

Hancock Natural Resource Group, Inc.

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This Brochure provides information about the qualifications and business practices of Hancock Natural Resource Group, Inc. ("HNRG"). If you have any questions about the contents of this Brochure, please contact us at (617) 747-1600 or www.hnrg.com. 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.

HNRG is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information with which you determine whether to hire or retain such adviser.

Additional information about HNRG also is available on the SEC's website at www.adviserinfo.sec.gov.

March 31, 2017

Item 2: Material Changes

Pursuant to SEC Rules, HNRG will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of its fiscal year. HNRG will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

The following material changes were made to this Brochure since the date of its last update on July 25, 2016.

Item 10: Other Financial Industry Activities and Affiliations

Item 10 has been modified to disclose relationships with the following affiliates:

- Manulife Asset Management (Europe) Limited.
- Manulife Asset Management (Japan) Limited
- Manulife Asset Management (Singapore) Pte., Limited

This item was further modified to disclose updated information in regard to the HNRG Information Barrier Protocol.

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Item 4: Advisory Business

HNRG was formed in 1995 as an independent, wholly-owned subsidiary of John Hancock Life Insurance Company. In 2004, Manulife Financial Corporation acquired John Hancock Financial Services, Inc., making HNRG an indirect, wholly-owned subsidiary of Manulife Financial Corporation. HNRG is organized as a corporation. John Hancock Subsidiaries LLC, an indirect wholly owned subsidiary of Manulife Financial Corporation, is the sole shareholder and a direct owner of 100% of HNRG voting shares.

Hancock Timber Resource Group ("HTRG"), Hancock Agricultural Investment Group ("HAIG") and Hancock Renewable Energy Group ("HREG") are operating divisions of HNRG. HTRG was established in 1985. HAIG was established in 1990. HREG was established in 2011.

HNRG currently provides continuous and regular supervisory or management services with respect to real estate and private equity portfolios. This real estate consists of farmland, timberland, or both. Private equity portfolio investments include greenfield bioenergy projects and privately held companies focused on biomass-to-pellets, biomass to power, biomass fuel and waste-to-energy assets. Portfolios are managed by HNRG either on a discretionary or non-discretionary basis. HNRG also provides cash management services to certain of its real estate portfolios, usually through an affiliate. HNRG's provision of cash management services has not, however, resulted in the creation of any "securities portfolios" as defined in Form ADV Part 1A, Instruction 5.b.(1).

HNRG offers additional investment management services, including management of portfolios that include real estate-related securities. Such additional services may include managing client securities portfolios that receive continuous and regular supervisory or management services. HNRG's investment process utilizes research models to source, analyze, acquire and dispose of assets. Property management firms are used to provide day-to-day property management services. Regional offices are used to oversee field operations to ensure that client objectives are carried out.

Approximately 35% of HNRG's total advisory billings are derived from providing investment advice within the meaning of the Investment Advisers Act of 1940. In several of these situations, HNRG has been authorized to manage short-term cash investments for the entity. While HNRG may manage a client's real estate investments by acquiring non-security interests in real estate, it is considered to be providing investment advice as to securities when it also invests otherwise idle cash in securities such as commercial paper or money market instruments.

Approximately 65% of HNRG's total advisory billings are derived from furnishing advice to clients on matters not involving securities. Advice for compensation as to investments other than securities includes direct fee or leasehold interests in real estate. Generally, these investments involve the acquisition of fee simple title to timber or agricultural real estate through a limited partnership, limited liability company, corporation or other entity organized for that purpose.

HNRG develops client portfolios with the knowledge of the circumstances, preferences and objectives of each specific client. HNRG will manage accounts in accordance with investment guidelines established by the client, or established jointly by HNRG and the client.

As of December 31, 2016, HNRG managed approximately \$7,017,071,489.00 of client assets on a discretionary basis and \$6,227,101,342.00 on a non-discretionary basis.

Item 5: Fees and Compensation

This brochure is delivered only to qualified purchasers as defined in section 2(a)(51)(A) of the Investment Company Act of 1940. SEC rules allow HNRG to omit disclosure of its fee schedule and certain related information because such information has little utility for institutional and large, sophisticated clients.

The specific manner in which fees are charged by HNRG is established in a client's written investment management agreement with HNRG. Generally, in accordance with the investment management agreement, HNRG may be authorized to deduct fees from cash flow generated by a client's timberland and agricultural investments. Such fees may include compensation for services, reimbursement of expenses and maintenance of working capital reserves. The timing of fee payments is negotiated with each client, and fees are payable in quarterly installments in arrears.

HNRG may engage an affiliate, Hancock Forest Management, Inc. ("HFM") or a third-party property management firm to provide local property management services with respect to timberland investments in the United States.

HNRG may engage an affiliate, Farmland Management Services ("FMS") or a third-party property management firm to provide local property management services with respect to farmland investments in the United States.

If HFM or FMS is engaged to provide local timberland or farmland property management services, the fees charged by it will be no less favorable to the client than those charged by unaffiliated property managers. The fees and expenses of the local property manager will be negotiated on an arms' length basis and paid by the client.

For commingled funds, HNRG may pay a portion of its fees to one or more placement agents, as well as to the investment advisors to certain investors.

HNRG may assess a portfolio development fee in connection with certain agricultural investments. The portfolio development fee is generally paid by the client at the closing and funding of each acquisition of an agricultural investment.

All assets of HNRG clients are maintained with third-party custodial institutions that are not affiliated with HNRG. Custodians negotiate certain charges and fees for their services, which are exclusive of and in addition to HNRG fees.

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

In some cases, HNRG may enter into incentive fee arrangements with clients. Such fees are subject to negotiation with each client and established in a client's written agreement with HNRG.

The incentive fee is only received if a portfolio's return is above a predetermined hurdle rate based on portfolio performance expectations. The incentive fee is designed to align the financial interests of the client and the investment adviser. HNRG and the client determine a portfolio's hurdle rate based on return expectations.

In connection with the acquisition of timberland, farmland, renewable energy infrastructure, or in the securities of an underlying investment in timberland, farmland or renewable energy infrastructure, HNRG has an asset allocation policy and procedures designed and implemented to ensure that all clients are treated fairly and equally. Timberland, farmland and renewable energy infrastructure are illiquid investments and the existence of an incentive fee among clients does not influence the allocation of investment opportunities among clients.

Item 7: Types of Clients

HNRG currently provides continuous and regular supervisory or management services with respect to real estate portfolios to private equity investors consisting of pension plans, corporations, insurance companies, foundations, endowments and family offices.

HNRG generally requires a \$50,000,000.00 minimum investment for individually managed renewable energy portfolios, \$100,000,000.00 minimum investment for individually managed timberland portfolios and \$100,000,000.00 minimum for farmland portfolios. However, minimum investment requirements may be lower for investments in pooled investment vehicles. The minimum investment for pooled vehicles is specific to each individual deal. HNRG reserves the right to reduce the minimum investment amount.

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

Investing in real estate securities involves risk of loss that clients should be prepared to bear.

HNRG's analysis is actually asset analysis. However, the same basic techniques would be used to analyze any securities on which HNRG may advise investors in the future. These securities would be issued by vehicles, such as limited partnerships or limited liability companies, used to hold timberland, farmland and bioenergy infrastructure acquired by HNRG on behalf of investors.

Timberland:

HNRG uses a proprietary timber investment model to value all of the acquisitions, with the goal of ensuring accurate analysis and consistent, comparable results across acquisitions. HNRG seeks out timberland acquisitions where the competition is apt to be less, so pricing is more likely to be favorable for investors. To implement this strategy, HNRG tries to avoid auctions in favor of negotiated transactions, in order to find complex transactions in which smaller or less sophisticated investment managers are unable to participate, and to purchase large properties that typically attract fewer buyers. To identify investment opportunities, HNRG regularly networks with major landowners.

HNRG's research team generates timber price forecasts and rate of return assessments based on the state of the markets that are used in acquisition decisions and in hold-sell analysis. These "top-down" estimates of rates of return are calibrated against "bottom-up" estimates derived from actual timberland investments (e.g., large-property discounts, relative value of timberland in public and private markets) for incorporation into investment strategies and analysis.

HNRG's timber strategy focuses on acquiring large blocks of high quality timberland at favorable prices for the long-term, adding value through management skills, and selling to take advantage of market opportunities. Geographic diversification of investor portfolios is an instrumental part of the investment strategy. Broad geographic diversification is the best possible protection against the biophysical risks, regional market risk and price fluctuations associated with timberland investments. HNRG also diversifies by age, class, tree species and end product.

Farmland:

A quantitative approach enables portfolios to be developed with the goal of maximizing total return at each client's allowable risk level. Research focuses on both macroeconomic and microeconomic issues, considering factors such as long-term farm sector supply and demand projections by crop type and the potential impact of trade agreement implementation on imports and exports.

HNRG has developed and implemented a farmland investment strategy based on research and investment fundamentals. A top-down, bottom-up approach comprised of three steps is followed:

Step 1: Identify those commodities with favorable long-term demand and supply outlooks and then the countries that can produce those crops competitively.

Step 2: Identify the low-cost production regions in each country for those crop types identified in Step 1.

Step 3: Identify properties in the low-cost production regions that have the highest expected risk-adjusted returns. This is the bottom-up part of the strategy. This process is completed in conjunction with the relevant local property management group.

Individual property analysis includes factors such as soil types, water supply, proximity to markets, agricultural infrastructure, vine and/or tree variety and health. These factors influence the projected internal rate of return prepared for each proposed farmland acquisition.

HNRG's farmland investment strategy focuses on acquiring and managing properties for clients on a long-term basis. Geographic and crop diversification of client portfolios is an instrumental part of the farmland investment strategy. A proper diversification strategy greatly reduces the risk associated with farmland investing. Given the transaction cost associated with farmland assets, short-term strategies are not prudent for farmland investments.

The sources of information used in HNRG's timberland and farmland investment approach primarily emanate from business, financial, academic and government communities. HNRG uses financial newspapers and magazines, research materials prepared by others and Annual reports, prospectuses and filings with the SEC as sources of information. In addition, HNRG utilizes other sources of information such as industry, trade associations, academic publications, and material provided by state and federal government agencies and departments. HNRG integrates these inputs into its analysis of potential investment opportunities, current investment holdings, the strength of its trading partners and the investment environment.

Renewable Energy

HNRG deploys a detailed due diligence and analysis process which drives our investment advisory and asset management services.

HNRG's renewable energy strategy focuses on developing strategic partnerships with industry leaders to build and own or acquire operating bioenergy infrastructure. HNRG seeks platform investments and joint ventures that consist of multiple assets co-owned and operated by strategic partners. Platform investments allow HNRG to diversify investor exposure among partners, technologies, feedstock sources, geographies, and off-takers.

Part of HNRG's renewable energy strategy is to invest in assets with proven technology. Investments will be made in technologies with multiple reference plants, multi-year operating track record and multiple creditworthy vendors for major equipment. Investment in proven technology is accompanied by detailed technical due diligence performed by an experienced independent engineer.

HNRG's seeks well-structured investments in renewable energy with strong offtake agreements and pass through or indexation of feedstock. Investment structures designed to preserve or enhance returns using senior equity positions and favorable cash flow waterfall provisions are preferred.

HNRG completes detailed financial analysis using long-term financial models which reflect investment structure. Comprehensive sensitivity analysis is performed to determine impacts of variables including commodity pricing and operating costs.

General Timberland Risks:

Forest Product Prices

Prices of traditional forest products can be expected to fluctuate. The demand for one or more commodities is affected by numerous factors, including weather conditions, quality of commodity, and supply and demand for such commodity in domestic and in one or more international markets.

Weather; Natural Disasters

Forests are subject to damage from fire, flood, frost, drought, insects, disease, and storms. Productivity may be lost as a result of adverse weather conditions such as drought. Consistent with industry practice in the jurisdiction of a particular timberland investment, HNRG may or may not maintain insurance against such risks. HNRG will attempt to manage these risks through the geographic dispersion of the properties in which it invests and the diversity of age class and tree species raised.

Environmental Protection

HNRG intends to implement a variety of sustainable management practices designed to conserve resources and avoid environmental damage. HNRG intends to have all timberland meet or exceed all relevant regulations relating to the protection of the environment and to manage the timberland in a manner which will permit independent certification as to conformity with regionally recognized certification standards which may include the Sustainable Forestry Initiative (SFI)®, Forest Stewardship Council (FSC), Australian Forest Certification and Programme for the Endorsement of Forest Certification schemes (PEFC). However, regulations and standards may change, which may require additional capital expenditure or increased operating expenses.

Potential Environmental Liability

In addition to laws which regulate forestry operations and environmental protection, owners and operators of real estate may have liability for the clean-up and remediation of contaminated land and waters (including groundwater) found to pose a threat to human health or the environment. HNRG will seek to understand and quantify the risk of such potential liability through environmental site assessments (Phase I and, if necessary, Phase II), but there is no assurance that it will be successful in assessing and avoiding any such liability.

Competition

The markets for timber are predominantly global in nature and very competitive. The competition is based on both price and quality differentials as compared to other producers.

Foreign Investment Risks

If the client's investment guidelines allow HNRG to acquire timberland investments where the timberland is located outside of the United States, these investments are subject to the following additional risks, among others:

Political and Economic Factors

The economies of particular foreign countries may differ favorably or unfavorably from the U.S. economy in such respects as growth of gross national product, rate of inflation, capital reinvestment, resource self-sufficiency and balance of payments position. Governments in certain of the foreign countries in which HNRG may invest participate to a significant degree, through ownership interests or regulation, in their respective economies. Action by these governments could have a significant effect on market prices of timberland investments in such countries. With respect to certain foreign countries, there is the possibility of nationalization, expropriation, confiscatory taxation, political changes, government regulation, social instability or diplomatic developments that could affect adversely the economy of such country or the timberland investments in such country.

Investment and Repatriation Restrictions

Investments in real estate located in foreign countries is restricted or controlled in varying degrees. These restrictions may limit, and at times preclude, investment in these foreign countries and may increase costs and expenses. In addition, the repatriation of both investment income and capital from certain foreign countries is restricted and controlled under certain regulations, requiring in some cases the need for governmental consents.

Currency Fluctuations

HNRG will generally value its timberland investments in U.S. dollars. To the extent unhedged, the value of non-U.S. dollar investments will fluctuate with U.S. dollar exchange rates as well as the asset value changes of such non-U.S. timberland investments in local markets. Thus, an increase in the value of the U.S. dollar compared to the currencies of other countries in which HNRG has made timberland investments will reduce the effect of increases, and magnify the U.S. dollar equivalent of the effect of decreases, in the values of the timberland investments in their local markets. Conversely, a decrease in the value of the U.S. dollar will have the opposite effect on non-U.S. dollar timberland investments

General Farmland Risks:**Crop and Commodity Prices**

Crop and commodity prices can be expected to fluctuate. The demand for one or more commodities is affected by numerous factors, including weather conditions, quality of commodity, supply and demand for such commodity in the United States and in one or more international markets, relative strength of local currency, government farm programs and policies, demand from the biofuels industry, price volatility as a result of increased participation by non-commercial market participants in commodity markets and changes in global demand resulting from population growth and changes in standards of living. In addition, an increase in raw material prices, such as fertilizer, may have an adverse effect on the operations of the tenants of HNRG subsidiaries and their ability to pay rent.

Weather; Natural Disasters

Farmland is subject to damage from fire, flood, frost, drought, insects, disease, storm damage and poor pollination. Productivity may be lost as a result of adverse weather conditions such as drought or excessive heat or cold. Consistent with industry practice, tenants will not be required to carry crop insurance, and HNRG will determine if insurance on directly operated crops is warranted.

Competition in Agricultural Products Markets

The markets for agricultural products to be grown on the farmland investments of clients are predominantly global in nature and very competitive. The competition is based on both price and quality differentials as compared to other growers, both in the United States and internationally.

Government Regulation

Agricultural production is significantly affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, tariffs, duties, subsidies and import and export restrictions on agricultural commodities and commodity products, as well as current or potential climate change regulations, can influence industry profitability, the planting of certain crops versus other uses of agricultural resources, the location and size of crop production, whether unprocessed or processed commodity products are traded and the volume and types of imports and exports. In addition, international trade disputes can adversely affect agricultural commodity trade flows by limiting or disrupting trade between countries or regions. Future government policies may adversely affect the supply, demand for and prices of crops and commodities, may restrict the ability of the tenants to do business in their respective target markets and could cause the financial results of the client to suffer.

General Renewable Energy Risks:

General Economic and Market Conditions

The success of investment activities will be affected by general economic and market conditions, as well as by changes in laws, currency exchange controls, and national and international political, environmental and socioeconomic circumstances. Furthermore, a sustained downturn in the U.S. or global economy (or any particular segment thereof) could adversely affect investment profitability, impede investment performance, and impair the ability to effectively exit investments on favorable terms.

Regulatory Risk

As a general matter, the energy sector may be subject to comprehensive regulations, whether in the United States or in non-U.S. jurisdictions. Present, as well as future, laws, regulations, incentives, and subsidies affecting the energy sector could result in increased expenditures, decreased revenues, restrictions and delays that could materially and adversely affect the performance of investments.

Siting and Permitting Challenges

Energy and energy-related projects may be subject to siting requirements. Siting of energy projects is also frequently subject to regulation by applicable state, county and local authorities. The failure of any platform investment or project to receive, renew or maintain any required permits or approvals or any inability to satisfy any requirement of any permits or approvals may result in increased compliance costs, the need for additional capital expenditures or a suspension of project operations.

Volatility of Commodity Prices

The performance of investments may be dependent upon prevailing prices of oil, natural gas, coal and other commodities (such as metals). Commodity prices are volatile and subject to wide fluctuations in response to a variety of factors.

Power Purchase Agreement Risk

Platform investments or projects may enter into power purchase agreements (“PPAs”) providing for the purchase of power by third parties from such portfolio companies or projects. Payments by power purchasers to such companies or projects pursuant to their respective PPAs may provide the majority of such companies’ or projects’ cash flows. There can be no assurance that any or all of the power purchasers will fulfill their obligations under their PPAs or that a power purchaser will not become bankrupt or that upon any such bankruptcy its obligations under its respective PPA will not be terminated.

Construction, Operations and Maintenance Risk

In connection with the development of any greenfield project and the operation and maintenance of any completed project, an investment may also face development and operations and maintenance risks, including, without limitation, the following risks; development, post-development operations and maintenance, technical, construction, and insurance.

Timberland, farmland and renewable energy infrastructure are illiquid investments, and HNRG investors should anticipate a minimum holding period of 7 to 10 years.

Item 9: Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of HNRG or the integrity of HNRG management. HNRG has no information applicable to this Item.

Item 10: Other Financial Industry Activities and Affiliations

HNRG has arrangements that are material to its advisory business or its clients with various affiliates and “related persons” (which term includes officers, directors, employees, and persons controlling, controlled by or under common control with HNRG), including broker-dealers, investment companies and other pooled investment vehicles, investment advisers and insurance companies. These affiliates are located both within and outside the United States.

Key affiliates are as follows:

John Hancock Life Insurance Company (U.S.A.)	US Insurance Company
The Manufacturers Life Insurance Company	Non-US Insurance Company
John Hancock Distributors LLC	US Broker-Dealer
Manulife Asset Management (US) LLC	US Investment Adviser
Manulife Asset Management Investments Inc.	Non-US Broker-Dealer
Manulife Asset Management (Hong Kong) Limited	Non-US Investment Adviser
Manulife Asset Management (Europe) Limited	Non-US Investment Adviser
Manulife Asset Management (Japan) Limited	Non-US Investment Adviser
Manulife Asset Management (Singapore) Pte., Limited	Non-US Investment Adviser

Some employees of HNRG are registered representatives of John Hancock Distributors LLC, and in this capacity may offer and sell to investors interests in funds managed by HNRG. Interests are offered to certain institutional investors through John Hancock Distributors LLC by confidential private placement memorandum. HNRG employees are not compensated by John Hancock Distributors LLC.

HNRG may serve as the general partner of a pooled investment vehicle organized as a limited partnership, or as a manager of such a pooled investment vehicle organized as a limited liability company. Such pooled investment vehicles may invest directly or indirectly in commercial timberland and agricultural properties including fee ownership and leasehold interests in timberlands and agriculture. Clients may have invested in certain of these limited partnerships and limited liability companies, but not as a result of solicitation efforts by HNRG.

HNRG provides cash management services to certain of its real estate portfolios through Manulife Asset Management (U.S) LLC.

HNRG manages fixed income assets owned by various other direct or indirect wholly-owned subsidiaries of Manulife Financial Corporation, including John Hancock Life Insurance Company (U.S.A.) (General Account and insurance separate accounts) and Manufacturers Life Insurance Company.

Manufacturers Life Insurance Company and John Hancock Life Insurance Company (U.S.A.) may be significant investors in funds managed by HNRG. All investment management arrangements with related persons are conducted on an arms length basis so as to neither advantage nor disadvantage HNRG’s other clients or the above-mentioned related persons.

The Investment Division of Manulife Financial Corporation maintains an information barrier between the business units of the General Account, including Manulife Asset Management (“MAM”) Private Markets, MAM Public Markets and HNRG in order to satisfy certain regulatory and contractual obligations. It is the Investment Division’s policy to prohibit (unless an exception is granted) a person in one business unit from communicating certain information to a person of another business unit.

The HNRG Information Barrier Protocol (“Protocol”) was established to grant a limited communication exception between certain HNRG persons and certain General Account and MAM Public Markets persons, including compliance controls to ensure the overall integrity of the established information barrier.

Specifically, the purpose of the protocol is as follows:

- (1) Manulife and HNRG desire to have the Investment Division CIO, the General Account Investments EVP and MAM CEO serve as members of the HNRG Board to provide general oversight of HNRG as a Manulife business enterprise.
- (2) Manulife and HNRG also desire to have the CEO MAM Private Markets serve on HNRG Board and Investment Committee in order to provide general oversight of HNRG as a business enterprise and to benefit from his business insight and real property investment experience.
- (3) As a result of HNRG not holding blanket discretionary investment authority for the General Account (as a client and investor), HNRG desires to formalize a mechanism, consistent with maintaining the integrity of the information barrier, to gauge the General Account’s participation interest for certain HNRG-managed investment opportunities.

Apart from the Investment Division CIO, General Account Investments EVP, MAM CEO, and CEO MAM Private Markets, no other General Account or MAM personnel may serve on the HNRG Board or Investment Committee (CEO MAM Private Markets only) without the express authorization of the Investment Division’s Chief Counsel.

HNRG and its affiliates may have common directors and common officers and may share certain administrative and/or back office functions.

Neither HNRG nor a related person has any arrangements where it is paid cash by or receives some economic benefit from a non-client in connection with giving advice to clients.

Item 11: Code of Ethics

HNRG has adopted a Code of Ethics (“HNRG Code”) in accordance with rule 204A-1 under the Investment Advisers Act of 1940 that regulates the personal securities trading activities of investment personnel and other supervised persons. HNRG has also adopted the Manulife Code of Business Conduct and Ethics (“MFC Code”), which includes general standards of ethical conduct for all directors, officers and employees of HNRG.

The HNRG Code and MFC Code are available to any client or prospective client upon request.

The HNRG Code applies to all directors, officers and employees of HNRG and governs the conduct of any personal investment transaction. HNRG seeks to prevent the misuse of, or avoid any appearance of impropriety regarding material, non-public information by restricting the ability of its directors, officers and employees from trading securities of entities with which HNRG is engaged in a purchase or sale transaction or reasonably expects to engage in such a transaction.

The HNRG Code provides that Access Persons and members of their households must report their personal holdings of, and transactions in, covered securities, including mutual funds managed by an investment adviser affiliate of HNRG. HNRG requires all Access Persons to file Individual Securities Transactions Reports within 10 days of being designated an Access Person and on a quarterly and annual basis thereafter.

The HNRG Code is designed to ensure that the personal securities transactions, activities and interests of the employees of HNRG will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

HNRG or a related person may buy or sell, for client accounts, securities or investments in which HNRG or a related person has a financial interest. In addition, in satisfaction of client coinvestment requirements or its own corporate investment objectives, HNRG or a related person may buy or sell for itself or for an affiliated account, investments that it also recommends to its clients or purchases for client accounts.

HNRG or a related person may also serve as a general partner in certain pooled investment vehicles and may hold directly or indirectly ownership interests in such funds as a general partner or otherwise. Accordingly, HNRG or a related person may receive a portion of the income and gains realized on such investment.

Under the HNRG Code, there is a ban on transactions in securities of companies with whom it is actively dealing in a transaction or is reasonably expected to engage in a transaction or about whom HNRG may have material nonpublic information. Conversely, certain securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of HNRG clients.

Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the HNRG Code to reasonably prevent conflicts of interest between HNRG and its clients.

Item 12: Brokerage Practices

Registered investment advisers are required to describe the factors that it considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation. HNRG has no information applicable to this item.

Affiliated broker-dealers (see Item 10) act only as placement agents for the sale of securities of which HNRG is the sponsor and do not hold accounts of clients of HNRG.

Item 13: Review of Accounts

HNRG typically reviews each account at annual meetings with the client, its consultant, or both. Additional reviews may be conducted when requested by a client or when there is a change in economic outlook which warrants an interim review.

Internal reviews of particular accounts are performed by the division of HNRG responsible for managing particular client accounts. For each internal review, appropriate personnel of HNRG monitor or assess an account's various attributes, including its portfolio guidelines, asset values, performance, portfolio structure and holdings. Approximately 2 to 4 individuals participate in an account's review. Portfolio managers are generally responsible for accounts and are supported by analysts as appropriate.

Client meetings generally cover the same material as internal reviews. In addition, HNRG may provide supplementary information during a client meeting. This supplementary information may include such topics as relevant organizational or personnel changes concerning HNRG, information concerning aggregate assets under management of HNRG or HNRG investment strategies.

HNRG provides financial reports to clients generally on a quarterly and annual basis. In addition to traditional financial statements, the reports include financial highlights for the given period. Additional reports and materials may be provided depending on arrangements with each client.

Item 14: Client Referrals and Other Compensation

It is HNRG's policy not to enter into third party solicitation agreements except in accordance with Section 206(4)-3 of the Advisers Act. The HNRG Compliance Department must pre-approve any solicitation arrangements or agreements. Solicitation agreements may only be signed by the Chief Executive Officer, Director of Business Development and Chief Compliance Officer or in their absence, their designee. The HNRG Compliance Department is responsible for maintaining copies of all third-party solicitation agreements and for periodically monitoring the compliance of third party solicitation agreements.

Item 15: Custody

Neither HNRG, nor any related person acts as the qualified custodian of client assets. However, HNRG is deemed to have custody when HNRG is the general partner of a pooled investment vehicle organized as a limited partnership, or when HNRG is the managing member of a pooled investment vehicle organized as a limited liability company. HNRG may also have the authorization to direct the payment of fees from client assets maintained with a custodian (see Item 5).

With respect to an account of a limited partnership, limited liability company, or another type of pooled investment vehicle, HNRG may comply with custody requirements by delivering audited financial statements of the pooled investment vehicle to investors. For each of these clients, an annual audit of the pooled investment vehicle is conducted by an accountant registered with and subject to inspection by the Public Company Accounting Oversight Board. The annual audited financial statements are prepared in accordance with the U.S generally accepted accounting principles and delivered to investors within 120 days of the fiscal year end. Such clients are exempt from the requirement to have a qualified custodian distribute periodic account statements because the investment vehicle is audited annually as described above. HNRG will deliver unaudited financial statements to clients on a quarterly basis.

In the case of non-pooled investment vehicles, clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets.

HNRG urges its clients to carefully review such statements and compare such official custodial records to the account statements that HNRG may provide to you. HNRG's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16: Investment Discretion

HNRG typically receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of real estate securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account and the parameters for investment and authority for HNRG is set forth in the particular agreement.

When selecting securities and determining amounts, HNRG observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to HNRG in writing.

Item 17: Voting Client Securities

As a natural resource asset manager with relatively small amounts of equity securities in its managed accounts, HNRG rarely if ever will be called upon to vote equity securities on behalf of any of its managed accounts. If and when HNRG does vote equity securities, it will likely be in connection with a related timberland, farmland or renewable energy investment. HNRG would follow its proxy voting policy in carrying out its responsibilities to that client.

Since, in general, the proxy voting required of HNRG will arise in connection with a related timberland, farmland or renewable energy investment and the individual circumstances of subject companies, HNRG typically will not know in advance how it will vote. For routine matters HNRG would expect to vote in accordance with the position of the subject company's management. For all other matters, HNRG would decide how to vote on a case-by-case basis considering the relevant circumstances of the subject company.

Clients may obtain a copy of HNRG's complete proxy voting policies and procedures upon request. Clients may also obtain information from HNRG about how HNRG voted any proxies on behalf of their account(s).

Item 18: Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about HNRG's financial condition. HNRG has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.