



**Item 1 - Cover page**

Part 2A of Form ADV: *Firm Brochure*

**Hoisington Investment Management Co., Inc.**

6836 Bee Caves Rd.  
Bldg. 2, Ste. 100  
Austin, Texas 78746  
Telephone (512) 327-7200  
Toll Free (800) 922-2755  
Web Address: [www.Hoisington.com](http://www.Hoisington.com)

March 25, 2015

This disclosure brochure (the "Brochure") provides information about the qualifications and business practices of Hoisington Investment Management Co. Inc. ("HIMCO", Firm, us, we or our). If you have any questions about the contents of this Brochure, please contact us at the telephone number listed above. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the "SEC") or by any state securities authority.

We are registered with the SEC as an Investment Adviser. The registration of an Investment Adviser does not imply any level of skill or training. Additional information about HIMCO and its investment adviser representatives is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by name or a unique identifying number, known as a CRD number. Our firm's CRD number is 107710.

## Item 2 - Material Changes

*This section of the Brochure helps you to quickly identify material changes from the last annual update. Since the last annual update on March 28, 2014, the following changes were made regarding our business practices:*

- Item 5 (Fees and Compensation) – Updated to disclose minimum quarterly fee and minimum account size; fees received as sub-advisor to the Wasatch-Hoisington U.S. Treasury Fund; and markup / markdown on security purchases / sales.
- Item 12 (Brokerage Practices) – Updated to disclose that we may aggregate trades for multiple clients with all participating accounts allocated on a pro-rata basis.

## **Item 3 - Table of Contents**

<b>Item 1 - Cover page .....</b>	<b>1</b>
<b>Item 2 - Summary of Material Changes .....</b>	<b>2</b>
<b>Item 3 - Table of Contents .....</b>	<b>3</b>
<b>Item 4 - Advisory Business.....</b>	<b>4</b>
<b>Item 5 - Fees and Compensation .....</b>	<b>5</b>
<b>Item 6 - Performance-Based Fees and Side-by-Side Management .....</b>	<b>7</b>
<b>Item 7 - Types of Clients .....</b>	<b>7</b>
<b>Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....</b>	<b>8</b>
<b>Item 9 - Disciplinary Information .....</b>	<b>9</b>
<b>Item 10 - Other Financial Industry Activities and Affiliations .....</b>	<b>10</b>
<b>Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....</b>	<b>10</b>
<b>Item 12 - Brokerage Practices.....</b>	<b>11</b>
<b>Item 13 - Review of Accounts .....</b>	<b>14</b>
<b>Item 14 - Client Referrals and Other Compensation.....</b>	<b>14</b>
<b>Item 15 - Custody .....</b>	<b>15</b>
<b>Item 16 - Investment Discretion .....</b>	<b>15</b>
<b>Item 17 - Voting Client Securities .....</b>	<b>16</b>
<b>Item 18 - Financial Information .....</b>	<b>16</b>

## **Item 4 - Advisory Business**

### ***The Firm & Principal Owners***

Hoisington Investment Management Co. (HIMCO) is an SEC-registered investment adviser with its principal place of business located in Austin, Texas. HIMCO began conducting business in 1980. The Firm is privately held with The Jeanne Hoisington 2011 Family Trust, Van R. Hoisington, Trustee, being a principal owner (i.e., those individuals and/or entities controlling 25% or more of this Firm). Van R. Hoisington controls, by beneficially owning or controlling as Trustee, 60% of the voting shares. There are no subsidiary companies or affiliates.

### ***Types of Advisory Services***

#### **Portfolio Management**

1. Separately Managed Accounts - We manage customized fixed income portfolios for separate accounts on a discretionary basis. Portfolio assets are limited to U.S. government securities and cash equivalents. U.S. government securities includes any U.S. Treasury bonds, bills and notes; treasury zero coupon bonds ("STRIPS"); treasury inflation protected securities ("TIPS"); treasury floating rate notes ("FRNS"); U.S. government agency securities which are guaranteed by the full faith and credit of the U.S. government; options on any U.S. government instrument; any futures contract or option on a futures contract covering any U.S. Treasury bond, bill or note; repurchase agreements collateralized by treasuries.

We are able to tailor advisory services to the individual needs of clients. For example, certain clients may have specific income requirements (e.g., we may accommodate such income needs by investing only in coupon bearing securities).

We provide services under a written Investment Advisory Agreement ("Agreement") that is cancellable by the client within five business days of execution without penalty or fees, thereafter, by either party upon thirty days' written notice. We provide investment management services for mainly institutional clients: pension and profit sharing plans, 401(k) plans, charitable organizations, pooled investment vehicles, state or municipal entities, insurance companies, and other corporations or businesses. Occasionally, we will accept high net worth individual clients. We require that all new accounts have a value of at least one million dollars.

As of 12/31/14 HIMCO managed \$5.8 billion in separate accounts on a discretionary basis.

2. Sub-advised Mutual Fund – Since 1996, we have been the sub-adviser for the Wasatch-Hoisington U.S. Treasury Fund. As of 12/31/14 HIMCO managed \$299 million for the mutual fund on a discretionary basis. Information on this fund may be obtained by calling (800) 551-1700 or at [www.wasatchfunds.com](http://www.wasatchfunds.com).

*Publication of Periodical or Newsletter*

We publish a quarterly newsletter providing our analysis of the current macroeconomic environment. No specific investment recommendations are included in this newsletter, and no fees are charged for receiving the newsletter.

## **Item 5 - Fees and Compensation**

### ***Fee Schedule***

Separately Managed Account clients are charged fees under the Investment Advisory Agreement. We charge fees for new clients under the following fee schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
First \$10 million	.45%
Next \$40 million	.35%
Next \$50 million	.25%
Next \$200 million	.15%
Above \$300 million	.05%

The minimum quarterly fee is \$5,625 and the minimum account size is \$1 million.

Although HIMCO has established the aforementioned fee schedule, we retain the discretion to negotiate alternative fees on a limited client-by-client basis. From time to time the fee schedule is revised. Existing clients pay the fee that was in effect at the time their investment advisory agreement was signed or amended. Therefore, fees on older clients may vary from our current fee schedule. Each client's fee schedule is identified in the contract with the client. Fees are prorated if we have served as investment manager for less than the full calendar quarter and / or for contributions or

withdrawals during the quarter.

Fees are payable by each client quarterly, in arrears, based upon the market value of the account, including cash and accrued interest, at the end of each calendar quarter. For billing purposes, the value of the account is the value as reflected in our performance measurement and investment accounting system. There is the possibility that there may be differences between the account value of the client's custodian and the account value in our investment accounting system due to pricing services and differences in methodology of calculating accrued interest.

The fee that we receive for serving as the sub-adviser to the Wasatch-Hoisington U.S. Treasury Fund is currently equal to .25% of the Fund's daily net assets, less one-half of the quarterly shareholder servicing fees.

### ***Payment of Fees***

We invoice clients for fees incurred. Separately managed accounts are billed each calendar quarter in arrears. Payment is requested within 30 days of receipt of the invoice. Payment may be made by check, wire transfer, or electronic funds transfer.

Clients may request that their custodian deduct funds from their account to pay our fees; however, we do not directly debit a client's account. If requested by the client, we will send our invoice to their custodian.

The fee we receive as the sub-adviser to the Wasatch-Hoisington U.S. Treasury Fund is paid monthly, in arrears, pursuant to an investment advisory contract between Wasatch Advisors, Inc. and us.

### ***Other Fees & Expenses***

#### ***Additional Fees and Expenses***

In addition to our advisory fee, clients may also incur certain charges imposed by third parties, such as broker-dealers (see Item 12 for further discussion of our policies regarding the selection of broker-dealers), custodians, banks and other financial institutions. We do not receive, directly or indirectly, any of these fees. These additional fees may include, among other things:

- Markups / markdowns on security purchases / sales
- Transaction fees

- Custodial fees
- Wire transfer and electronic fund processing fees

In addition, clients may direct their custodian to invest cash in a sweep or other interest bearing account such as a money market fund, which may be managed by an affiliated company of the custodian. These types of short-term investment of cash may incur management and distribution expenses payable to the custodian or its affiliates. Money market funds' fees and costs are described in the relevant money market fund prospectus and will not be deducted from the fee that clients pay to us for advisory services.

### ***Prepaid Fees***

We do not collect any prepaid fees. Clients are invoiced quarterly, in arrears.

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

We do not accept or charge any performance-based fees (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7 - Types of Clients**

We provide advisory services to the following types of clients:

- Pension and profit sharing plans, including plans of government entities
- Charitable Organizations
- Insurance companies
- Investment Companies
- Pooled Investment Vehicles
- Corporations or other businesses
- Trusts
- High net worth individuals

The minimum amount necessary to enter into an agreement for portfolio advisory services is \$1 million, and the minimum quarterly fee is \$5,625.

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

### ***Methods of Analysis***

The Strategic Investment Committee (the “SIC”) conducts HIMCO’s portfolio management process. Seven employees serve on the SIC and are registered as Investment Adviser Representatives of the Firm. More information about the members of the SIC may be found in our Brochure Supplements.

In managing treasury obligations, the SIC is interested in macro-economic, top-down analysis. The majority of HIMCO’s research is conducted internally. The research is designed to identify the long-term trends in real growth and inflation. Substantial academic research indicates that inflation is the key determinant of long-term treasury bond yields. All members of the SIC are involved in the research process. As a result of this effort, we monitor research coming out of major educational institutions, as well as private and public think tanks. We augment the internal research by purchasing research and data from external suppliers.

### ***Investment Strategy***

Our investment strategy is twofold. During periods of a rising inflationary environment, portfolios are invested in short-duration treasuries or cash equivalents to avoid the principal loss associated with falling treasury bond prices that would result from any increase in yields. Alternatively, during episodes of a falling inflationary environment, portfolios are invested in longer-duration treasury securities in order to capture the capital gains that are associated with rising bond prices that would result from any decrease in yields.

### ***Risk of Loss***

U.S. Treasury securities, used to finance the federal government debt, are considered to have the bond market’s lowest risk because they are guaranteed by the U.S. government’s “full faith and credit”. Full faith and credit means that the U.S. government is committed to pay interest and principal back to the investor at maturity. However, if interest rates move adversely to HIMCO’s position, there is a risk of loss of

principal if treasury securities are sold below the purchase price. Clients should understand that in that circumstance there would be a loss of principal that the client should be prepared to bear. There can be no assurance that we will be able to predict interest rate movements and, therefore, price movements.

**Investing in treasuries, as with any security, involves the risk of loss and clients should be prepared to bear potential losses.**

Some of the other general risks investors face when investing in treasuries are the following:

- **Interest Rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds rise, causing their value to decline.
- **Market Risk:** The price of a U.S. Treasury may drop in reaction to tangible and intangible events or conditions. For example, political and/or economic conditions may trigger market events, as well as social conditions.
- **Reinvestment Risk:** Primarily related to fixed income securities, this is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate).
- **Inflation Risk:** When inflation is present, a dollar today will not buy as much as a dollar next year because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also known as exchange rate risk. This risk applies to our non-U.S. clients.

## **Item 9 - Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of HIMCO or HIMCO's management. Neither our firm nor any of our management has any reportable disciplinary events to disclose.

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

Neither our Firm nor any management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer. Neither our Firm nor any management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser or an associated person of the foregoing entities.

We are the sub-adviser to the Wasatch-Hoisington U.S. Treasury Fund. Wasatch Advisors, Inc. is not a related party.

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

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

We have adopted a Code of Ethics ("Code") that sets the standards by which all of our employees must adhere. As a fiduciary, we have a duty of care, loyalty, honesty, and good faith to our clients.

Our Code of Ethics outlines the Standards of Business Conduct regarding issues such as communications with clients, compliance with laws and regulations, confidentiality issues, gifts and entertainment, and conflicts of interest.

Our Code includes policies and procedures for the reporting of quarterly securities transactions, as well as initial and annual holdings reports that must be submitted by our firm's access persons. Among other things, all access persons are required to obtain prior approval of any acquisition of securities in a limited offering (e.g. private placement) or a limited offering.

Further, our Code includes a policy regarding the use of material non-public information. All employees are reminded that such information may not be used in a personal or professional capacity.

Each director, officer and employee is expected to comply at all times with all the policies and procedures in our Code of Ethics and to report to the Chief Compliance Officer any suspected or observed violation of these policies and procedures.

Our Code of Ethics is distributed to all employees of HIMCO whenever revisions are made or no less frequently than annually, at which time all employees are required to provide a written acknowledgement and attestation of their intent to abide by HIMCO's Code provisions.

We will provide a copy of our Code of Ethics to any client or prospective client upon request.

### ***Interest in Client Transactions & Personal Trading***

The SEC mandates that persons associated with SEC registered firms must monitor employee's activity in certain "covered securities". Covered securities include any stock, bond, future, investment contract, option, limited partnership, hedge fund, etc. U.S. Treasury securities are specifically exempted from the definition of covered securities and are not reportable. Employees are required to report trading in the above listed covered securities and trading in the Wasatch-Hoisington U.S. Treasury Fund.

At any time, and from time to time, the securities positions in the personal accounts of the employees may be different from the recommendations promulgated for clients. This does not create any conflicts of interest, as the U.S. Treasury market is so deep and broad that it cannot be manipulated by individual trading.

## **Item 12 - Brokerage Practices**

The U.S. Treasury market is one of the world's most liquid debt markets. This means the market is one where the pricing, execution and settling of a trade are very efficient and inexpensive due, partly, to very tight bid/ask prices.

Under our Investment Advisory Agreement, we receive discretionary authority to determine what securities should be purchased or sold and the amount to be purchased or sold for each client. We also possess discretionary authority regarding the broker-dealer to be used. The discretionary authority given to us is limited by any special restrictions placed upon the account by the client but is otherwise unrestricted.

It is HIMCO's policy to attempt to obtain best execution (i.e. prompt and reliable execution at the most favorable prices obtainable under the prevailing market conditions) in all trades.

We select broker-dealers primarily on the quality of their execution capabilities, including: overall promptness of execution, accuracy of oral, hard copy and electronic execution verification, the ability and willingness to correct errors, and research, if any, provided by the broker-dealer. Generally, trades are executed using the Tradeweb or Bloomberg electronic trading systems. Through Tradeweb and Bloomberg we are able to approach multiple broker-dealers simultaneously and trade with best execution as a priority. All bond trades are done on a net price basis with a broker-dealer. Explicit brokerage commissions are not paid. An over-the-counter market, such as the one for treasuries, means that we can only buy securities at a price being offered in the market or sell them at a price that a broker-dealer is willing to pay.

The majority of broker-dealers used are primary broker-dealers. However, occasionally, due to the large size of our treasury positions and volatile intra day market conditions, it is sometimes necessary to execute trades in a manner that is not disruptive to overall markets and, therefore, potentially harmful to clients. Under these circumstances, it is often advantageous to batch trades with a non-primary broker-dealer to shield our trading activities from publicity and market knowledge. This may result in slightly sub-optimal pricing in the short run, but in our experience it produces a better result overall for clients when taken in the context of changing large positions in the portfolio.

Occasionally, orders may be given to various broker-dealers to fill trades over an extended time frame with a controlled price range (albeit at wider spreads than a single trade). It is possible that not all accounts will receive identical prices if several broker-dealers are used simultaneously to help expedite the buying or selling of large positions, but extreme care is given to even the trading results in ensuing trades. Despite efforts to maintain exact evenness in price, it is most unlikely that all accounts will receive the same pricing. In fact, it is highly probable that some discrepancy in prices paid or received between accounts will always occur when trading large positions. If Tradeweb or Bloomberg are not used, then we contact broker-dealers that we know are capable of trading securities efficiently and are capable of handling transactions with privacy.

We have adopted policies and procedures for correcting errors. The policies and procedures require that all trade errors affecting a client's account be resolved promptly and fairly. The intent of the policy is to restore a client account to the appropriate financial position considering all relevant circumstances surrounding the error.

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

We do not enter into any third party or proprietary soft dollar arrangements where research is provided by a broker-dealer in exchange for an expectation of receiving a certain dollar amount of commissions.

We receive a wide range of research from broker-dealers, including studies on the economy, information on political developments, statistical information, market data, accounting and tax law interpretations, and other information regarding matters that may affect the economy and interest rates. We use this research in connection with our investment activities.

### ***Brokerage for Client Referrals***

HIMCO does not enter into agreements with, or make commitments to, any broker-dealer that would bind HIMCO to compensate that broker-dealer, directly or indirectly, for client referrals through the placement of brokerage transactions.

### ***Directed Brokerage***

As a general practice, we do not permit our clients to direct brokerage. However, some clients may prohibit use of specific broker-dealers. Any brokerage request may have an adverse effect on HIMCO's ability to achieve best execution for such client. In addition, such requests may prevent the client from trade aggregation, which may allow more favorable execution.

### ***Trade Aggregation and Allocation***

We have a fiduciary duty, when placing orders for multiple accounts, to ensure that participating clients are treated fairly and equitably when aggregating and allocating securities transactions. When making a tactical asset reallocation, or investing a coupon payment, HIMCO will transact an aggregated trade for multiple clients. Under these circumstances, all trades are allocated on a pro-rata basis with each participating account receiving a percentage of the executed portion of the order based on each account's percentage of the original order. Each aggregated order is documented with the securities bought or sold for each client account.

It is HIMCO's policy not to aggregate client trades with trades for any employees.

## **Item 13 - Review of Accounts**

### ***Account Reviews***

Members of the SIC review each client account monthly. Members of the SIC are the CEO, President, Executive Vice Presidents, Senior Vice Presidents and Vice President.

These reviews insure that the portfolio is: (1) in compliance with laws and regulations; (2) conforming to the client's stated objectives; (3) conforming to the general strategy established by the SIC and (4) providing a return commensurate with its risk. Each review considers yield, diversification, performance, expected performance and recommendations.

Clients may request reviews at any time.

### ***Account Statements and Reports***

We provide written monthly reports to clients that include: (1) a valuation; (2) a transaction schedule; (3) a fixed income summary and (4) a performance summary. Interim reports are provided at the request of the client.

In addition, clients will receive monthly reports directly from their Custodian. We urge clients to carefully review their custodial statements and compare them to the reports they receive from us. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities, including calculation of accrued interest. If clients observe any discrepancies between our reports and their custodian's statements, they should contact us as soon as possible.

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

### ***Economic Benefits for Providing Services to Clients***

We are not the recipient of any economic benefits, such as sales awards or other prizes, from any third parties for providing investment advice to clients.

### ***Compensation to Individuals for Client Referrals***

From time to time, we have entered into arrangements whereby we compensate individuals for client referrals. We individually negotiate such arrangements with the person engaged in referring clients. These agreements are in writing and clients are required to sign a receipt of disclosure statement regarding the compensation arrangement. Currently, there are no contracts with solicitors to solicit within the U.S. We do have one former solicitor who is still receiving compensation for an earlier client referral. We also have one contract with a person to solicit clients outside of the U.S. That arrangement allows the solicitor to seek clients that are a person, trust, firm or corporation residing outside of the United States, on terms and conditions that are acceptable to our Firm, in its sole discretion. If a client were to be obtained through this solicitor, compensation would be paid based on the agreed upon terms. To date, no compensation has been paid under this arrangement.

### **Item 15 - Custody**

We do not take custody or possession of the funds or securities that a client has placed under our management. Clients appoint a “Qualified Custodian” to take and have possession of their Account. As previously disclosed in the “Fees and Compensation” section (Item 5) of the Brochure, we invoice clients quarterly. We do not accept authority to withdraw fees from a client’s account. Under our Investment Advisory Agreement, clients may authorize their custodian to deduct funds from their account to pay our fees. If a client requests that we send our invoice to their custodian, they acknowledge that the custodian may not verify the fee calculations and that it is their responsibility to review the invoice to ensure that fees were calculated accurately.

For taxable accounts, the custodian will provide clients with year-end summary statements including IRS forms 1099 and other tax-related forms, as applicable. We do not provide any tax related forms and we are not allowed to make alterations or amendments to the custodian’s statement. This preserves the integrity of the custodian’s statement and provides clients with an independent appraisal of the account.

### **Item 16 - Investment Discretion**

Clients hire us to provide discretionary asset management services. We have full discretion to do the following without first obtaining approval from the client:

- Place orders for the purchase and sale of securities;
- Establish the terms for each order, including price, commissions, markup or markdown, and all other trade conditions;
- Determine the timing of the purchase or sale;

We receive this authority when the client signs a written Investment Advisory Agreement with HIMCO. Some clients place a limitation on this authority by giving us written instructions. Such limitations are typically set forth in written Investment Guidelines. For example, clients may limit the duration and type of securities within the account. Clients may change or amend such instructions by again providing us with written instructions.

## **Item 17 - Voting Client Securities**

The accounts that we manage hold only U.S. Treasury securities, so there are no proxies to vote on those securities. We will not vote proxies on money market funds. Proxies on money market funds are the custodian's responsibility.

## **Item 18 - Financial Information**

We do not require or solicit prepayment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

HIMCO has no financial condition to disclose that impairs our ability to meet our contractual and fiduciary commitments to clients.

The Firm and none of its management have never been the subject of a bankruptcy petition.