

**CATALIO CAPITAL MANAGEMENT, LP****512 W. 22<sup>nd</sup> Street, 5<sup>th</sup> Floor****New York NY 10011****410-989-6168****[www.cataliocapital.com](http://www.cataliocapital.com)****March 30, 2023**

Form ADV, Part 2A (the “**Brochure**”) provides information about the qualifications and business practices of Catalio Capital Management, LP (“**Catalio**”, “**we**”, “**us**”, “**our**” or the “**Firm**”). If you have any questions about the contents of this Brochure, please contact our Chief Compliance Officer (“**CCO**”), Olga Maltseva, by email at [omaltseva@cataliocapital.com](mailto:omaltseva@cataliocapital.com). Additional information about Catalio is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Catalio is registered as an investment adviser with the U.S. Securities and Exchange Commission (the “**SEC**”) under the Investment Advisers Act of 1940 (the “**Advisers Act**”). Registration as an investment adviser with the SEC does not imply a certain level of skill or training. In addition, the information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

**Item 2: Material Changes**

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This Brochure contains information about Catalio. Catalio is required in this section to identify and discuss any material changes made to the previous Brochure filed on November 22, 2022. No material changes have been made to this Brochure and this annual amendment reflects routine updates to this Brochure.

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#### Item 4: Advisory Business

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Catalio Capital Management, LP (hereinafter “**Catalio**”, “**we**”, “**us**”, “**our**” or the “**Firm**” or the “**Investment Manager**”) is organized as a Delaware limited partnership with a principal place of business in New York.

R. Jacob Vogelstein and Georgios Petrocheilos are the principal owners of the Firm and they direct the investment activities and operations of the Funds (as defined below).

Catalio serves as an investment manager and provides discretionary investment management services to fourteen (14) privately offered investment funds and vehicles (each such fund or vehicle (including any parallel funds, alternative investment vehicles or special purpose vehicles) is referred to herein as a “**Fund**,” and collectively, the “**Funds**”). Certain of the Funds are structured with a designated general partner that is an affiliate of Catalio (the “**General Partner(s)**”) (the General Partners and any other affiliate of Catalio that provides services to one or more Funds, an “**Advisory Affiliate**”). Each Advisory Affiliate is a related person of Catalio and is not separately registered as an investment adviser. Instead, each Advisory Affiliate relies on Catalio’s registration with, and in accordance with guidance from, the U.S. Securities and Exchange Commission (the “**SEC**”). This Brochure describes the business practices of Catalio and the Advisory Affiliates as a single advisory business and as a result the references herein to Catalio include any relevant Advisory Affiliates unless the context requires otherwise.

In providing services to the Funds, Catalio formulates each Fund’s investment objectives, directs and manages the investment of each Fund’s assets, and provides reports to investors. Investment advice is provided directly to the Funds and not individually to the limited partners, members or investors of the Funds (the “**Investors**”). Catalio manages the assets of the Funds in accordance with the terms of each Fund’s applicable governing documents (the “**Governing Documents**”). All material terms are generally established at the time of the formation of a Fund, but may be amended from time to time in accordance with the terms of the Governing Documents.

Limited partnership interests in the Funds are not registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”), and the Funds are not registered under the Investment Company Act of 1940, as amended (the “**Investment Company Act**”). Accordingly, interests in the Funds are offered and sold to investors pursuant to an exemption from registration under the Securities Act and prospective investors must satisfy any applicable eligibility and suitability requirements.

The activities of each Fund are governed by its Governing Documents, which specify the investment guidelines and investment restrictions applicable to such Fund. Catalio offers investment advice solely with respect to the investments made by the Funds. Such services generally consist of identifying, diligencing and evaluating investment opportunities, structuring, negotiating, and making investments on behalf of the Funds, managing and monitoring the performance of such investments and each Fund’s broader investment portfolio, and liquidating such investments.

Catalio generally has broad and flexible investment authority with respect to the Funds. Each Fund’s investment objective and strategy is set forth in the respective Fund’s Governing Documents. All prospective investors are provided with a Fund’s Governing Documents and urged to carefully review all applicable Governing Documents prior to investing in a Fund.

Catalio tailors its investment advice to each Fund in accordance with the Fund’s investment objectives and strategies as set forth in the relevant Governing Documents and Catalio does not tailor its advisory services to the individual needs or preferences of any single Investor in a Fund. Catalio’s investment decisions and advice are subject to the investment objectives, guidelines

and restrictions set forth in the relevant Governing Documents. Since Catalio does not provide individualized advice to Investors (and an investment in a Fund does not, in and of itself, create an advisory relationship between the Investor and the Catalio), Investors must consider whether a particular Fund meets their investment objectives and risk tolerance prior to investing.

On occasion, Catalio will enter into side letter agreements with certain Investors. Side letters are typically negotiated prior to investment and may establish rights that supplement or alter the terms of the applicable Governing Documents with respect to such Investor. The terms of such side letters grant rights to certain Investors that may not be available to other Investors (including, without limitation, advisory committee representation, transparency rights, and confidentiality). Once invested in a Fund, Investors generally cannot impose additional investment guidelines, restrictions or other requirements on such Fund.

Catalio does not currently participate in any Wrap Fee Programs.

As of December 31, 2022, Catalio's regulatory assets under management was approximately \$791,500,000 and all such assets are managed on a discretionary basis.

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

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Catalio provides investment advisory services to the Funds and is compensated for these services. Each Fund's Governing Documents set forth in detail the fee structure relevant to each such Fund as well as the expenses to be borne by Investors. All Investors and prospective investors in a Fund should review the Governing Documents of each Fund in which they have invested or intend to invest for complete information on the fees, compensation and expenses applicable to a particular Fund. A brief summary of the Funds' fees, compensation and expenses is provided below.

### ***Management Fee***

Catalio is paid an investment management fee ("**Management Fee**") by each Fund as further described in the respective Fund's Governing Documents. Management Fees for the Funds typically range from 1% to 2% (per annum). The Management Fee typically is paid to Catalio quarterly (and pro-rated for any partial periods) and paid directly from the applicable Fund's assets, current income and disposition proceeds received by the Fund and, to the extent necessary, from drawdowns.

Catalio, in its sole discretion, may waive or modify the Management Fee for any Investor. In the past, Catalio has waived the Management Fee for employees, venture partners, strategic partners, investors, advisors and consultants and expects to continue to do so in the future.

Any new Fund launched by Catalio may have materially different terms related to Management Fees than those summarized above.

### ***Fund Expenses***

In addition to the Management Fees and any incentive-based compensation (as described in Item 6 below), the Funds pay (or reimburse Catalio for bearing) certain fees and expenses as set forth in more detail in each Fund's Governing Documents. The fees and expenses may differ by Fund but typically include each Fund's organizational and ongoing operating costs and expenses. For example, each Fund typically bears all expenses incurred in the diligencing, structuring, holding, purchase, sale, hedge or exchange of investments (whether or not ultimately consummated), including, but not by way of limitation, private placement fees, finder's fees, interest on borrowed money, real property or personal property taxes on investments, including documentary, recording, stamp and transfer taxes, brokerage fees or commissions (including any merger fees), professional fees, travel expenses, legal fees, expenses incurred in connection with the investigation, prosecution or defense of any claims by or against such Fund, including claims by or against a governmental authority, audit and accounting fees, legal, accounting and consulting fees relating to investments or proposed investments, taxes applicable to such Fund on account of their operations, fees incurred in connection with the maintenance of bank or custodian accounts including expenses attributable to normal and extraordinary investment banking, commercial banking, appraisal, custodial, transfer and registration services provided to such Fund, fees or government charges which may be assessed against such Fund, all expenses incurred in connection with the registration of such Fund's securities under applicable securities laws or regulations and ongoing compliance with such laws or regulations, costs associated with complying with marketing and/or offering rules of any jurisdictions, as well as costs of all governmental returns, reports and filings, governmental registration, filing and licensing costs and fees relating to such Fund, the applicable Advisory Affiliate and Catalio, and travel expenses incurred in managing and holding Fund investments. Each Fund also bears expenses incurred by an applicable Advisory Affiliate in diligencing and

evaluating investment opportunities whether or not consummated (including but not limited to legal, accounting and consulting fees, and travel expenses incurred in connection therewith), managing investments of such Fund, serving as the partnership representative for tax purposes, the reasonable cost of liability and other premiums for insurance protecting such Fund, the applicable Advisory Affiliate, and Catalio and its employees from liability to third parties, all expenses in connection with preparing and distributing reports to prospects and Investors, expenses in connection with Fund communications with prospects and Investors, including preparation of annual or other reports to the Investors, costs associated with Fund meetings or conferences with prospects and Investors, costs associated with limited partner advisory committee meetings, all legal and accounting fees relating to such Fund and its activities, fees and expenses relating to finance, reporting, administration, accounting and back-office services, whether outsourced or provided by Catalio, expenses incurred in connection with research and quotation technology, databases and subscriptions, all costs and expenses arising out of the such Fund's indemnification obligations, and all expenses that are not normal operating expenses as set forth in the applicable Governing Documents.

In general, each Investor will bear its proportionate share of a Fund's expenses *pro rata* based on the size of such Investor's investment in the Fund. Notwithstanding the foregoing, Catalio may specially allocate a Fund's expenses in any other manner, including by allocating certain expenses to certain (but not all) Investors, if the Firm reasonably determines, in its discretion, that it is more equitable to do so or if certain expenses are incurred that relate to some Investors but not all.

To the extent that expenses borne (or to be borne) by a Fund are paid by Catalio, that Fund will generally reimburse Catalio for such expenses (although Catalio may waive any such reimbursement with respect to any Fund expenses it has incurred). Any waiver by Catalio for reimbursement of Fund expenses is not considered a waiver of reimbursement for any future Fund expenses that are paid by Catalio.

Catalio generally bears its own overhead expenses, including but not limited to: compensation and expenses of the employees of the Firm, including salaries of such employees, as well as fees and expenses for administrative, clerical and related support services, office space and facilities, utilities and telephone services, furniture, fixtures, equipment, office supplies, and clerical expenses.

Neither Catalio nor its employees accept compensation, including sales charges or service fees, from any third-party in connection with the offering of each Fund's interests.

***The above is a general description and the expenses typically vary from Fund to Fund. Investors are strongly encouraged to refer to the applicable Governing Documents.***

### ***Offset Fees***

Although Catalio generally does not charge portfolio companies any additional fees, it is possible that Catalio, its limited partners, members, officers, operating partners, or employees may periodically receive compensation such as directors, consulting, management service, advisory, transaction or similar fees from portfolio companies. In the event that Catalio is paid these types of fees by a portfolio company, the treatment of such fees will be determined in accordance with the applicable Fund's Governing Documents and Catalio may consult with an Advisory Committee (as defined below) consisting of representatives of certain Investors in a Fund (if applicable).

### ***Consultants, Venture Partners***

Catalio may hire or engage third party consultants throughout the Funds' investment processes, including advisors who may be former senior executives with operating experience and industry-specific knowledge or scientists who have founded profitable companies ("**Consultants**"). Catalio has developed relationships over time with various subsets of Consultants that are referred to as "venture partners," "operating partners," "entrepreneurs-in-residence," "executives-in-residence" and/or "advisors." This is not an exhaustive list of titles and such titles are generally determined based on a variety of factors, including each such person's expertise, experience, current employment and the services to be provided. Consultants play an important role in how Catalio manages its portfolio, and they may assist with a variety of activities, including market research, new investment identification, pre-investment business diligence and post-investment value creation. Consultants are typically not employees of Catalio but are third parties who provide an important source of operating and strategic expertise across a wide spectrum of different fields within Catalio's investment universe. Consultants may be paid a consulting fee or other compensation by Catalio, which in some cases may be allocated to one or more Funds. Other compensation may include profits interests in the Funds, or in individual deals. Consulting fees or compensation may be structured in a variety of ways and can vary depending upon a number of variables, including a Consultant's expertise and time commitment to Catalio and the services provided. In addition, one or more Consultants may invest in the Funds and may co-invest in Catalio transactions (including transactions with portfolio companies for which Consultants provide consulting services, or in which Consultants are founders or advisors), including at reduced or waived fees.

From time to time, Catalio may make its Consultants available to assist portfolio companies directly. In addition, as a Consultant becomes more ingrained with a portfolio company, he or she may take on a more active role, including, for example, taking a board seat and providing additional services directly to the portfolio company. In connection with these services, a Consultant may receive compensation directly from a portfolio company on such terms agreed to by the portfolio company and the Consultant. In addition, a Consultant may be compensated for these services by Catalio with such amounts reimbursed (in whole or in part) by one or more portfolio companies. The consulting fees or compensation paid to a Consultant by a portfolio company will not offset management fees received by Catalio unless otherwise specifically indicated in a Fund's applicable Governing Documents.

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

#### ***Carried Interest or Incentive Allocation***

Catalio is also entitled to performance-based compensation with respect to the Funds in the form of a carried interest or an incentive allocation and as further described in each applicable Fund's Governing Documents. Generally, carried interest or incentive allocation percentages for the Funds range from 10% to 20% of the investment profits of the Funds.

Although performance-based compensation is standard in the private funds industry and it is generally used to align the General Partners' interests with those of the Investors, such performance-based compensation also presents conflicts of interest because it may create an incentive for Catalio and/or a General Partner to make investments on behalf of the Funds that are more speculative than would be the case in the absence of such compensation. In addition, performance-based compensation may incentivize Catalio to make different decisions regarding the timing and manner of the realization of certain investments than would be the case if such



compensation were not part of its overall compensation structure. In addition, for open-ended funds, Catalio's performance-based compensation is typically based on both realized and unrealized capital appreciation.

Catalio seeks to address these conflicts through careful vetting of investment opportunities by its investment professionals. In addition, in many instances the Governing Documents of a Fund may provide for after-tax "claw back" arrangements if a Fund's performance-based compensation (*i.e.*, carried interest) to Catalio over time and as investments are realized results in an over-distribution of the agreed upon amount of performance-based compensation.

Catalio (or an Advisory Affiliate, if applicable), in its sole discretion, may waive or modify the carried interest, incentive allocation or other performance-based compensation otherwise to be borne by one or more Investors. In the past, Catalio has waived the carried interest and incentive allocation for employees, venture partners, strategic partners, investors, advisors and consultants and expects to continue to do so in the future.

Detailed information regarding the performance-based compensation to be borne by the Investors in each Fund is contained in the relevant Fund's Governing Documents. Investors should not consider an investment in a Fund without fully understanding the Fund's compensation structure.

Further, differences in performance-based compensation, particularly if some Funds would bear higher performance-based compensation, creates an incentive for Catalio to direct the best investment ideas to, or allocation investments in favor of, the account that bears the higher performance-based compensation. As a result, Catalio has adopted an investment allocation policy that seeks to allocate investments with respect to each Fund in a manner that Catalio considers fair and equitable while taking into account any relevant facts and/or circumstances it believes are appropriate in its discretion.

### ***Side-By-Side Management***

#### **Conflicts**

Catalio actively manages various Funds and expects to sponsor or manage additional Funds in the future. Each of the Funds will be managed in accordance with its investment program which may be the same, similar or different from strategies employed by other Funds. As a general matter, however, each of the Funds focuses on the healthcare and biomedical technology sectors for investments.

In certain situations, Catalio may choose to cause a Fund to not make an investment otherwise appropriate for it, in order to avoid an apparent or actual conflict of interest relating to another Fund's investment. In some instances, Catalio expects that one or more Funds will invest in different instruments or classes of securities of the same issuer which can result in different Funds having competing interests. Catalio also manages Funds that focus on publicly traded equities while other Funds focus on private investments and may invest exclusively in private companies. Given that the Funds have different investment objectives, it may be appropriate for Catalio to pursue or enforce rights with respect to a particular issuer in which one Fund has invested even if those activities may have an adverse effect on a different Fund's investment in the same issuer. For example, if one Fund owns debt of an issuer and another Fund owns equity securities of the same issuer, then if the issuer experiences financial or operational challenges, the Fund that owns the debt may seek a liquidation of the issuer, whereas the Fund that owns the equity securities may prefer a reorganization of the issuer.

Similarly, if a portfolio company experiences financial or operational difficulties, if one Fund holds subordinated and unsecured debt, and another Fund holds senior secured debt instruments in the same portfolio company, an attempt by Catalio to enforce the rights of secured creditors against the issuer may benefit one Fund's investment while substantially reducing the value of another Fund's investment. In addition, if a Fund holds voting securities (for example, equity) of an issuer in which another Fund holds non-voting securities of the same issuer, Catalio, acting on behalf of one Fund may vote on certain matters that have an adverse effect on the investments of a Fund that does not have voting rights (*e.g.*, regarding whether to waive certain covenants or make certain amendments).

If Funds are invested in different levels of a portfolio company's capital structure, additional conflicts may arise over time, particularly if the issuer experiences financial difficulties. Catalio may take certain actions in an effort to reduce the potential for conflict or adversity between or among the Funds. This may cause one or more Funds to take certain actions that, in the absence of a conflict, would not otherwise be taken. For example, Catalio may choose to: (i) remain passive in negotiations with an issuer regarding modification of a security held by a Fund or in a restructuring or similar situation (including electing not to vote or voting *pro rata* with other security holders); (ii) invest in the same or similar classes of securities as another Fund in order to align their interests; (iii) divest investments in whole or in part; or (iv) appoint an unaffiliated third-party or LP Advisory Committee to assist in resolving such conflict. Any of these steps could have the effect of benefiting Catalio and one or more Funds but also might not be in the best interests of, or may be adverse to, other Funds.

There can be no assurance that Catalio will identify or resolve all conflicts of interest in a manner that is favorable to all its Funds. For example, a conflict may be resolved by Catalio after considering the overall impact on the Funds as a whole, even though such resolution may result in economic harm to a subset of the Funds.

#### Co-Investments

Catalio has offered and will continue to offer co-investment opportunities (directly and indirectly) to Investors, its employees, Consultants, venture partners, key persons as well as other third parties pursuant to and consistent with the terms of applicable Governing Documents. As a general matter, Catalio analyzes each co-investment opportunity and offers each such opportunity to such persons and pursuant to such terms that Catalio determines to be appropriate in its sole discretion subject to any applicable Governing Documents. There is no guarantee that an Investor will be offered one or more co-investment opportunities, or if offered, will be awarded an allocation in such co-investment opportunity.

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

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Our clients are the Funds, as described in Item 4 above, and the Funds are generally open to, among others, institutions, pension plans, endowments, high net-worth individuals, financially sophisticated individuals, and other qualified investors.

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

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The descriptions set forth in this Brochure of specific advisory services that Catalio provides to the Funds, and any related investment strategies pursued and investments made in connection

with the services that Catalio provides to the Funds, should not be understood to limit in any way Catalio's investment activities for the Funds or any new investment funds, accounts or other investment products that are managed in the future. Catalio may offer any advisory services, engage in any investment strategy and make any investment, including any not described in this Brochure, that Catalio considers to be appropriate, subject to each Fund's investment objectives and guidelines as set forth in the Governing Documents.

The investment strategies that Catalio pursues are speculative and entail substantial risks. Investors should be prepared to bear all or a substantial loss of capital. There can be no assurance that the investment objectives of any Fund will be achieved.

The following risk factors do not purport to be a complete list or explanation of the risks involved for Investors making an investment in the Funds. These risk factors are intended to summarize and highlight certain specific risks Catalio believes to be material, significant or unusual and relate to particular significant investment strategies or methods of analysis employed by Catalio. Each prospective investor should carefully review a Fund's Governing Documents before deciding to invest in a Fund.

Please note that all references to "Fund" or "Funds" in this Item 8 refers to one or more Funds depending on the context. The following risk factors are some of the risks associated with an investment in one or more Funds.

### **General Risks**

**Investment Objectives.** Although the Funds have different investment strategies, Catalio generally focuses on investments for the Funds in healthcare and biomedical technology companies in the following target markets: pharmaceuticals, medical devices, diagnostics, data-derived insights, tools, and services. The Firm typically seeks to invest in companies that attempt to monetize innovative biomedical technologies such as medical robotics, engineered tissues, and molecular diagnostics, as well as traditional "biotech" and "medtech" products such as drug therapies and implantable devices. Catalio has broad investment discretion for the Funds and ultimately pursues investments on behalf of the Funds consistent with each of the Fund's Governing Documents, which differ for each Fund. Given these different investment objectives, Catalio's research and investment process focuses on portfolio companies at varying stages of their life cycle, including private investments and investments in publicly traded securities. This broad set of objectives helps to create synergies for Catalio's investment team and its research process (*e.g.*, one Fund's private investment in an early stage company can lead to a different Fund investing in that portfolio company's initial public offering). In addition, the different Funds have flexibility to invest at various levels of a company's capital structure and to invest in equity, credit or other instruments (including issuing debt to portfolio companies directly).

**Analysis of Potential Investments.** Catalio takes into consideration a variety of factors when evaluating a potential investment. For example, Catalio may review the strength of applicable scientific data and insights; the existence of intellectual property; novel science, including therapies, drugs and devices with novel mechanisms of action, novel diagnostics tools, etc.; the commercial potential of company innovations; how our view on the value of a potential investment differs from the market view, supported by financial modeling, cash flow and balance sheet metrics; strong leadership and management; and, preferably, as part of a strong investment syndicate that includes one or more additional top-tier investment firms.

**No Assurance of Profitability.** No assurance can be given as to the Funds' ability to choose,

make and realize any particular investment. There can be no assurance that the Funds will be able to generate returns for their respective Investors or that the returns will be commensurate with the risks of investing in the type of investments and transactions described herein. Investments made by each Fund are subject to a wide range of risks, including company-specific and market-specific economic trends and other factors beyond Catalio's control (including the impact of interest rates, bank failures, acts of war, terrorist acts or threats thereof), all of which can cause investments to lose value and the Funds to underperform or lose money. There can be no assurance that any Investor will receive any distribution from Catalio's closed-ended Funds, or any withdrawal proceeds from Catalio's open-ended Funds. Accordingly, an investment in the Funds should only be considered by investors that can afford a loss of their entire investment.

**Future and Past Performance.** The prior performance of the Funds is not indicative of future results. While Catalio intends for the Funds to make investments that have estimated returns commensurate with the risks undertaken, there can be no assurance that targeted results will be achieved. Total loss of capital is possible on any given investment.

**Distributions in Kind.** Catalio may distribute certain of the Funds' investments in securities or other non-cash property. Any such distribution could put downward pressure on the price of a portfolio company's securities, and could reduce or remove each Fund's influence in the portfolio company's affairs. Further, distributions in-kind, particularly on dissolution of the Funds, may result in the receipt by Investors of highly illiquid unregistered securities or receipt of publicly traded securities that the Investor is not prepared to liquidate itself, or for which there may not be a liquid market. An Investor that receives assets other than cash from a Fund may incur substantial costs and delays in converting those assets to cash.

**Liability of Investors.** Each Fund's Governing Documents address the circumstances in which an Investor is required to return distributions made to such Investor (or withdrawal proceeds paid to such Investor) for the purpose of satisfying a Fund's liabilities and in order to meet an Investor's pro rata share of Fund indemnification and other obligations. Further, the circumstances in which an Investor is required to return distributions or proceeds can differ between Funds and Investors should carefully review a Fund's Governing Documents prior to investing in order to understand the provisions relating to clawback obligations for the applicable Fund.

**Competition for Investments.** The business of identifying and structuring investments of the types contemplated by the Funds is competitive and involves a high degree of uncertainty. The amount of capital committed to alternative investment strategies is substantial and continues to increase. For example, historically, the primary competition for alternative investments has been from other private investments funds and corporations, financial institutions, wealthy individuals and foreign investors. In this current market environment, additional competition is anticipated from industrial and financial companies investing directly, rather than through investment funds, in addition to new private investment funds that frequently enter the market. As a result, the Funds often compete for investment opportunities (and Catalio competes for investment talent) with an expanding industry of market participants, many of which have substantially greater resources. As more investors seek to identify the same types of investment opportunities, the profit potential of the Funds may be reduced as a result of the "saturation" of certain investment strategies. There can be no assurance that the Funds will succeed in finding and making investments on similar or favorable terms when compared to competitors.

**Difficulty of Locating Suitable Investments.** The Funds may be unable to find a sufficient

number of attractive investment opportunities to meet their respective investment objectives. There is no assurance that the Funds will succeed in sourcing investment opportunities that meet the Funds' investment criteria and, even if successful, that those selected investments will produce competitive returns. Catalio attempts to invest on behalf of the Funds in a manner consistent with the criteria set forth in each of the Fund's applicable Governing Documents, but there is no assurance that such investments can be located. Market and other conditions may require the Funds to make investments with a lower rate of return or that involve a higher degree of risk than described herein and/or has been the case historically. An Investor must rely on Catalio's ability to identify, structure and implement investments consistent with a Fund's objectives and policies. Investors will not have the opportunity to evaluate the business, financial and other information used by Catalio in its analysis, selection and monitoring of portfolio company investments for the Funds.

**Expedited Transactions.** Investment analyses and decisions by Catalio may frequently be required to be undertaken on an expedited basis to take advantage of investment opportunities. In such cases, the information available to a Fund at the time of making an investment decision may be limited, and Catalio may not have access to detailed information regarding the investment. Therefore, no assurance can be given that Catalio will have knowledge of all circumstances that may adversely affect an investment.

**Inflation and Deflation.** The enormous amounts of financial assistance that governments and central banks have made available in an effort to resolve economic difficulties could eventually lead to material levels of inflation or to slow economic activity that leads to deflation. Inflation and rapid fluctuations in inflation rates have had in the past, and may in the future have, negative effects on the economics and securities markets of numerous economies. The global economy is currently experiencing an increased rate of inflation (and may experience further increases in the rate of inflation), which may rise at an accelerating rate for a sustained period of time, in part due to recent market activity and the occurrence of current (and potential future) economic stimulus. During periods of inflation, wages and prices of inputs typically increase, which can negatively impact returns on investments. In an attempt to stabilize inflation, various governments may intervene in their respective economies. Governmental efforts to curb inflation often have negative effects on the level of economic activity (and may result in stagflation). It is possible that inflation will become a serious problem in the future and may have a material and adverse impact on the Fund's investments (and the Fund's performance). Any subsequent unexpected deflation could also have an adverse impact on the Fund's strategies and investments. There can be no assurance that inflation or deflation will not become a serious problem in the future and have an adverse impact on the Fund's returns.

**Conflicts of Interest.** The Funds may invest in companies in which a conflict of interest, or an apparent conflict of interest, exists or may exist. A Fund's Governing Documents may contain certain protections for Investors against various conflicts of interest faced by Catalio and its personnel, but does not purport to address all types of conflicts that may arise. For example, employees, consultants or similar Catalio personnel may receive directors' fees or similar compensation from portfolio companies of the Funds. While such fees or compensation may trigger a management fee offset under a Fund's Governing Documents, there is no assurance that the Funds will economically benefit from any particular portfolio company's fees or compensation received by Catalio, its employees, consultants or similar personnel. Moreover, a management fee offset is not applicable in all situations and is determined by reference to a Fund's Governing Documents. The fees and compensation and related conflicts discussed herein includes amounts paid to any person whose relationship with Catalio is that of a "venture partner," "operating partner," "entrepreneur in residence," "executive in residence," "consultant" or "adviser" and includes any founder shares received by such persons as payment

for their services or activities. Further, under certain circumstances, the Funds may invest in a company in which a Catalio employee, venture partner, consultant, adviser or otherwise has pre-existing interest or relationship, and such person may receive compensation (including performance-based compensation) from Catalio. To the extent that such persons are employed at an operating company, research organization or otherwise, Catalio specifically requires such persons to comply with all existing legal and contractual obligations when providing services to Catalio (including restrictions on disclosing sensitive information that is otherwise confidential or would be considered “material nonpublic information” ). Such obligations may prevent such persons from sharing information that would be relevant and material to an investment contemplated by Catalio, even though they are compensated by Catalio. Certain provisions contained within a Fund’s Governing Documents that authorize such actions may override common law and statutory fiduciary duties that may apply in the absence of such provisions. Moreover, as a practical matter, it may be difficult for Investors to identify and scrutinize these types of relationships which limits an Investor’s ability to subject such situations to close scrutiny.

Additionally, Catalio and its personnel are not required to treat a Fund as their sole and exclusive function, and are entitled to have other business interests and may engage in other business activities in addition to those relating to the Funds. Catalio also may form and devote such time as it determines to be appropriate to other investment funds, accounts or other products with activities similar to those of the Funds. Catalio and its personnel also have conflicts of interest in allocating time, services and functions among the Funds and other business ventures. Conflicts may arise in the allocation of investment opportunities as well as the time allocated by Catalio personnel to managing the Funds (including future funds and other business activities). Catalio and its personnel are not required to refrain from such activities or to disgorge profits from such activities, although the activities are required to be compliant with Catalio’s internal policies (including its Code of Ethics). By investing in a Fund, each Investor will be deemed to have acknowledged the existence of such actual and potential conflicts of interest.

**Allocations of Investment Opportunities.** Catalio has adopted policies and procedures regarding the allocation of investment opportunities. Catalio currently advises Funds that focus on the same sectors and have potential overlapping strategies and investments. To the extent that a particular investment opportunity is allocable to more than one Fund, Catalio’s general policy is to allocate that investment opportunity between the Funds in a fair and equitable manner with a specific emphasis on each Fund’s investment strategy and relative net asset values or “buying power.” Catalio may determine, from time to time, to modify the methodology by which investments will be allocated among the Funds.

However, Catalio is not required to provide every investment opportunity to each of the Funds, and Catalio may determine that certain investments should not be allocated to certain Funds even if they have overlapping strategies. Similarly, situations may arise where a Fund declines an investment opportunity otherwise appropriate for it if making such investment may be detrimental to another Fund. A non-exclusive list of factors that Catalio may consider when allocating investment opportunities, includes: (a) if a Fund has sufficient exposure to the investments, issuer or market in question, (b) the different liquidity positions and requirements of a Fund; (c) tax considerations; (d) regulatory considerations; (e) the relative buying power of a Fund; (f) the risk profile of a Fund or strategy; (g) portfolio concentration considerations; (h) formal or informal diversification requirements; (i) borrowing base considerations; (j) different historical and anticipated subscription and distribution or redemption patterns; (k) minimum investment criteria; (l) differences in availability/cost of funding; (m) investment time horizon; (n) fund lifecycle considerations (e.g., whether certain funds are in a ramp up period, harvest or liquidation period and the proximity to the end of a Fund’s term); (o) the desire

to adjust risk in a Fund's portfolio; and/or (p) the existence and management of actual or potential conflicts of interest.

**Whole Firm.** As discussed above and throughout this Brochure, the Funds have different investment strategies and in the ordinary course of business Catalio will make decisions for one or more Funds that impacts one or more other Funds. This is the case whether such impact is foreseeable or unexpected and can occur even if the decision results in no formal action being taken. For example, Catalio may elect to forego entirely an otherwise attractive investment for a Fund if Catalio believes that more than one Fund should participate, but the investment opportunity is limited and prevents Catalio from properly sizing the investment across participating Funds. Investors should review the disclosures herein and in the Governing Documents regarding how Catalio addresses conflicts of interest, investment allocations and otherwise.

**Service on the Board of Directors.** One or more of Catalio's principals, employees, consultants, venture partners, operating partners and other personnel may serve on the board of directors of certain Fund portfolio companies. These arrangements, especially in light of new statutes and regulations relating to corporate governance and increased scrutiny of corporate boards, could expose one or more Funds or Catalio and such persons to regulatory inquiries and actions and/or claims by a portfolio company, its security holders and its creditors. While Catalio intends to manage the Funds in a way that will minimize exposure to these risks, the possibility of successful claims or adverse regulatory actions cannot be eliminated, and such events may have a material adverse effect on the Funds.

In their capacity as directors of portfolio companies, such persons affiliated with Catalio will be subject to fiduciary and other duties to the portfolio companies and these obligations may periodically conflict with the best interests of the Funds. For example, a Fund's ability to sell the publicly traded securities of a portfolio company may be limited if any such persons are in possession of material non-public information relating to such portfolio company.

**Establishment of Additional Funds.** Subject to the terms of the Governing Documents, Catalio and its principals, employees, consultants and other personnel may organize new investment funds, accounts or products similar to the Funds, and in some circumstances, only after certain benchmarks have been achieved and upon the occurrence of certain events. Any such new fund, account or product may have an investment mandate that is substantially similar to (or the same as), the Funds. There is no assurance that Investors in the current Funds will be offered the opportunity to participate in any subsequent funds.

**Syndication.** In addition to an ability to syndicate a Fund investment to co-investors or otherwise, Catalio could establish one or more investment vehicles that are dedicated syndication vehicles whose purpose includes committing to investments (in the form of equity or debt financing) alongside one or more Funds, with a view toward syndicating all or a portion of such investments to third parties in various circumstances (each such entity, a "**Syndication Entity**"). Syndication Entities could broaden the universe of attractive investments available to the Funds by allowing the Funds to consider larger transactions while maintaining what Catalio believes to be appropriate portfolio construction for each Fund.

While it is not anticipated that a Syndication Entity will be entitled to be offered any investment opportunities in any particular strategy on a priority basis, Catalio could be subject to a conflict of interest in connection with its determination of the portion of such investments to be offered to a Syndication Entity. Further, Syndication Entities can participate in the equity and debt of portfolio companies, including where a Fund participates only in the equity or debt of such

portfolio company, in another level of the capital structure or in a non-pari passu manner vis-à-vis such Syndication Entities. In addition, Catalio could receive fees in connection with the participation of a Syndication Entity in any investment. Absent specific provisions otherwise in the applicable Governing Documents, these types of fees will be for Catalio's benefit. Finally, Catalio may be biased when causing a Fund to purchase investments from a Syndication Entity, among other reasons, in order to free up such entity's balance sheet to syndicate additional opportunities and to avoid suffering losses from the related investments.

**Diverse Investor Base.** The Funds have Investors with different investment, tax and other interests with respect to their investments in the Funds. As a consequence, conflicts of interest may arise in connection with decisions made by Catalio that may be more beneficial for one Investor than for another Investor. In operating the Funds, Catalio generally considers the investment and tax objectives of the Fund as a whole, not the investment, tax or other objectives of any Investor individually. Consequently, Catalio may make decisions from time to time that may be more beneficial to one type of Investor than another. For example, such decisions may (directly or indirectly) be more beneficial to investors affiliated with Catalio than to other Investors. In addition, certain Investors may have different information about Catalio and/or the Funds than other Investors because, for example, some Investors: (i) are invested in more than one Fund, (ii) have business or other relationships with Catalio or its affiliates, (iii) perform more substantial due diligence and monitoring than other Investors, or (iv) are participants in other agreements, transactions or arrangements with a Fund or Catalio.

**Side Letter Agreements.** From time to time, Catalio may enter into side letter agreements with certain Investors that grant rights or terms more favorable than what has been offered to other Investors. Although certain Investors may invest in the Funds with different material terms, the applicable Fund and Catalio generally will only offer such terms if they reasonably believe other Investors in the applicable Fund will not be materially disadvantaged. Catalio may enter into these types of arrangements without notice to or consent of other Investors, and is not required to disclose the existence or terms of such side letter agreements to other Investors.

**Penalty for Failure to Make Capital Contributions.** The failure of an Investor to meet a capital call in a timely manner (or to otherwise make a subscription to a Fund consistent with the terms of the Fund's Governing Documents) could have materially adverse consequences for the applicable Fund(s) and/or the defaulting Investor. An Investor that defaults on its obligations to a Fund in this manner may be forced to forfeit all or a portion of its interest in the Fund or otherwise required to sell its interest.

**Restrictions on Transfer and Withdrawal.** There is no market for interests in the Funds and none is expected to develop. In addition, the Funds' interests are subject to restrictions on transfers, and typically require the consent of Catalio or an Advisory Affiliate (which may be withheld for any reason or as otherwise set forth in the relevant Governing Documents, or, if granted, will require the Investor to bear Catalio's costs of facilitating a transfer, including legal fees). Certain of the Funds do not allow Investors to withdraw capital or to redeem an investment. Consequently, Investors may not be able to liquidate their investments prior to the end of a Fund's term. In addition, the securities of the Funds have not been registered under the Securities Act or any other applicable securities laws, which will further restrict an Investor's ability to transfer its interest in the Funds.

**Profits Interest.** The capital contribution of an Advisory Affiliate to a Fund will usually represent a smaller percentage of the Fund's capital than the capital contributions of the Investors as a whole. Even though Investors will generally invest more than Catalio or an Advisory Affiliate in a Fund, the compensation structure of the Funds may result in the Investors having a



proportionately smaller interest in the profits of the Fund than Catalio and an applicable Advisory Affiliate. Because the percentage of profits allocated to an applicable Advisory Affiliate will usually exceed the capital percentage of the Advisory Affiliate, Catalio may have an incentive to make investments that are riskier or more speculative than if the applicable Advisory Affiliate received allocations on a basis identical to that of the Investors or was compensated in a manner that is not tied to the performance of the Funds.

**Lack of Diversification.** The Funds generally participate in a limited number of portfolio investments and, as a consequence, the investment returns of a Fund may be materially and adversely affected by the unfavorable performance of even a single portfolio investment. Each of the Funds has Governing Documents that should be reviewed by Investors to understand the investment strategy of a Fund. In addition, although Catalio may have guidelines for each of the Funds with respect to portfolio construction, exposure targets, limits, or otherwise, there is no assurance that a Fund's portfolio will be diversified in a manner that eliminates the risks generally understood to be minimized by diversification. In addition, given that the Funds generally focus on portfolio companies in the healthcare and biomedical technology sectors, the ability for the Funds to diversify by investing in other sectors is limited.

**Advisory Committee.** Under the Governing Documents, certain Fund transactions that involve conflicts of interest (and that are not otherwise specifically addressed by the Governing Documents) may be submitted to an advisory committee ("**Advisory Committee**") of a Fund (if applicable for such Fund). An Advisory Committee will not necessarily represent the interests of the Investors, and the members of the Advisory Committee may themselves be subject to various conflicts of interest (including as investors in other entities advised or managed by Catalio). In general, the Investors will not be entitled to control the selection of Advisory Committee members or to review the actions or deliberations of the Advisory Committee. In addition, Advisory Committee members have no fiduciary obligations to the Fund or its Investors other than to act in good faith and, therefore, Advisory Committee members may take into consideration their own interests in a particular matter and are not required to take into consideration the interests of the Fund or any of the Investors. As a general matter, the actions taken by Catalio in reliance on the suggestions of an Advisory Committee for a Fund will protect Catalio from certain liabilities that might otherwise arise in connection with those actions.

#### **Certain Risk Factors of Investments in Private Securities such as Venture Capital, Private Equity, and Structured Opportunities**

**General.** Any investment strategy involves a high degree of business and financial risk that can result in substantial losses. In order for the Funds to succeed, they must be able to accurately identify potentially successful business enterprises, a process which is difficult even for those with extensive investment experience. The Funds may invest in securities that may be among the most junior in a portfolio company's capital structure, and thus subject to the greatest risk of loss. The following risk factors highlight risks related to venture capital and credit or structured opportunities (or both).

An investment in the Funds is highly speculative, involves a high degree of risk and could result in the loss of part or all of an Investor's capital contribution. Investors should not subscribe for interests in a Fund unless they can bear such a loss. The success of the Funds is also dependent on Catalio's ability to identify opportunities and arrange the closing of transactions. Moreover, there can be no assurance that the Funds' investment objectives will be achieved and investment results may vary materially from one reporting period to the next. Consequently, an investment in the Funds is suitable only for sophisticated investors with other substantial assets who are capable of making an informed independent decision as to the risks involved in an

investment in the Funds.

**Nature of Investments.** The portfolio companies in which the Funds will invest are likely to face intense competition, including competition from companies with greater financial resources, more extensive development, production, marketing and service capabilities and a larger number of qualified managerial and technical personnel. There can be no assurance that the development or marketing efforts of any particular portfolio company will be successful or that its business will be profitable. The Funds also may invest in portfolio companies for which a Venture Partner or Consultant is an existing or former employee of, or has been engaged to provide services directly to, such portfolio companies. In certain circumstances, such Venture Partner(s) and/or Consultant(s) will have a conflict of interest when performing services for Catalio with respect to such portfolio companies.

Many of the Funds' portfolio companies may be unseasoned, unprofitable and/or have no established operating history or earnings. These companies may also lack technical, marketing, financial and other resources or may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of a manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the portfolio company management team may have a materially adverse impact on such companies. Furthermore, these companies may be more vulnerable to competition and to overall economic conditions than larger, more established entities.

Following its initial investment in portfolio companies, the Funds anticipate that portfolio companies may require additional funding, and that the Funds may have the opportunity to increase their investments in successful portfolio companies. There can be no assurance that the Funds will make, or will have the resources to make, follow-on investments. Any decision by the Funds not to make follow on investments, or its inability to make them, may have a material adverse effect on a portfolio company in need of such an investment, may result in a missed opportunity for the Funds to increase participation in a successful enterprise, may result in significant dilution of any existing portfolio company investment, or may cause a decrease in the value of each Fund's portfolio.

**Investments in Early-Stage Companies.** There can be no assurance that the Funds' strategy in focusing on investments in such companies will result in success. The Funds expect to invest in companies at early and expansion stages of development, including the start-up stage. Particularly in early stage enterprises, a major risk exists that a proposed service or product cannot be developed successfully with the resources available to the portfolio company. There is no assurance that the development efforts of any portfolio company will be successful or, if successful, will be completed within the budget or time period originally estimated.

**Investment in Junior Securities.** The securities in which the Funds will invest may be among the most junior in a portfolio company's capital structure and, thus, subject to the greatest risk of loss. Generally, the only collateral that is expected to be available to protect an investment once made is a portfolio company's intellectual property.

**Long Term Investment.** An investment in the Funds is a long-term investment. The inherent nature of venture capital investing dictates a significant length of time between the initial investment and realization of gains, if any. Investors must be able to bear the economic risks of an investment in the Funds for an indefinite period of time.

**Investments Longer Than Term.** The Funds may invest in investments which may not be advantageously disposed of prior to the date that the Funds will be dissolved, either by

expiration of each Fund's term or otherwise. Although Catalio expects that investments will be either disposed of prior to dissolution or suitable for in-kind distribution at dissolution, the Funds may have to sell, distribute or otherwise dispose of investments at a disadvantageous time as a result of dissolution.

**Lack of Geographic Diversification.** The Funds have not adopted policies requiring that portfolio companies be diversified in different geographic areas. If several investments are concentrated in one geographic area, the Funds could be severely impacted by adverse developments affecting that geographic area.

**Reliance Upon Portfolio Company Management.** Although Catalio will generally seek to secure representation on the board of directors of portfolio companies and hopes to develop a good working relationship with the management of such companies, the Funds are not expected to have an active role in the day-to-day management of the companies in which they invest. To the extent that the senior management of a portfolio company performs poorly, or if a key manager terminates employment, a Fund's investment in such company could be adversely affected.

**Projections.** Projected operating results of a portfolio company in which a Fund invests will generally be based primarily on financial projections prepared by each portfolio company's management. In all cases, projections are only estimates of future results that are based upon information received from the company and assumptions made at the time the projections are developed. There can be no assurance that the results set forth in the projections will be attained, and actual results may be significantly different from the projections. Also, general economic factors, which are not predictable, can have a material effect on the reliability of projections.

**Lack of Control.** The Funds generally will seek to structure investments so that they will have some level of control over portfolio companies, at least as to major corporate decisions. However, the Funds may have limited ability to protect its position and investment. Generally, as a condition to any investment, the Funds will seek to obtain special rights and protective provisions, which will be negotiated at the time of the investment. There can be no assurance that the Funds will be able to obtain such protective provisions, or that if such provisions are obtained, that they will be effective.

**Illiquid Fund Investments.** All of the portfolio companies in which some of the Funds expect to make investments will initially be privately held. As a result, there will be no readily available secondary market for each Fund's interests in such portfolio companies, and those interests will be subject to legal restrictions on transfer. Therefore, there is no assurance that the Funds will be able to realize liquidity for such investments in a timely manner, if at all. Unless a portfolio company subsequently succeeds in obtaining approval from the relevant authorities to list its shares on a recognized exchange, this avenue to liquidity will not be available to the Funds, which must then rely on other means to achieve liquidity. In addition, the Funds may be precluded from selling their shares in a public portfolio company for some time after such portfolio company's initial public offering, if any. As a result, the values ascribed by Catalio to each Fund's investments in private companies or otherwise illiquid investments may differ substantially from the values that will ultimately be realized by the Funds.

**Restrictions on the Sale or Distribution of Portfolio Company Securities.** The Funds may be prohibited by lock-up agreements or insider trading restrictions from distributing or selling portfolio company securities for a period of time, during which the price of a portfolio company's securities could decline. In addition, the Advisory Affiliate serving a Fund's general partner or managing member may, in its sole discretion, withhold distribution of securities

beyond the lock-up period.

**Risks of Certain Dispositions of Assets.** In connection with the disposition of an investment in a portfolio company, the Funds may be required to make representations about the business and financial affairs of the portfolio company typical of those made in connection with the sale of any business. They may also be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in contingent liabilities that are obligations of one or more Funds (and any such obligations would ultimately be borne by the Investors in the Funds, including the Investors' invested capital and in certain instances could include the Investors' unfunded capital commitments as well as previous distributions made by the Funds).

**Importance of Key Management.** The success of a Fund will depend on the ability of Catalio to identify opportunities, to negotiate and arrange the closing of transactions, to stimulate good performance by portfolio companies and to arrange timely disposition of securities at a profit. There can be no assurance that Catalio will generate an adequate stream of investment opportunities. Additionally, the success of the Funds will depend on the continued employment by the Funds of the managers of Catalio.

#### **Additional Risk Factors Specific to Investments in Credit and Structured Opportunities**

**Investments in Loans.** The value of a Fund's investment in loans may be detrimentally affected to the extent a borrower defaults on its obligations, there is insufficient collateral and/or there are extensive legal and other costs incurred in collecting on a defaulted loan. Catalio may attempt to minimize this risk by maintaining low loan-to-liquidation values with each loan and the collateral underlying the loan. However, there can be no assurance that the value assigned to collateral underlying a Fund's loan can be realized upon liquidation, nor can there be any assurance that collateral will retain its value over time. In addition, certain loans may be supported, in whole or in part, by personal guarantees made by the borrower or a relative, or guarantees made by a corporation affiliated with the borrower. The amount realizable with respect to a loan may be detrimentally affected if a guarantor fails to meet its obligations under a guarantee. Moreover, the value of collateral supporting loans may fluctuate. In addition, active lending/origination by a Fund may subject it to additional regulation, as well as possible adverse tax consequences to the Fund or its investors. Finally, there may be a monetary, as well as a time cost involved in collecting on defaulted loans and, if applicable, taking possession of and subsequently liquidating various types of collateral.

**Loan Participations and Assignments.** A Fund may invest in loans acquired through assignment or participations. In purchasing participations, a Fund will usually have a contractual relationship only with the selling institution, and not the borrower. If so, the Fund generally will have no right directly to enforce compliance by the borrower with the terms of the loan agreement, nor any rights of set-off against the borrower, nor will it have the right to object to certain changes to the loan agreement agreed to by the selling institution. A Fund may not directly benefit from the collateral supporting the related secured loan and may not be subject to any rights of set-off the borrower has against the selling institution.

In addition, in the event of the insolvency of the selling institution, depending on applicable law, the Fund may be treated as a general creditor of such selling institution, and may not have any exclusive or senior claim with respect to the selling institution's interest in, or the collateral with respect to, the secured loan. Consequently, a Fund with such an investment may be subject to the credit risk of the selling institution as well as the credit risk of the borrower. Certain loans or

loan participations may be governed by the laws of a jurisdiction other than the United States which may present additional risks with regard to the treatment of such investments in the event of the insolvency of the selling institution or the borrower. There are different sources of statistical default rate data for term bank debts and numerous methods for measuring default rates. The historical performance of the term debt market is not necessarily indicative of its future performance. If increases in default rates occur with respect to the type of collateral securing the bank loans in which a Fund may invest, the actual default rates of such bank loans may exceed the hypothetical default rates used when initiating an investment in such bank debt.

**Convertible Securities.** One or more of the Funds may invest in convertible securities, securities that may be exchanged or converted into a predetermined number of the issuer's underlying shares or the shares of another company or that are indexed to an unmanaged market index at the option of the holder during a specified time period. Convertible securities may take the form of convertible preferred stock, convertible bonds or debentures, stock purchase warrants, zero-coupon bonds or liquid-yield option notes, stock index notes, mandatories, or a combination of the features of these securities. Prior to conversion, convertible securities have the same general characteristics as non-convertible debt securities. As with all debt securities, the market value of fixed-rate convertible securities tends to decline as interest rates increase and conversely, increase as interest rates decline. Convertible securities, however, also appreciate when the underlying common stock appreciates, and conversely, depreciate when the underlying common stock depreciates. Further, convertible securities may involve certain risks which are not present with respect to a standard purchase of common stock. Convertible securities may contain restrictions on the number of securities that may be converted at any one time or restrictions on the investor's ability to hedge such securities. The risks may include, but are not limited to, the risk that the issuer may pay dividends without any compensation being paid to the holders of the issuer's convertible securities and uncertainty regarding the treatment of convertible securities in the event the issuer is acquired or merged with another entity (*i.e.*, whether the conversion rights will be protected and ongoing for the new legal entity).

**Creditor Risks.** An investment in debt is generally subject to various creditor risks, including, but not limited to, the possible invalidation of a loan as a "fraudulent conveyance" under applicable law, so called lender liability claims by the issuer of the obligations, and environmental liabilities that may arise with respect to collateral securing the obligations. Additionally, adverse credit events with respect to any underlying property, such as missed or delayed payment of interest and/or principal, bankruptcy, receivership or distressed exchange, can significantly diminish the value of an investment in any such property.

**Reliance on Servicers.** The quality of servicing employed in respect of a Fund's portfolio in debt securities, which will include collection of payments, monitoring of property financial condition and loan compliance, and, following a default, modifying underlying loans, foreclosing on the underlying collateral and selling foreclosed properties and/or defaulted loans, can materially affect the returns due on such Fund's portfolio. In addition, a servicer is required to comply with various laws, including in certain cases, requirements to be licensed in various jurisdictions. The failure of such servicer to perform its servicing obligations, or to maintain any necessary licenses or meet various requirements relating to such licenses, will have a material adverse effect upon the amount and timing of collections with respect to a Fund's loans. In the future, although it is possible that an affiliate of Catalio will act as a servicer for some of the loans held by a Fund, such Fund will need to rely on third parties to service the loans of the portfolio in the meantime (and may still need to rely on third parties to service some of the loans in the future).

**Participation on Creditors' Committees May Expose a Fund to Other Sources of Liability.** A

Fund may participate on committees formed by creditors to negotiate the management of financially troubled borrowers that may or may not be in bankruptcy or may seek to negotiate directly with the debtors with respect to restructuring issues. If a Fund does join a creditors' committee, the participants of the committee would be interested in obtaining an outcome that is in their respective individual best interests and there can be no assurance of obtaining results most favorable to a Fund in any such proceedings. By participating on such committees, a Fund may be deemed to have duties to other creditors represented by such committees, which might expose any such Fund to liability to such other creditors who disagree with the Fund's actions.

**Lender Liability Considerations; Equitable Subordination.** A number of judicial decisions in the United States have upheld the right of borrowers to sue lenders on the basis of various evolving legal theories (collectively termed "lender liability"). Generally, lender liability is founded upon the premise that an institutional lender has violated a duty (whether implied or contractual) of good faith and fair dealing owed to a borrower or issuer or has assumed a degree of control over the borrower or issuer resulting in the creation of a fiduciary duty owed to the borrower or issuer or its other creditors or shareholders. Loans originated by a Fund will be limited in certain respects by anti-deficiency and "one form of action" laws that can, in certain circumstances, reduce or eliminate a lender's right to collect a deficiency judgment if collateral is insufficient to repay a loan.

In addition, in certain circumstances, if a lender: (i) intentionally takes an action that results in the undercapitalization of a borrower to the detriment of other creditors of such borrower; (ii) engages in other inequitable conduct to the detriment of such other creditors; (iii) engages in fraud with respect to, or makes misrepresentations to, such other creditors; or (iv) uses its influence as a stockholder to dominate or control a borrower to the detriment of other creditors of such borrower, a court may elect to subordinate the claim of the offending lender to the claims of the disadvantaged creditor or creditors, a remedy called "equitable subordination."

**Other Credit Investments.** Credit investments can take many different forms and these investments are not limited to traditional strategies involving loan origination, distressed investing or high-yield investing. As credit markets evolve, a Fund may find opportunities to invest in unique and/or complex financial instruments. For example, markets have developed and investment funds can now invest in strategies that range from litigation financing and equipment leases to structured and/or hybrid products. The methods for providing financing also range from traditional lending to investing in syndicated transactions by subscribing to a pooled investment vehicle or syndication entity. A Fund could invest in multiple, different types of structured opportunities and products. These investments can be illiquid in nature, with no readily available secondary market and could be highly leveraged or volatile in nature, and have a variety of risks. These products also take a variety of forms, and in many cases, complex or unique forms. The performance of certain structured products can be affected by a variety of factors related to the underlying instrument, including its priority in the capital structure of the issuer, the availability of any credit enhancement, the level and timing of payments and recoveries on and the characteristics of the underlying receivables, loans or other assets that are being securitized, the adequacy of and ability to realize upon any related collateral and the capability of the servicer of the securitized assets. In addition, broader market forces will typically impact structured products, especially if a relevant issuer, basket, sector or otherwise has unexpected volatility or other headwinds.

**Interest Rate Risk.** Although all investment funds (including the Funds) are subject to interest rate risk, an investment strategy focused on credit and other structured opportunities faces certain additional risks. For example, as a general matter, the value of fixed-income securities will change inversely with changes in interest rates. As interest rates rise, the market value of

fixed-income investments tends to decrease. Conversely, as interest rates fall, the market value of fixed-income investments tends to increase. A Fund may experience increased interest rate risk to the extent it invests in lower-rated instruments, debt instruments with longer maturities, debt instruments paying no interest (such as zero-coupon debt instruments) or debt instruments paying non-cash interest in the form of other debt instruments. To the extent that interest rate assumptions underlie the thesis of a particular investment, fluctuations in interest rates could invalidate those underlying assumptions.

The United States has experienced a sustained period of historically low interest rate levels but recently, short-term and long-term interest rates have risen. The uncertainty of the U.S. and global economy, changes in U.S. government policy and changes in the federal funds rate increase the risk that interest rates will remain volatile in the future. Sustained future interest rate volatility may cause the value of credit investments to decrease and this, in turn, can force any investor (including a Fund) to liquidate these types of investments at disadvantageous prices. In addition, rising interest rates generally will increase the cost of leverage used by the Funds.

#### **Certain Risk Factors of Investments in Hedge Funds**

**Incentive Allocation.** The entitlement of an Advisory Affiliate to receive an incentive allocation from an applicable Fund may encourage Catalio or such Advisory Affiliate to make riskier or more speculative investments on behalf of the applicable Funds than would otherwise be the case. In addition, any incentive allocation paid to an Advisory Affiliate is calculated by reference to realized gains and unrealized gains (including unrealized gains that may never be realized). Unlike a standard carried interest compensation structure which includes a clawback of amounts distributed in certain situations, any incentive allocation made to an Advisory Affiliate in connection with Catalio's management of one or more open-ended funds is not required to be returned to the applicable Fund if, in a subsequent period, the Fund suffer a net loss.

**Limited Liquidity And Restrictions On Withdrawals.** An investment in the Funds is relatively illiquid and is not suitable for any investor that requires liquidity. There is no public market for interests in the Funds. In addition, rights to withdraw funds from a Fund are subject to limitations and are set out in greater detail in a Fund's applicable Governing Documents. For example, an Investor generally may withdraw amounts from a Fund only at certain specific times (such as the end of a calendar quarter after having been an Investor for a certain period of time), and only after providing advance written notice to the Advisory Affiliate consistent with the applicable Governing Documents and only after receiving confirmation from the Fund's administrator that the withdrawal request has been submitted properly and consistent with the terms of the applicable Fund. Further, there are limitations on partial withdrawals and on how quickly withdrawal proceeds are paid to the Investor, and Fund withdrawals may be suspended from time to time by its Advisory Affiliate. The Advisory Affiliate has discretion to pay amounts withdrawn in securities (*i.e.*, in-kind) rather than cash, and may establish a reserve that reduces the withdrawal proceeds paid to withdrawing Investors in order to fulfill a Fund's liabilities and other obligations. If securities are distributed to Investors in connection with a withdrawal, the securities distributed may be thinly traded or otherwise relatively illiquid. These conditions may create difficulty for an Investor attempting to liquidate its investment in a Fund quickly.

**Effect Of Substantial Withdrawals.** Substantial withdrawals by Investors within a short period of time could require the Funds to liquidate securities positions more rapidly than would otherwise be desirable and could adversely affect the Funds if they are required to sell such securities or liquidate positions at a loss. Moreover, the process of liquidating large positions could depress the market for the securities being sold which would expose the relevant Funds to even greater losses. Such withdrawals may also disrupt the Advisory Affiliate's investment

strategy and limit the Funds' ability to take advantage of particular investment opportunities.

**Potential Mandatory Withdrawals.** The applicable Governing Documents provide that an Advisory Affiliate may, in its sole discretion at any time, require an Investor to withdraw a portion or all of its investment in a Fund on five days' notice. Such mandatory withdrawal could result in adverse consequences to Investor.

#### **Certain Legal/Regulatory/Other Risks**

**Investment Company Act Considerations.** The Funds will not be registered under the Investment Company Act. Therefore, Investors in the Funds will not be afforded the protection provided by the Investment Company Act and the extensive regulations thereunder.

**Certain Litigation Risks.** The Funds will be subject to a variety of litigation risks, particularly if one or more of its portfolio companies face financial or other difficulties. Legal disputes involving any or all of the Funds, Catalio, its partners or its affiliates, may arise in the ordinary course of business and could have a material adverse effect on the Funds and on Catalio.

**Compliance with Trading Restrictions.** From time to time, Catalio may receive material non-public information ("MNPI"), may enter into non-disclosure arrangements restricting its trading, or may decide to restrict trading for other reasons, in certain issuers.

In the event that trading restrictions arise in connection with one Fund, such restrictions may limit the ability for other Funds to pursue or dispose of certain investments. Any such restriction could be adverse to the interests of the Funds if Catalio is prevented from entering into transactions on behalf of certain Funds and could result in losses to the Funds, even if the MNPI was received inadvertently or by a member of the investment team for a different Fund. Even if Catalio's internal policy is to prohibit disclosure of such MNPI to other employees, Catalio may be forced to restrict the activities of the Funds.

Although Catalio does not currently utilize formal "information walls," it may elect to do so in the future. Even if this is the case, it is possible that Catalio is unable to use all the information available to it for the benefit of the Funds.

**Financial Institution Risk; Distress Events.** An investment in any of the Funds is subject to the risk that one of the banks, brokers, counterparties, clearinghouses, exchanges, lenders or other custodians (each, a "Financial Institution") of some or all of a Fund's (or any portfolio company's) assets fails to timely perform or otherwise defaults on its obligations or experiences insolvency, closure, seizure, receivership or other financial distress or difficulty (each, a "Distress Event"). Distress Events can be caused by factors including, but not limited to, eroding market sentiment, significant withdrawals, fraud, malfeasance, poor performance, undercapitalization, market forces or accounting irregularities. If a Financial Institution experiences a Distress Event, the Funds, Catalio and one or more portfolio companies may be unable to access deposits, borrowing facilities or other services, either permanently or for an extended, potentially indeterminate, period of time. Although assets held by regulated Financial Institutions in the United States frequently are insured up to stated balance amounts by government-sponsored organizations such as the Federal Deposit Insurance Corporation, in the case of banks, and the Securities Investor Protection Corporation, in the case of certain broker-dealers, amounts in excess of the stated amounts are subject to risk of total loss, and any non-U.S. Financial Institutions that are not subject to similar regimes pose comparable risk of loss. While in recent years governmental intervention has resulted in additional protections for depositors and counterparties in connection with Distress Events, there can be no assurance that such intervention will occur in



connection with any future Distress Event or that any such intervention undertaken will be successful or avoid the risks of loss, delays or negative impacts on banking or brokerage conditions or markets.

Any Distress Event could have a material adverse effect on Catalio's ability to manage the Funds, and on the ability of Catalio, the Funds and any portfolio companies to maintain operations, which, in each case, could result in significant losses and in unconsummated investment acquisitions and dispositions. Such losses could include a loss of funds, an obligation to pay fees and expenses in the event the Fund is unable to close a transaction (whether due to the inability to draw capital on a credit line provided by a Financial Institution experiencing a Distress Event, the inability of the Fund to access capital contributions or otherwise), the inability of the Fund to acquire or dispose of investments, including at prices that Catalio believes reflect the fair value of such investments, and the inability of Catalio and/or portfolio companies to make payroll, fulfill obligations or maintain operations. If a Distress Event leads to a loss of access to a Financial Institution's services, it is also possible that a Fund or a portfolio company will incur additional expenses or delays, or incur additional expenses, in putting in place alternative arrangements, or that such alternative arrangements will be less favorable than those formerly in place (with respect to economic terms, service levels, availability, access to capital or otherwise). To the extent that Catalio is able to exercise contractual remedies under agreements with Financial Institutions in the event of a Distress Event, there can be no assurance that such remedies will be successful or avoid losses, delays or other negative impacts. The Funds and portfolio companies are subject to similar risks if Financial Institutions become subject to a Distress Event and are used by suppliers, vendors, contractors, service providers or other counterparties of the Funds or portfolio companies. This could have a material adverse effect on the Funds and/or one or more of its portfolio companies.

Many Financial Institutions require, as a condition to using certain of their services (often including lending services), that Catalio and/or the Funds maintain all or a set amount or percentage of their respective accounts or assets with that Financial Institution, which heightens the risks associated with a Distress Event with respect to such Financial Institutions. Although Catalio seeks to do business with Financial Institutions that it believes are established, well-capitalized and capable of fulfilling their respective obligations to the Funds, Catalio is under no obligation to use a minimum number of Financial Institutions with respect to the Fund or to maintain account balances at or below the relevant insured amounts, and the rapid collapse in the first quarter of 2023 of several seemingly well-capitalized and established institutions demonstrates that there are limits to the effectiveness of this approach in avoiding counterparty exposure. Under certain circumstances, such as receiving capital contributions pursuant to a capital call or subscription, or payment of proceeds from a disposition or in connection with a redemption, the Funds will not be able to maintain account balances at or below any currently relevant insured thresholds.

**Control by Catalio and Advisory Affiliates.** In order to protect the Investors' limited liability status as passive investors in one or more Funds, the Investors have no opportunity to control the day-to-day operations of the Funds (including any investment and disposition decisions by Catalio or an Advisory Affiliate). Moreover, Investors are also limited in their ability to remove or replace Catalio or an Advisory Affiliate from the roles they perform for the Funds. As a result, Investors should expect, and must rely entirely on, Catalio and any applicable Advisory Affiliates to conduct and manage the affairs of the Funds.

**Absence of Effective Remedies Against Catalio.** There can be no assurance that adequate remedies will be available to any Investor if Catalio fails to perform its duties. The Governing Documents do not afford the Investors rights to remove Catalio. The Governing Documents

include provisions for exculpation and indemnification of Catalio and its respective partners, members, managers, officers, directors, shareholders, employees and affiliates.

#### **Item 9: Disciplinary Information**

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As an SEC registered investment manager, Catalio is required to disclose all material facts regarding any legal or disciplinary events that would be material to an Investor's (or prospective investor's) evaluation of Catalio. Neither Catalio nor any of its officers, directors, employees or other management persons, have been involved in any legal or disciplinary events in the past 10 years that would require disclosure in response to this Item.

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

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Neither Catalio nor its management persons are registered as broker-dealers, and Catalio does not have any application pending to register with the SEC as a broker-dealer or registered representative of a broker-dealer.

As mentioned in Item 4 above, the Advisory Affiliates (including the General Partners) are related persons of Catalio and serve as general partners, or provide other services, to the Funds. In connection with these services, the Advisory Affiliates often maintain investments in the Fund. While Catalio and the Advisory Affiliates have been organized as separate legal entities, they collectively conduct a single investment advisory business. Accordingly, each Advisory Affiliate relies on Catalio's investment adviser registration and complies with any related obligations instead of separately registering as an investment adviser with the SEC under the Advisers Act.

In order for each Advisory Affiliate to rely on Catalio's SEC registration: (i) such Advisory Affiliate, its employees and any persons acting on behalf of the Advisory Affiliate are considered "persons associated with" and "supervised persons" (as each term is defined in the Advisers Act) of Catalio, (ii) any investment advisory services provided by an Advisory Affiliate, its employees and any person acting on its behalf are subject to Catalio's supervision, control, policies and procedures, (iii) any related investment advisory services or functions provided will be subject to the requirements of the Advisers Act and the rules and regulations thereunder, and (iv) the activities and books and records of the Advisory Affiliate will be subject to inspection and examination by the SEC. As a result, each Advisory Affiliate is subject to Catalio's compliance policies and procedures and, except as the context otherwise requires, any reference in this Brochure to Catalio includes Catalio and the Advisory Affiliates.

As described in Item 6 above, certain of the Advisory Affiliates are entitled to receive performance-based compensation as well as distributions in connection with such compensation from the Funds. In certain circumstances, performance-based compensation may create an actual (or apparent) conflict of interest, as described in more detail in Item 6 above.

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

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##### ***Code of Ethics***

Pursuant to Rule 204A-1 of the Advisers Act, Catalio has adopted a written Code of Ethics (the "**Code of Ethics**") predicated on the principle that Catalio owes a fiduciary duty to the Funds and their Investors. The Code of Ethics establishes the high standard of conduct that Catalio expects of all officers, members, partners or employees (the "**Employees**"). Certain provisions of the Code of Ethics also apply to each Employee's spouse, minor children and other family members living in his or her household (the "**Related Persons**"), as well as each other individual

designated in writing by the CCO as being subject to all or a portion of the compliance policies and procedures adopted by Catalio (all such designated persons and Employees collectively, the “**Access Persons**”), including the Firm’s policy with regard to personal trading of securities.

All Access Persons are required to certify their adherence to the terms set forth in the Code of Ethics upon commencement of employment and annually thereafter. Access Persons also are required to provide quarterly certifications of compliance with certain Code of Ethics provisions.

The foundation of Catalio’s Code of Ethics is based upon the following principles:

- Access Persons must at all times endeavor to place the interests of the Funds and Investors first;
- Access Persons must ensure that all personal securities transactions are conducted consistent with the Code of Ethics (as described below); and
- Access Persons should not take inappropriate advantage of their employment, relationship or position at Catalio for personal gain or at the expense of the Funds.

The Code of Ethics places restrictions on personal securities transactions by Access Persons and requires them to disclose their personal securities holdings and transactions to the Firm on a periodic basis. The Code of Ethics permits personal securities accounts, but requires pre-approval for certain types of transactions.

Access Persons are also prohibited from personally, or on behalf of a Fund, purchasing or selling securities that appear on the Firm’s Restricted List. In addition, each Access Person must obtain pre- approval from the CCO before: (i) engaging in certain outside business activities; or (ii) investing in a private company or an unaffiliated private investment fund.

Catalio will provide a copy of its Code of Ethics to any Investor or prospective investor, upon request.

As explained in Item 10 above, the Advisory Affiliates, which are owned in part by Catalio’s principals and are related persons of Catalio, serve as the General Partners to certain Funds and may provide other services to the Funds. These Advisory Affiliates as well as any Access Persons may invest or commit capital to the Funds, and as a result, an investment made by such Funds causes certain Advisory Affiliates and Access Persons to acquire an indirect interest in such investments.

Moreover, to the extent that one or more Advisory Affiliates and/or Access Persons invest in the Funds, such Advisory Affiliates and Access Persons have financial interests in the Funds and such interests could create a potential, apparent, or actual conflict of interest in that this arrangement could cause Catalio to make different investment decisions than it would have made if such parties did not have investments in the Funds. However, Catalio believes that these types of investments help to align Catalio’s and the Advisory Affiliates’ incentives with those of the Investors.

In addition, Catalio has formed and expects to form in the future certain special purpose vehicles for investment opportunities and related structuring requirements or preferences. In some instances, Catalio will form one or more special purpose vehicles for a co-investment opportunity and certain Advisory Affiliates or Access Persons will invest in such special purpose vehicles along with Investors. However, as noted in Item 6 above, co-investment opportunities may not be offered to all Investors. In addition, co-investment opportunities are often structured with reduced or waived management fees and/or performance-based compensation and although

this is standard market practice, it is common for a co-investor to bear lower fees on its investment than an Investor that gets its exposure to such investment via a Fund.

As described above in Item 5 and Item 6, Catalio and the Advisory Affiliates receive management fees and performance-based compensation from the Funds. Management fees are asset-based fees that are calculated and paid to Catalio without regard to the overall success or performance of the Funds. These types of asset-based fees may create an incentive for Catalio to raise more capital (including capital commitments) than it otherwise would if Catalio was not paid an asset-based fee (or if it was paid a lower asset-based fee). In addition, as described above in Items 5 and 6, performance-based compensation may create an incentive for Catalio or the Advisory Affiliates to make investments that are riskier or more speculative than they would otherwise consider in the absence of such performance-based compensation.

In addition to the foregoing, Catalio seeks to address the above conflicts and others that come up over time by regularly monitoring the Funds' portfolios for consistency with objectives, strategies, and target capacity. Further, Catalio carefully considers the risks involved in specific investments and Catalio provides extensive disclosure to Investors regarding the potential risks of an investment in each of the Funds. As stated above, the Code provides guidelines for identifying and addressing conflicts of interest and requires Access Persons to place the interests of the Funds above their own interests and Catalio's interests. All Access Persons are required to acknowledge their receipt and understanding of the Code.

In addition, certain Funds have an Advisory Committee consisting of representatives of certain Investors in the respective Fund. These Advisory Committees typically advise and counsel Catalio and the Advisory Affiliates on issues relating to conflicts of interest and other matters as specifically set forth in Governing Documents. For example, Catalio might consult with the Advisory Committee of a Fund if a material conflict of interest arises for that Fund.

## **Item 12: Brokerage Practices**

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Catalio is authorized to determine the broker-dealers to be used for executing securities transaction for the relevant Funds. In selecting broker-dealers to execute transactions, Catalio evaluates several factors (as described below) and Catalio is not required to limit its execution to broker-dealers with the lowest available commission cost (and Catalio is not obligated to solicit competitive bids). Catalio has the authority to select and appoint custodians and prime brokers for the assets of the Funds. Catalio's authority and general practices in these respects will be consistent with its internal policies and procedures and each Fund's Governing Documents and investment guidelines.

### ***Best Execution***

In selecting an appropriate broker-dealer to execute trades, Catalio complies with its obligation to seek "**Best Execution**," meaning generally, the execution of securities transactions for a client in such a manner that a client's total costs or proceeds in the transaction are most favorable under the circumstances. Accordingly, in seeking Best Execution, Catalio takes into consideration and regularly evaluates a variety of factors, including but not limited to, the price of a security offered by broker-dealers, as well as the broker-dealers' full range of services, including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness, brokerage and research services (for example, research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services.

## **Soft Dollars**

From time to time, the Firm will utilize “**Soft Dollars**” and when doing so, the Firm will ensure that any Soft Dollar credits generated by a Fund’s trading activities, are used to purchase research and brokerage services or products consistent with the parameters of the safe harbor of Section 28(e) of the Exchange Act.

Neither Catalio nor any related person receives client referrals from any broker-dealer or third party. However, subject to Best Execution, Catalio may consider, among other things, capital introduction and marketing assistance with respect to prospective investors in the Funds when selecting broker-dealers for trading execution by the Funds.

## **Item 13: Review of Accounts**

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Catalio regularly reviews and monitors the Funds’ investments and conducts periodic reviews to ensure compliance with each Fund’s investment strategies, guidelines and restrictions as set forth in the applicable Governing Documents.

Investors generally receive reports quarterly or semi-annually, which include unaudited financial statements, periodic portfolio updates, and (if applicable) a valuation and summary update of investments in a Fund. Annually, Investors generally receive an annual financial report audited by an independent public accountant registered with the Public Company Accounting Oversight Board, information regarding the Fund necessary for the completion of each Investor’s tax return, and a summary of the relevant Fund’s portfolio with the valuation of its investments (if applicable).

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

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Catalio does not receive economic benefits from unaffiliated third-parties for providing investment advice and other advisory services (other than as discussed in this Brochure and/or in the Governing Documents). Catalio does not compensate any unaffiliated third-party for client referrals, but may elect to do so in the future.

## **Item 15: Custody**

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Catalio is deemed to have custody of each Fund’s investments because Catalio has the authority to obtain funds or securities from each Fund, for example, by deducting Management Fees from a Fund or otherwise withdrawing funds from a Fund’s account. Account statements related to the Funds (if applicable) are sent by qualified custodians to Catalio.

Catalio complies with Rule 206(4)-2 of the Advisers Act (*i.e.*, the “Custody Rule”) by meeting the conditions of the pooled vehicles annual audit approach. Upon completion of a relevant Fund’s annual audit by an independent auditor that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board (PCAOB), Catalio distributes each Fund’s audited financial statements to Investors within 120 days of such Fund’s fiscal year end.

## **Item 16: Investment Discretion**

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Catalio has full discretionary investment authority with respect to the Funds, including discretion with respect to the purchase, sale, position sizing, cost and related considerations of each Fund’s investments.

## Item 17: Voting Client Securities

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In compliance with Rule 206(4)-6 of the Advisers Act (*i.e.*, the “Proxy Voting Rule”), Catalio has adopted proxy voting policies and procedures. The general policy is to address all proxy proposals, amendments, consents or resolutions (collectively, “**Proxies**”) in a prudent and diligent manner that will serve the applicable Fund’s best interests and consistent with the Fund’s investment objectives.

Catalio may take into account all relevant factors, as determined in its discretion, including, without limitation:

- The impact on the value of the securities or instruments owned by the relevant Fund and the returns on those investments;
- The anticipated associated costs and benefits;
- The continued or increased availability of portfolio information; and
- Industry and business practices.

Catalio may abstain from voting if it determines that abstention is in the best interests of the Funds in light of the circumstances at the time. In making this determination, Catalio will consider various factors, including, but not limited to: (i) the costs associated with exercising the proxy (e.g., translation or travel costs) relative to the expected benefits to the Fund; and (ii) any legal restrictions on trading resulting from the exercise of a proxy.

If there is an actual or potential material conflict of interest in connection with a prospective proxy vote, such conflict generally will be resolved in a manner consistent with the applicable Fund’s Governing Documents and Catalio’s proxy voting policies and procedures. Catalio may abstain from voting Proxies in any instance if it deems that abstaining is in the best interests of the applicable Fund.

Investors may not direct Catalio’s proxy voting decisions. However, Investors may obtain information on how Catalio voted on behalf of its Clients by contacting the Firm’s CCO. Additionally, Investors may obtain a copy of the Firm’s proxy voting policies and procedures by contacting the Firm’s CCO.

## Item 18: Financial Information

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Catalio is not required to include a balance sheet for the most recent fiscal year, is not aware of any financial condition reasonably likely to impair our ability to meet contractual commitments to the Funds, and has not been the subject of a bankruptcy petition at any time during the past ten years.