Adviser and solely for the use of the Adviser. The Adviser reserves the right to use, share, license, sell or monetize Adviser Information, without offset to Management Fees, and a Client or relevant investment will not receive any financial or other benefit of such use, sharing, licensure, sale or monetization. Additionally, certain expenses relating to a Client or investments are charged using credit cards or other widely available third-party rewards programs that provide airline miles, hotel stays, travel rewards, traveler loyalty or status programs, "points," "cash back," rebates, discounts and other arrangements, perquisites and benefits under the available terms of such reward programs. Any such rewards (whether or not *de minimis* or difficult to value) generally will inure to the exclusive benefit of the Adviser, its affiliates or their personnel participating in the rewards program, rather than the investments, a Client or its investors even though the cost of the underlying expense is borne by the Client. No such rewards or benefits will offset (or result in any reduction of or to) Management Fees.

### **Expense Allocation**

A conflict of interest arises in the Adviser's or its affiliates' determination of whether and to what extent certain costs and expenses that are incurred are or should be expenses for which the Clients are responsible, or are costs and expenses that should be borne by the Adviser or its affiliates (because of the inherent incentive of the Adviser and its affiliates to attempt to minimize the expenses borne by the Adviser and its affiliates and maximize the expenses passed down to Clients). A Client will be reliant on the determinations of the Adviser or its affiliates with regard to the allocation of expenses and any common expenses as between or among Clients (and, as applicable, the Adviser and its affiliates) pursuant to each Client's Offering Documents. Such allocations require judgments as to methodology that the Adviser or an affiliate makes in good faith but in its sole discretion. Such allocation determinations are

inherently subjective and give rise to conflicts of interest due to the inherent biases in the process. The Adviser or its affiliates may use a variety of methodologies to allocate expenses, depending on the circumstances, which may take into account such factors or considerations deemed appropriate by the Adviser or an affiliate in its discretion.

Expense allocation determinations have resulted and may result in instances where a particular Client or group of Clients pays or bears all or a disproportionate share of certain costs and expenses relative to the benefits received or as compared to one or more other Clients or the Adviser and its affiliates. Certain expenses borne or paid by Clients or a group or subset of such Clients may directly or indirectly benefit the Adviser and its affiliates, and/or one or more other Clients (who may or may not be required to bear any or all of such expenses). For example, if the Adviser determines that expenses would be borne by or incurred on behalf of the Fund Clients regardless of whether other Clients or the Adviser and its affiliates would benefit from such expenses or participate in any related transaction, the Adviser generally would or could allocate all such expenses only to the Fund Clients and would only allocate such expenses among the Fund Clients and other applicable Clients if and to the extent such other Clients are permitted to bear and be allocated such expenses pursuant to their applicable Offering Documents and the Adviser or its affiliates determines that it is appropriate to make such allocation. In other instances, the Adviser may determine or elect not to allocate expenses or a portion thereof to a Client if and to the extent the Adviser determines there is only a de minimis or marginal cost or benefit to such Client (or otherwise determined by the Adviser to be appropriate). Generally, these disproportionate expense allocation decisions are expected to disadvantage the Fund Clients vis-à-vis the Separate Account Clients (as the Adviser generally may allocate more types of expenses, and a broader group of expenses, to the Funds as opposed to the Separate Accounts), and certain costs and expenses borne exclusively or primarily by the Funds will result in direct or indirect benefits to the Separate Accounts.

The Adviser and its affiliates also are or may be incentivized to allocate expenses to, or away from, certain Clients for various reasons. For example, the Offering Documents of Clients vary and differ with respect to the types and amounts of expenses that may be charged or allocated to (or borne by) such Clients. If the Adviser is prohibited by the Offering Documents of a Client to allocate expenses or types of expenses to such Client (or if the Adviser is not authorized to cause such Client to bear its allocable or pro rata share of any such expenses), then the Adviser would be incentivized to allocate all or a disproportionate portion of such expenses to or among (or cause all of such expenses to be borne by) the other applicable Clients with Offering Documents that permit such expenses (and not to the Adviser or its affiliates). In particular, the Offering Documents of the Separate Account Clients usually only permit minimal or certain specific types of expenses to be borne by, and allocated to, the Separate Accounts as compared to expenses that are or may be borne by or allocated to the Funds under their Offering Documents. Accordingly, the Adviser or its affiliates generally are unable to allocate or cause the Separate Account Clients to bear their allocable share of particular costs and expenses, and the Fund Clients typically are required to bear all such costs and expenses in those instances (including amounts in excess of their allocable share of such expenses). See Item 5 “Fees and Compensation – Other Fees and Expenses – Expense Allocation” of this Brochure.

### **Treatment of Other Investors; Side Letters**

The Funds, the Adviser and its affiliates have entered into (and may in the future enter into) side letters or similar agreements or arrangements (“**Side Letters**”) with certain underlying investors in the Funds that provide or grant such investors with additional and/or different rights or terms than the terms generally applicable to other investors pursuant to the Offering Documents of the Funds (or otherwise modify or change the terms or rights set forth in the Offering Documents).



Examples of such rights or terms include or may include, without limitation, reduced fee arrangements (such as lower Management Fees and/or Performance Allocations (pursuant to the issuance of a closed class of interests or otherwise) or different fees), access to, and the right to be provided with, additional information (including portfolio transparency rights) and other information, reports and documents with respect to the Funds, “most favored nations” status, additional and/or more frequent reporting or notice rights, more favorable or preferential liquidity, redemption or withdrawal terms or rights (including without limitation, in respect of an investor’s investment allocated or attributable to Special Investments as defined in Item 8 of this Brochure), investment capacity rights, co-investment rights and certain ongoing non-investment consent and notification rights concerning the operations of the Funds, the Adviser and its affiliates. As a result of such Side Letters, certain investors in the Funds receive or may be entitled to receive additional benefits or advantages that other investors generally do not or will not receive or be entitled to (including, for example, portfolio information or access to portfolio information which permit or enable an investor to take actions or make decisions with respect to the Funds, such as the decision to request redemptions or invest additional funds in the Funds, which may adversely affect the Fund or the other investors). The Adviser or its affiliates are not required to notify any other investors of any such Side Letters or any of the rights or provisions thereof. In addition, the Adviser or its affiliates will not be required to offer such additional or different rights or terms to any other investors. Other investors will not have any recourse against the Funds, the Adviser or its affiliates or any of their respective affiliates in the event that certain investors receive additional or different rights or terms as a result of Side Letters (including more favorable or preferential liquidity, redemption, withdrawal or fee terms or rights or additional information or reporting rights), or in the event that certain investors take actions or measures with respect to their investments in the Funds based upon or in accordance with such rights or terms in Side Letters. For the avoidance of doubt, the Adviser or its affiliates have the authority under the Funds’ Offering Documents to, and may, agree to waive or change or modify any of the notice or other terms or requirements applicable to withdrawals with respect to any investor, or permit withdrawals by an investor under such other terms, circumstances or conditions as it deems appropriate (for example, the Adviser or its affiliates may agree to waive the withdrawal notice requirements with respect to an investor or permit or allow an investor to withdraw all or a portion from its investment earlier than it otherwise would be permitted to do so pursuant to the Offering Documents, including without limitation, with respect to the portion of an investor’s investment allocated or attributable to Special Investments) (without the consent of any other investor).

### **Selection of Counterparties and Best Execution**

Actual and potential conflicts of interest exist in connection with the Adviser’s selection of brokerage, custodial and financing arrangements and other service providers on behalf of a Client, including those arising from investor relationships, capital introduction services, gifts, entertainment and family and personal relationships. The Adviser attempts to manage such actual and potential conflicts of interest in a fair and equitable manner, taking into consideration a number of factors, including, without limitation, the overall quality and cost of such service provider, ability of the service provider to perform the applicable services, confidentiality, reliability, and financial responsibility, among other factors and considerations. The Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. *See* Item 12 “Brokerage Practices” of this Brochure.

### **Limitation of Liability and Indemnification**

Pursuant to various exculpation and indemnification provisions in the Offering Documents of Clients, the Adviser and its affiliates and personnel will generally not be liable to a Client or

underlying investors for any act or omission, absent bad faith, willful misconduct, gross negligence or fraud, and a Client generally will be required to indemnify such persons against any losses, liabilities, expenses and damages they may incur by reason of any act or omission related to a Client absent willful misconduct, gross negligence, bad faith or fraud. As a result of these provisions, Clients (and not the Adviser and its affiliates) generally will be responsible for losses resulting from trade errors, investment allocation errors, expense allocation errors and other similar human errors, even when such losses result from the Adviser's or its affiliates' negligence, subject to the limitations set forth above. **These limitations on liability and indemnification provisions set forth in a Client's Offering Documents will not be construed to relieve any indemnified party of any liability to the extent that such liability may not be waived, modified or limited under applicable law (including liability under U.S. federal securities laws which, under certain circumstances, impose liability even on persons acting in good faith).**

### **Other Activities of the Adviser and its Affiliates; Personal Investments; Co-Investments**

None of the Adviser or any of its personnel or affiliates currently devote, or are required to devote, all of their business time and attention to Clients, and their respective activities, duties and obligations outside of or unrelated to any one Client (including duties and responsibilities with respect to any other Clients) require or take up (or will require or take up) a material portion of their time and attention. The Adviser and its personnel and affiliates also engage or are involved in other activities, or may perform other services or have other duties or functions in the future, and such other activities, services, duties or functions take or may take up or require a material portion of their time and attention. In connection with such activities, services, duties and functions, conflicts of interest arise (among other things) in allocating investment opportunities, management time, services and functions among such activities and Clients.

The Adviser, its personnel and affiliates will not be restricted from forming or sponsoring or managing or advising other clients, including other pooled investment vehicles or separately managed accounts or other advisory relationships, or from engaging in or pursuing other business activities, ventures and roles, even though such activities, ventures and roles may be in competition with or may conflict with a Client and/or may involve substantial time and resources of the Adviser or its personnel (and their respective affiliates and agents). As disclosed herein, the Adviser currently manages and advises various Clients, which have overlapping investment strategies and invest alongside one another in all or certain investments.

The Adviser, its affiliates, their principals and other employees and their respective affiliates purchase or sell for their own account(s) financial instruments that are recommended to, or purchased or sold on behalf of or by, Clients. In addition, the Adviser, its affiliates, their principals and other employees and their respective affiliates may purchase or sell financial instruments for a Client while selling or purchasing the same financial instruments on behalf of other Clients. The Adviser generally will not provide disclosure to a Client or underlying investors when the principals or other employees of the Adviser or its affiliates or their respective affiliates purchase or sell for their own accounts financial instruments that are recommended to, or purchased or sold on behalf of, a Client.

In addition, from time to time, the Adviser, its affiliates, their principals and other employees (together, "co-investors") participate or may participate in opportunities to co-invest in private investments alongside a Client, without notice to, or the consent of the Client or underlying investors. Co-investments present a conflict of interest because of the incentive for the Adviser to offer or provide co-investments or co-invest opportunities to co-investors rather than

allocating additional private investment capacity to Clients and the potential impact that trading activity in the co-investment by co-investors can have on the investment held by Clients. In order to address these actual or potential conflicts, co-investors generally will not participate or be offered participation in a private investment unless the Adviser determines that all applicable participating Clients in such private investment receive or will receive their desired allocation (as determined by the Adviser in its discretion). In addition, co-investors generally will only be able to make or invest in the co-investment on substantially the same terms as the investment made by participating Clients. Furthermore, co-investors generally will only be able to exit a private investment on substantially the same terms as the disposal of the position by the participating Clients. To the extent there are any expenses associated with such private investment, it is expected that co-investors will not bear (or be required to bear or pay) their pro rata or allocable share of such expenses to the extent the Adviser determines such expenses would be substantially the same if the co-investors did not participate, or if and to the extent the Adviser is unable to allocate or cause such co-investors to bear or pay for their allocable share of co-investment expenses.

### **Allocation of Investment Opportunities**

The Adviser manages and/or advises various Clients, which have investment strategies, objectives and/or programs that are similar to, the same as, overlapping with, or different from, those of other Clients, and invest (or may invest) alongside one another (directly or indirectly) in all or certain investments. In addition, the Adviser may in the future manage and/or advise (and serve as investment manager, adviser and/or sub-adviser to) one or more additional funds, vehicles, managed accounts and other clients with investment strategies, objectives and/or programs similar to, the same as, overlapping with or different from, those of a Client, and such accounts may invest alongside a Client in some or all investments. The activities and actions undertaken by, and the duties and responsibilities of, the Adviser and its affiliates and agents with respect to Clients raise or present actual or potential conflicts of interest (including with respect to the allocation of investment opportunities and expense allocation determinations between or among Clients and the allocation of time by personnel of the Adviser). The Adviser has broad and expansive discretion and authority with respect to the allocation of investment opportunities between or among Clients, notwithstanding any actual or potential conflicts of interest that exist or may exist. For example, management or advisory fees, performance or incentive fees or other compensation and liquidity provisions vary (or may vary) materially or substantially between Clients, creating or potentially creating an economic incentive for the Adviser to allocate investments to Clients with respect to which it or an affiliate is entitled to receive (or may receive) higher fees or compensation or otherwise.

The Adviser's general policy is to allocate investment opportunities among Clients in a fair and equitable manner under the circumstances (as determined by the Adviser in its sole discretion) and in accordance with the following methodologies:

To the extent a particular investment opportunity falls within (or is deemed by the Adviser or its affiliates to fall within) the common or overlapping objectives and guidelines of a Client and one or more other Clients and is deemed to be suitable and appropriate for such Clients (as determined by the Adviser in its sole discretion), such investment may be allocated between or among such Clients on a *pro rata* basis based upon the Adviser's assessment of the amounts available or appropriate for investment by such Clients and subject to any other applicable considerations summarized in the Adviser's allocation policy. In general, the Adviser's current policy is to seek to allocate all suitable investment opportunities among applicable Clients such that, in the absence of capacity constraints or other issues, each of them is allocated the full amount determined or deemed by the Adviser to be appropriate for such Client (as determined

by the Adviser in its sole discretion). From the standpoint of a Client, simultaneous identical portfolio transactions for such Client and other Clients may tend to decrease the prices received, and increase the prices required to be paid, by such Client for its purchases and sales. Notwithstanding the foregoing, the Adviser may alternatively allocate or decide to allocate investment opportunities on another basis or in another manner, and the Adviser may change or override any of the foregoing allocation procedures or policies or guidelines, if and to the extent the Adviser deems in its sole discretion such different or other or alternative allocation basis or procedure or manner to be prudent, necessary, advisable or appropriate under the circumstances in light of one or more of the following factors or considerations (to the extent deemed relevant and appropriate by the Adviser): (a) the size, nature and type of investment or sale opportunity, (b) principles of diversification of assets, (c) the investment guidelines, restrictions, limitations and policies governing any Client, including Client instructions with respect to a specific investment and compressed ramp-up periods applicable to a Client, (d) liquidity considerations of a Client, including redemption, withdrawal or liquidity requests or instructions received by or from a Client, proximity of a Client to its termination date or end of its term and cash availability, (e) magnitude of the investment, (f) the risk profile or the need to resize risk in a Client's portfolio, (g) a determination by the Adviser that the investment or sale opportunity is inappropriate, in whole or in part, for one or more Clients, (h) applicable transfer or assignment provisions, (i) the management or consideration of actual or potential conflicts of interest, (j) the investment focus of a Client, (k) applicable contractual or legal obligations or restrictions, (l) tax considerations, (m) applicable regulatory or legal obligations, and (n) such other factors or considerations as the Adviser may deem relevant or appropriate in its discretion. In some cases, the Adviser's observation and application of the factors and considerations outlined above may affect adversely the price paid or received by a Client, or the size of the position purchased or sold by a Client (with the result that investment opportunities may not necessarily be allocated among all applicable Clients on a pro rata basis or at all). The Adviser may change or amend or revise its policies and procedures regarding the allocation of investment opportunities from time to time in its sole discretion without the consent of Clients or underlying investors.

### **Aggregation of Trades**

When transacting in the same security for more than one Client, the Adviser or an affiliate generally causes orders to be aggregated into a single order (a "bunched order") in order to seek more efficient execution and equitable treatment among applicable Clients (but the Adviser is not required to do so if and to the extent it deems appropriate in its discretion). In instances where the execution prices are different due to the volume and execution time of the securities transacted, each of the participating Clients generally will receive the average transaction price (subject to odd lots, rounding and market practice). In the event a bunched order is only partially executed, the executed portion of combined transaction orders for two or more Clients will be allocated, when possible, on a pro-rata basis (to the nearest round lot), with each Client receiving a percentage of the executed portion of the order based upon each Client's percentage of the original order (or in another manner otherwise determined by the Adviser or its affiliates to be fair and equitable under the circumstances). This policy applies to all applicable Clients participating in the execution under the same trading circumstances (price limits, time of entry, etc.).

Notwithstanding the foregoing, in certain cases aggregation of trades or bunched orders can disadvantage a Client, such as the inability of the market to fully absorb orders for the purchase or sale of a particular financial instrument for multiple Clients at prices or in quantities that would be preferable or obtainable if the order was placed for only one Client. At times, Clients transacting in the same security will not enter into a bunched order, but will transact at different times based on reasons set forth above under "Other Clients and Advisory Relationships; Side-

by-Side Investments”, “Allocation of Investment Opportunities” or for other factors. To the extent Clients buy or sell financial instruments at different times, one Client’s trading activity could adversely affect the market value of positions or execution prices obtained by other applicable Clients.

### **Service Providers**

The Adviser and its affiliates and their principals engage and retain common service providers and vendors for themselves and their affiliates as well as for the Clients. In such circumstances, there may be a conflict of interest between the Adviser or an affiliate and a Client in determining whether to engage or retain, or cause a Client to engage or retain, such service providers or vendors, including the possibility that the Adviser or an affiliate may favor the engagement or continued engagement of such service providers if and to the extent the Adviser or an affiliate receives a benefit from them (such as lower fees) that it would not receive absent the engagement of such service provider or vendor by or for a Client. Further, service providers to the Adviser and its affiliates and Clients often may charge varying amounts or may have different fee arrangements based on various factors and considerations such as different types of services provided, length of relationship, amount billed or other reasons, which may result in more favorable terms for the Adviser and its affiliates or one or more Clients over other Clients. For instance, fees for various types of work often depend on the complexity of the matter, the expertise required, and the time demands of the service provider. As a result, to the extent the services required by or of the Adviser or its affiliates or one or more Clients differ from those required by other Clients and/or their investments, the Adviser, its affiliates or one or more Clients will or may pay different rates and fees than those paid by such other Clients.

A Client’s service providers and vendors (including administrators, accountants, auditors, attorneys, lenders, consultants, brokers, custodians, investment banking firms and other third-parties) and their affiliates provide or may provide goods or services to, or have business, personal, financial, economic and/or other relationships or arrangements with the Adviser or its affiliates, other Clients, and officers, employees, direct or indirect owners and agents of the foregoing and/or their affiliates. Such service providers and vendors (or affiliates thereof) may be investors in Clients, sources of investment opportunities, prospective advisory clients or co-investors or commercial counterparties or entities or issuers in which the Adviser and/or its affiliates and/or agents have investments. Additionally, certain employees and agents of the Adviser and its affiliates (or one or more consultants) have or may have family members or relatives employed by or associated with service providers and vendors. These and other relationships and factors may influence or be deemed to influence the Adviser and its affiliates in deciding whether or not to select or engage or recommend service providers and vendors to perform services for, and/or engage in activities with respect to, a Client.

Clients generally are required to bear the fees and costs of service providers and vendors in accordance with the terms of the relevant service provider agreements. In addition, Clients also generally are required to bear and pay for any expense reimbursements to service providers and vendors pursuant to such agreements. Because certain expenses will be paid for or borne by a Client or, if incurred by the Adviser or an affiliate, be reimbursed by a Client, the Adviser or an affiliate may not be incentivized to seek out and obtain the lowest cost options when incurring (or causing a Client to incur) such expenses. Additionally, various factors and considerations often prevail over cost, and therefore, it should not be expected that the Adviser or a Client will engage the lowest cost provider or receive the most beneficial terms offered by any particular service provider.

## **Material, Non-Public Information**

By reason of or in connection with the activities of the Adviser and/or a Client and their respective affiliates, employees or other personnel of the Adviser, or affiliates thereof, may acquire or have access to (or be deemed to have access to or be in possession of) confidential or material, non-public information or be restricted from initiating transactions in certain securities. A Client will or may not be free to act upon any such information. Due to these restrictions, a Client may not be able to initiate a transaction that they otherwise might have initiated and may not be able to sell an investment that they otherwise might have sold. Such restrictions would generally apply even if a Client were not involved in, and could not have benefited from, the receipt of such information. A Client may be materially adversely affected if the Adviser is unable to avoid a loss on a Client position due to such trading restrictions. Notwithstanding the foregoing, the Adviser may determine, in its sole discretion at any time, that such information could impair its ability to effect certain transactions on behalf of a Client, whether for legal, contractual or other reasons. Accordingly, the Adviser may elect not to receive such information or may restrict access to such information to certain personnel that are placed behind an information wall. Lack of access to any such information may materially adversely affect a Client's investments that, in some cases, may have been avoided had the Client or the Adviser had access to such information.

## **Other Transactions Involving Conflicts of Interest**

The Adviser or its affiliates may from time to time cause a Client to engage in or enter into certain transactions and arrangements involving actual or potential conflicts of interest by and among the Adviser, its affiliates, their principals, other Clients, their respective affiliates and various other persons, on the one hand, and such Client and its underlying investors, on the other hand. The Adviser or its affiliates generally will attempt or endeavor to manage actual or potential conflicts of interest in good faith as more fully described above. See "Conflicts of Interest – General." Any determinations of or by the Adviser or an affiliate with respect to conflicts of interest or the resolution or approval or the handling thereof will generally be conclusive and absolutely binding upon a Client and its underlying investors. The Adviser or an affiliate may (but will not be required to) establish and/or seek the consent and approval of any applicable advisory committee, a majority in interest of the investors or an independent third party selected or engaged by the Adviser or an affiliate with respect to any principal transactions, any matters or transactions involving actual or potential conflicts of interest or any matters requiring consent of a Fund Client under Section 206(3) of the Investment Advisers Act of 1940, as amended (or any other applicable laws or regulations), and the approval and/or consent of or by any such persons will be conclusive and binding upon a Fund Client and its underlying investors.

- D. Other Investment Advisers.** The Adviser does not recommend or select other investment advisers for its Clients.

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

- A. Code of Ethics.** The Adviser has adopted a written Code of Ethics (the “**Code**”) that, among other items, sets forth standards of business conduct for the Adviser’s employees reflecting fiduciary duties owed to Clients and reasonably designed policies and procedures that seek to establish compliance with applicable U.S. federal securities laws and address actual and potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended. Employees are required upon commencement of employment, and at least annually thereafter, to acknowledge in writing their receipt and understanding of, and agreement to abide by, the Code and any amendments thereto, as well as, to promptly report any violations of the Code to the Adviser’s Chief Compliance Officer.

The Code contains policies and procedures relating to personal securities trading by employees of the Adviser to address actual or potential conflicts of interest that arise from employees’ personal investment transactions. The Code generally prohibits personal trading in any publicly-traded reportable security of an issuer in the healthcare industry (as determined by the Adviser); generally requires pre-clearance of personal trades in non-exempt securities, including purchases of an IPO or a private placement; and requires periodic reporting of personal securities transactions and holdings of reportable securities. As discussed below in Item 11.C., employees of the Adviser may co-invest in private investments alongside a Client.

From time to time, the Adviser receives or obtains access to material non-public information relating to public companies. The Code includes policies and procedures to address the receipt of material non-public information and compliance with applicable laws and regulations relating to material non-public information, including but not limited to, the use and maintenance of restricted trading lists. The receipt of material non-public information will generally preclude the Adviser from transacting in securities of the relevant issuer on behalf of all Clients (notwithstanding that such transactions could otherwise be in the best interests of a Client) until such time as the information is made public.

The Code also contains certain restrictions and/or reporting requirements of employees’ engagement in outside business activities, political contributions and receipt of gifts and entertainment. The Adviser will provide a copy of the Code to any investor or prospective investor upon request.

- B. Material Financial Interests.** As referenced in Item 10.C. “Other Financial Industry Activities and Affiliations – Material Relationships or Arrangements and Conflicts of Interest” of this Brochure, certain Clients of the Adviser are private investment funds organized in a master-feeder structure in which Ikarian Healthcare Master Fund, L.P., a Cayman Islands exempted limited partnership acts as a master fund (the “**Master Fund**”), Ikarian Healthcare Fund, L.P., a Delaware limited partnership acts as a U.S. domiciled feeder fund (the “**U.S. Feeder Fund**”) and Ikarian Healthcare Offshore Fund, Ltd., a Cayman Islands exempted company acts as a non-U.S. domiciled feeder fund (the “**Non-U.S. Feeder Fund**”). The U.S. Feeder Fund and the Non-U.S. Feeder Fund invest all or substantially all of their assets in, and conduct their investment activities indirectly through, the Master Fund. Interests in the U.S. Feeder Fund and the Non-U.S. Feeder Fund are issued to third party investors and the Adviser and its affiliates and employees also have financial interests in the U.S. Feeder Fund and the Non-U.S. Feeder Fund (directly or indirectly through the Master Fund) based on their investments and contractual rights to advisory fees.

Ikarian Healthcare Fund GP, L.P., a Delaware limited partnership and an affiliate of the Adviser, acts as general partner (the “**General Partner**”) to the U.S. Feeder Fund and the

Master Fund. The Adviser has been delegated investment advisory authority with respect to the U.S. Feeder Fund, the Non-U.S. Feeder Fund and the Master Fund pursuant to an investment management agreement.

Other than with respect to the foregoing structure, neither the Adviser nor any of its related persons recommend to Clients or buy or sell for Clients, investments in which the Adviser or any related persons have a material financial interest.

- C. Personal Trading.** As discussed above in Item 11.A., the Code contains policies and procedures relating to personal securities trading by the Adviser and its affiliates and employees to address actual or potential conflicts of interest that arise from personal investment transactions. These policies and procedures generally seek to restrict the Adviser and its affiliates and employees from investing in the same publicly-traded securities of an issuer in the healthcare industry (or related securities) that are purchased or sold for Clients.

From time to time, the Adviser and its affiliates and employees (together, “co-investors”) participate or may participate in opportunities to co-invest in private investments alongside a Client, without notice to, or the consent of the Client or underlying investors. Co-investments present a conflict of interest because of the incentive for the Adviser to offer or provide co-investments or co-invest opportunities to co-investors rather than allocating additional private investment capacity to Clients and the potential impact that trading activity in the co-investment by co-investors can have on the investment held by Clients. In order to address these actual or potential conflicts, co-investors generally will not participate or be offered participation in a private investment unless the Adviser determines that all applicable participating Clients in such private investment receive or will receive their desired allocation (as determined by the Adviser in its discretion). In addition, co-investors generally will only be able to make or invest in the co-investment on substantially the same terms as the investment made by participating Clients. Furthermore, co-investors generally will only be able to exit a private investment on substantially the same terms as the disposal of the position by the participating Clients. To the extent there are any expenses associated with such private investment, it is expected that co-investors will not bear (or be required to bear or pay) their pro rata or allocable share of such expenses to the extent the Adviser determines such expenses would be substantially the same if the co-investors did not participate, or if and to the extent the Adviser is unable to allocate or cause such co-investors to bear or pay for their allocable share of co-investment expenses.

- D. Personal Trading Timing.** As discussed above in Item 11.A., the Code contains policies and procedures relating to personal securities trading by the Adviser and its affiliates and employees to address actual or potential conflicts of interest that arise from personal investment transactions. These policies and procedures generally seek to restrict the Adviser and its affiliates and employees from investing in the same publicly-traded securities of an issuer in the healthcare industry (or related securities) that are purchased or sold for Clients. As discussed above in Item 11.C., employees of the Adviser may co-invest in private investments alongside a Client.



## Item 12 Brokerage Practices

- A. Broker-Dealer Selection.** The Adviser has complete discretion to determine the brokers, dealers or other counterparties used to effect Client transactions in financial instruments and commissions or markups and/or markdowns paid or payable by a Client to such brokers, dealers and counterparties. In selecting broker-dealers to effect portfolio transactions for a Client and the fees and commissions payable thereto, the Adviser attempts to evaluate the overall quality and cost of the broker-dealers' services, considering such factors and considerations as it deems to be relevant or applicable in its sole discretion including, without limitation, factors such as prices, commissions and other expenses, access to securities, the ability to source liquidity, as well as the ability of the broker-dealers to timely effect the transactions, confidentiality, trading idea generation, the quality of their research departments and the broker-dealers' facilities, reliability and financial responsibility and the provision or payment by the broker-dealer of the costs of research and research-related services which are of benefit to a Client and/or the Adviser. The Adviser is not required to weigh, and does not typically weigh, any of these factors or considerations equally, and depending on the relevant transaction and facts and circumstances, one or more factors or considerations may be deemed by the Adviser to materially or significantly outweigh other factors and considerations. Furthermore, the Adviser need not solicit competitive bids and does not have an obligation to seek the lowest available commission or transaction costs in connection with a Client's transactions in financial instruments.

**Research and Other Soft Dollar Benefits.** A Client may pay higher commissions to broker-dealers believed by the Adviser to offer or provide superior service under the circumstances, including firms that provide internally-developed investment research and analysis, brokerage and/or other similar or related products and services (such research, brokerage and other products or services generally referred to herein as "soft dollar benefits"). Accordingly, when the Adviser determines in good faith that the amount of commissions charged by a broker-dealer is reasonable in relation to the value of the overall services provided, including soft dollar benefits provided by such broker-dealer, the Adviser has the authority to cause a Client to pay commissions to such broker-dealer in an amount greater than the amount another broker-dealer might charge, and this practice of paying-up is expected to occur regularly. The Adviser uses soft dollar benefits provided by broker-dealers in providing investment management and advisory services to all Clients, and therefore, such benefits will not generally be allocated in proportion to those Clients that paid the commissions generating such benefits, and such benefits may benefit the Adviser and Clients who did not pay or bear a proportionate share of or any commissions for such benefits.

Section 28(e) of the U.S. Securities Exchange Act of 1934, as amended, provides a safe harbor to investment advisers who use brokerage compensation (including commissions, spreads, mark-ups and mark-downs, which is commonly referred to as "soft dollars") generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the Adviser in the performance of investment decision-making responsibilities and the Adviser expects to limit the use of soft dollars to obtain eligible research and brokerage services under Section 28(e), as reasonably determined by the Adviser in its discretion. Research and related services provided by a broker-dealer include or may include, but are not limited to, internally-developed research and analysis, market color, advice on order execution, discussions with research analysts and invitations to conferences, seminars, road shows, corporate access and similar meetings sponsored or arranged by the brokerage firm. Brokerage and related services provided by a broker-dealer include or may include, but are not limited to, services related to the execution, clearing and settlement of securities and functions incidental thereto. The mechanics of a "soft dollar" arrangement may also be used to pay

expenses for eligible research and brokerage services under Section 28(e) from third parties that would otherwise be properly chargeable to a Client. During the past fiscal year, the Adviser periodically assessed the broker-dealers selected for Client transactions based on the soft dollar benefits received and other factors using a broker-dealer report card and other analytics.

The use of Client brokerage commissions or soft dollars to obtain soft dollar benefits creates a conflict of interest between the Adviser and a Client, because a Client pays for such soft dollar benefits that are not exclusively used for the benefit of such Client and that may be partially, primarily or exclusively for the benefit of one or more other Clients and/or the Adviser itself. The Adviser receives a benefit from these arrangements because the Adviser's profitability tends to increase to the extent that the Adviser is able to acquire these soft dollar benefits without expending its own resources. In addition, the Adviser has an incentive to select a broker-dealer based on the Adviser's interest in receiving soft dollar benefits, rather than on a Client's interest in receiving the most favorable execution based on other factors (such as lower commissions). *See* "Conflicts of Interest – Selection of Counterparties and Best Execution" under Item 10.C. of this Brochure.

**Brokerage for Client Referrals.** From time to time, broker-dealers selected to execute a Client's transactions in financial instruments have introduced and may provide opportunities to introduce potential clients and investors to the Adviser and its affiliates, including through the attendance of certain events sponsored by a brokerage firm ("capital introduction opportunities"). Capital introduction opportunities provided by a broker-dealer may influence the Adviser to use or cause its Clients to use the services of such broker-dealer (or use its services more than it otherwise would), rather than selecting a broker-dealer solely based on a Client's interest in receiving the most favorable execution based on other factors (such as lower commissions). The Adviser may select a broker-dealer that provides capital introduction opportunities, provided that the Adviser is not selecting the broker-dealer in recognition of such opportunities and subject to the Adviser's duty to seek best execution of a Client's transactions.

**Directed Brokerage.** The Adviser does not recommend, request or require a Client to direct brokerage to a specific broker-dealer or permit a Client to direct brokerage to a specified broker-dealer. All brokerage transactions will be executed through the broker-dealers selected by the Adviser in its sole discretion.

- B. Order Aggregation.** When transacting in the same security for more than one Client, the Adviser or its affiliates generally causes orders to be aggregated into a single order (a "bunched order") in order to seek more efficient execution and equitable treatment among applicable Clients (but the Adviser is not required to do so if and to the extent it deems appropriate in its discretion). In instances where the execution prices are different due to the volume and execution time of the securities transacted, each of the participating Clients generally will receive the average transaction price (subject to odd lots, rounding and market practice). In the event a bunched order is only partially executed, the executed portion of combined transaction orders for two or more Clients will be allocated, when possible, on a pro-rata basis (to the nearest round lot), with each Client receiving a percentage of the executed portion of the order based upon each Client's percentage of the original order (or in another manner otherwise determined by the Adviser or its affiliates to be fair and equitable under the circumstances). This policy applies to all applicable Clients participating in the execution under the same trading circumstances (price limits, time of entry, etc.).

Notwithstanding the foregoing, in certain cases aggregation of trades or bunched orders can disadvantage a Client, such as the inability of the market to fully absorb orders for the purchase or sale of a particular financial instrument for multiple Clients at prices or in quantities that

would be preferable or obtainable if the order was placed for only one Client. At times, Clients transacting in the same security will not enter into a bunched order, but will transact at different times based on reasons set forth in Item 10.C. “Other Financial Industry Activities and Affiliations – Conflicts of Interest” above under “Other Clients and Advisory Relationships; Side-by-Side Investments” and “Allocation of Investment Opportunities” or for other factors. To the extent Clients buy or sell financial instruments at different times, one Client’s trading activity could adversely affect the market value of positions or execution prices obtained by other Clients.

### Item 13 Review of Accounts

- A. **Frequency and Nature.** The Adviser's Chief Investment Officer and/or other investment professionals review each Client account on a regular basis to ensure that investments are made in conformity with stated objectives and guidelines.
- B. **Additional Reviews.** Additional reviews of a Client's account may be conducted based on various events, including but not limited to, in the event of a large contribution or withdrawal, significant market volatility or other market events and various other circumstances.
- C. **Reports.** The Adviser provides a monthly written performance report to Fund Client investors. Investors in Fund Clients also receive a capital statement from the Funds' administrator on a monthly basis and audited financial statements on an annual basis. Reports associated with Separate Account Clients vary and are set forth in their Offering Documents. In response to questions and requests and in connection with due diligence meetings and other communications, the Adviser provides or may provide additional information, documents and reports regarding a Client and its investments (or the activities of the Adviser) to certain Clients or underlying investors that are not distributed or made available to other Clients or underlying investors. Each Client or investor is responsible for asking such questions as it believes are necessary in order to make its own investment decisions, including whether to invest in or through a Client, and each Client or investor must decide for itself whether the limited information provided by the Adviser is sufficient for its needs.

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

- A. Third Party Compensation.** Other than as described in Item 12 “Brokerage Practices” above, the Adviser does not receive any economic benefit, from any third party for providing advisory services to a Client.
- B. Client Referrals.** The Adviser has entered, and may in the future enter, into agreements pursuant to which it compensates third parties for referrals of investors to a Fund Client. Under such agreements, the third party solicitor or similar person would receive a portion of the fees paid by such Fund Client to the Adviser attributable to the investment in the Fund Client by the referred investor.

As discussed in Item 12 “Brokerage Practices” above, from time to time, broker-dealers selected to execute a Client’s transactions in financial instruments have introduced and may provide opportunities to introduce potential clients or investors to the Adviser and its affiliates, including through the attendance of certain events sponsored by a brokerage firm (“capital introduction opportunities”). Such capital introduction opportunities may create the appearance that the Adviser uses or causes its Clients to use the services of such broker-dealers or their affiliates as compensation for such opportunities.

## Item 15 Custody

Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the “**Custody Rule**”) governs whether a registered investment adviser has “custody” of client assets (i.e., holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them). Pursuant to the Custody Rule, the securities and other assets of each Fund Client are maintained at a qualified custodian (excluding certain privately offered securities and other types of securities that do not need to be maintained by a qualified custodian under the Custody Rule). Notwithstanding that Client assets are maintained at a qualified custodian, the Adviser is deemed to have custody of the assets of Fund Clients because the Adviser or its affiliate (who acts as the general partner to certain Fund Clients) has authority to obtain access to such assets, including but not limited to, withdrawing assets to pay Fund Client expenses, the Adviser’s advisory fees or otherwise from each Fund Client’s account at a qualified custodian. Qualified custodians do not send account statements to investors in a Fund Client, but investors do receive a monthly capital statement from the Fund Clients’ administrator which should be carefully reviewed. *See* Item 13.C. “Review of Accounts – Reports” of this Brochure.

The Adviser complies with certain requirements under the Custody Rule for each Fund Client by: (i) requiring that a Fund Client be subject to an annual audit conducted in accordance with generally accepted auditing principles by an independent public accountant that is registered with, and subject to regular inspection by, the Public Company Accounting Oversight Board; and (ii) distributing its audited financial statements to all investors in a Fund Client within 120 days of a Fund Client’s fiscal year-end.

The Adviser does not have custody with respect to Separate Account Clients because it does not have or accept the authority to hold, directly or indirectly, funds or securities held by a Separate Account Client or have the authority to obtain possession of them.

**Item 16 Investment Discretion**

The Adviser generally exercises complete discretion in managing the investments of a Client pursuant to the authority in a Client's Offering Documents and subject to a Client's investment objectives, strategies and any limitations disclosed in the Client's Offering Documents. *See* Item 4 "Advisory Business" of this Brochure.

## **Item 17 Voting Client Securities**

Proxy voting authority with respect to a Client generally is delegated to the Adviser pursuant to a Client's Offering Documents, and the Adviser generally does not permit or authorize a Client (or underlying investors) to direct the Adviser with respect to the voting of Client proxies. Notwithstanding this delegation of proxy voting authority, the Adviser has determined that, based upon the nature of its investment strategies, proxy voting analysis and voting generally are not a worthwhile use of resources for Clients or their portfolios and that proxy voting and analysis are not likely to result in any material benefit to Clients. Accordingly, the Adviser generally takes no action with respect to voting securities of its Clients, except as otherwise determined by the Adviser or its personnel with respect to any particular investment or proxy voting matter. Such determination is based on the Adviser's belief that the significance of the issues addressed in a proxy vote generally are immaterial to the Adviser's strategy and objective in holding a particular position which is generally based on a particular event or catalyst, rather than taking a long-term view of a company's prospects; provided other influential factors include but are not limited to, the size of a Client's position, whether a Client's vote will make a difference in any particular vote, as well as the general belief that the Adviser's time and resources are more beneficial to a Client if spent on other investment functions rather than proxy voting.

To the limited extent the Adviser votes with respect to any securities owned by a Client, the Adviser's general policy is to vote proxies for securities owned by a Client in a manner that it reasonably believes focuses on the best interests of a Client and not the interests of the Adviser or its affiliates, in compliance with Rule 206(4)-6 under the Investment Advisers Act of 1940, as amended. The Adviser's policy includes procedures to address conflicts of interest that are identified and determined by the Adviser to be material between the Adviser and a Client, which may include, abstaining from voting, utilizing a third party to recommend a vote on the proxy, disclosing the conflict and/or obtaining the consent from a Client before voting or such other method as the Adviser deems appropriate under the circumstances given the nature of the conflict. The Adviser may change its approach to evaluating or voting proxies on behalf of a Client at any time in its discretion. For a copy of the Adviser's current proxy voting policy and information regarding how the Adviser voted proxies with respect to a Client in the past, please contact the Adviser.



## **Item 18 Financial Information**

- A. Prepayment of Fees.** The Adviser does not require or solicit prepayment of more than \$1,200 in fees per Client six months or more in advance.
- B. Financial Condition Impairment.** The Adviser does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to a Client.
- C. Bankruptcy.** The Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.