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Item 2. Material Changes

Since the last annual update of this brochure on March 31, 2016, Hilton Capital Management, LLC has updated this brochure to provide disclosure with respect to:

- the addition of certain conflicts of interest disclosure in Item 10 (*Other Financial Industry Activities and Affiliations – Conflicts of Interest*);
- the removal of certain private investment funds of the firm and certain affiliates of the firm in Item 10 (*Other Financial Industry Activities and Affiliations*); and
- the removal of our investment strategy for private funds and the addition of certain disclosure concerning risks related to Hilton Capital Management, LLC's investment strategies in Item 8 (*Methods of Analysis, Investment Strategies and Risk of Loss*).

Because this Item 2 discusses only those changes to this brochure that have been made since March 31, 2016 that the firm believes to be material, this brochure should be reviewed in its entirety.

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Item 4. Advisory Business

Structure; History and Ownership

Hilton Capital Management, LLC ("Hilton Capital Management," the "firm," or "we") has been doing business as an SEC-registered investment adviser since January 2002. The firm's mission is to provide superior investment management services. Hilton Capital Management strives to preserve its clients' capital and build sustainable wealth. The firm is organized as a New York limited liability company, with its principal place of business in Garden City, New York.

The principal owners of the firm are Rafferty Holdings, LLC and William Garvey.

Hilton Capital Management has \$990,918,963 of regulatory assets under management as of December 31, 2016, all of which are managed on a discretionary basis.

This brochure describes the business of Hilton Capital Management and certain of its affiliates. Certain sections will also describe the activities of Supervised Persons (as defined herein). "Supervised Persons" are any of Hilton Capital Management's officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or any other person who provides investment advice on Hilton Capital Management's behalf and is subject to Hilton Capital Management's supervision or control. The firm's Supervised Persons include William J. Garvey, C. Craig O'Neill, Alexander D. Oxenham and John Abbott Root Cooper. Additional information regarding each Supervised Person is set forth in the Supervised Person's brochure supplement, which the firm's Chief Compliance Officer will provide upon request.

Investment Management Services

Hilton Capital Management provides the majority of investment management services to its clients through separately managed accounts (each, a "client"). The majority of the firm's clients are high net worth individuals. However, the firm's investment management services generally fall within three categories. First, Hilton Capital Management provides direct investment management services to clients with whom the firm directly enters into investment advisory agreements. Second, Hilton Capital Management sub-advisory services to clients who are introduced to the firm by third-party platform providers. Finally, Hilton Capital Management provides investment management services to an investment company that is registered as an investment company pursuant to the Investment Company Act of 1940 (the "public fund"). Prior to engaging Hilton Capital Management to provide any of the foregoing investment management services, the client and/or the third-party platform provider is required to enter into one or more written agreements with Hilton Capital Management setting forth the terms and conditions under which Hilton Capital Management renders its investment advisory or sub-advisory services.

Clients can engage Hilton Capital Management to manage all or a portion of their assets on a discretionary basis. Hilton Capital Management primarily allocates clients' investment management assets among master limited partnerships ("MLPs"), real estate investment trusts ("REITs"), individual debt and equity securities, collective investment vehicles (such as private investment funds and mutual funds) and options in accordance with the investment objectives of the client. However, Hilton Capital Management also may provide advice about any type of investment held in clients' portfolios.

In regards to those clients with whom the firm establishes a direct relationship, Hilton Capital Management tailors its advisory services to the individual needs of clients. Hilton Capital Management consults with these clients initially and on an ongoing basis to determine risk tolerance, time horizon

and other factors that may impact the clients' investment needs. Hilton Capital Management ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance. In regards to those clients with whom the firm establishes an indirect relationship through a third-party platform provider, Hilton Capital Management offers its Hilton Tactical Income Strategy. See *Sub-Advisory Services* and *Methods of Analysis, Investment Strategies and Risk of Loss – Investment Strategies* under Item 8.

Clients with whom the firm has a direct relationship are advised to promptly notify Hilton Capital Management if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Hilton Capital Management's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in Hilton Capital Management's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

Sub-Advisory Services

Hilton Capital Management offers its Hilton Tactical Income Strategy (see *Methods of Analysis, Investment Strategies and Risk of Loss – Investment Strategies* under Item 8) to clients of platform providers with whom the firm has established an investment advisory relationship, including sub-advisory services to wrap fee platforms sponsored by independent third parties.

Management of Investment Vehicles

Hilton Capital Management is the sub-advisor to a public fund. Rafferty Asset Management, an affiliate of Hilton Capital Management, is now the investment manager of this public fund. Hilton Capital Management was formerly the investment manager to this public fund. The investment objectives, risk factors and all other relevant terms and information with respect to the public fund are described in its registration statement.

In addition, Hilton Capital Management acts as investment manager to two investment vehicles undergoing liquidation, Hilton Capital Master Fund Ltd. and Hilton Capital Management Private Equity I, LLC, each of which is exempt from registration with the SEC as an investment company pursuant to an exemption under the Investment Company Act of 1940 (the "private funds"). Hilton Capital Management Private Equity I, LLC is scheduled to begin its liquidation in 2017 and Hilton Capital Master Fund Ltd. has been undergoing liquidation since April 30, 2014. Neither private fund is accepting new investors or making any new investments. As such, equity interests in the private funds are no longer being offered or sold. The private funds and the public fund are both clients of the firm (whereas the investors in each fund are generally not considered to be clients of the firm under the Investment Advisers Act of 1940). However, given the liquidation status of the private funds, this brochure no longer describes the investment activities and risks associated with such funds.

Hilton Capital Management will devote its best efforts with respect to its management of the public fund and its separately managed accounts. Hilton Capital Management may give advice or take action with respect to the public fund that differs from its advice and actions with respect to its separately managed accounts. Unlike the firm's separately managed accounts, we do not tailor the public fund's investment strategy to the needs of individual investors. To the extent that a particular investment is suitable for both the public fund and certain separately managed accounts, and subject to the investment limitations applicable to the public fund, such investments will be allocated between the public fund and the separately managed accounts *pro rata* based on the assets under management or in some other manner which Hilton Capital Management determines is fair and equitable under the circumstances to all of its clients. For further information about the firm's trade aggregation policies, see Item 12 under the heading *Brokerage Practices – Aggregation*.

The investment strategies we employ on behalf of our clients, including the public fund, are described in greater detail below at Item 8.

Item 5. Fees and Compensation

Hilton Capital Management generally offers its investment management services in exchange for (i) management fees that are based upon the applicable client's assets under management or (ii) performance fees that are based upon the performance of the client's portfolio.

Management Fee

Hilton Capital Management may provide investment management services to separately managed accounts for a management fee based upon a percentage of the market value of the assets being managed by Hilton Capital Management with respect to such separately managed accounts. The annual fee rate varies (between 0.15% and 1.25%), depending upon the market value of the assets under management and the type of investment management services to be rendered. Hilton Capital Management's annual fee is exclusive of, and in addition to, brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. Hilton Capital Management does not, however, receive any portion of these commissions, fees and costs. Hilton Capital Management's management fee is charged quarterly, in arrears, based upon the market value of the assets being managed by Hilton Capital Management with respect to a separately managed account as of the last day of the previous quarter. If an account is terminated, Hilton Capital Management's management fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

The management fees charged by the public fund, as well as all other public fund expenses, are described in its registration statement. The firm's private funds no longer charge any management fees to their respective investors

Performance Fee

Hilton Capital Management generally has the right to charge separately managed accounts a performance fee in accordance with applicable legal requirements. The performance fee rate may be up to twenty percent (20%) based upon the performance of the account. The performance compensation received by Hilton Capital Management is generally subject to a high-water mark. Hilton Capital Management's performance fee is charged annually, in arrears, based upon the net profits of the separately managed account during the calendar year. If an account is terminated, Hilton Capital Management's performance fees are prorated through the date of termination and any partial performance fee is charged to the client.

A performance fee arrangement raises conflicts of interest. The performance fee may be an incentive for Hilton Capital Management to make investments that are riskier or more speculative than would be the case absent a performance fee arrangement. In addition, where Hilton Capital Management charges performance fees and also provides similar services to accounts not being charged performance-based fees, there is an incentive to favor accounts paying a performance fee. Hilton Capital Management has procedures in place to ensure that any recommendations made are in the best interest of clients regardless of whether the client is paying a performance fee or a different type of fee.

The private funds and the public fund do not charge any performance fees.

The compensation described above is our typical compensation rates. However, management fee and incentive fee rates may be negotiable.

The compensation payable by our clients is deducted from the assets of the clients' accounts and paid to us in accordance with the procedures described in Item 15.

Additional Expenses

Individual clients may incur certain charges imposed by the broker-dealers, custodians and other third parties maintaining their accounts, such as custodial fees and brokerage commissions. In addition, to the extent a client's account is invested in underlying collective investment vehicles (such as private investment funds, ETFs and mutual funds), such vehicles also impose charges, which are disclosed in such vehicle's offering documents. For example, such vehicles may charge management fees, performance fees and other fund expenses. Likewise, such vehicles may charge deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Item 6. Side-By-Side Management

Because Hilton Capital Management has multiple clients, at times it may need to allocate investment opportunities of limited availability across its clients' accounts. In such situations, some accounts may offer higher management fee and performance fee potential than others. Hilton Capital Management has an incentive to favor accounts for which it receives higher performance fees since it may receive a greater profit if the investment generates a positive return.

To ensure equitable treatment of all clients irrespective of such fee considerations, Hilton Capital Management has adopted an allocation policy that sets out the criteria for determining allocations, the most important of which are investment objective and strategy, existing portfolio composition and available liquidity. For a copy of Hilton Capital Management's allocation policy, please contact the Chief Compliance Officer at the number or address listed on the cover of this brochure.

Item 7. Types of Clients

Hilton Capital Management provides its investment management services to individuals, taxable and tax-exempt entities, public funds and wrap fee accounts. Any qualified investors may invest in the public fund managed by the firm.

Minimum Account Size

Hilton Capital Management generally imposes a minimum separately managed account size of \$250,000. Hilton Capital Management, in its sole discretion, may accept individual clients with smaller portfolios. The minimum investment amount for the public fund is \$2,500. As noted herein, equity interests in the private funds are no longer being offered.

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

Investment Strategies, Methods of Analysis and Risk of Loss

Hilton Tactical Income Strategy. A majority of Hilton Capital Management's individual clients, as well as the public fund, are invested in the "Hilton Tactical Income Strategy." This strategy is a strictly disciplined approach that focuses on the need for income by creating portfolios that include MLPs, REITs and equities. Portfolios will be split along product lines and will stress diversification of

assets. While growth may occur, the major focus will be to generate income greater than is available in an intermediate fixed-income portfolio.

Wealth Preservation Strategy. Certain legacy individual clients are also invested in the “Wealth Preservation Strategy.” This strategy is a strictly disciplined approach that focuses on preservation of the client’s capital. Given the continued volatility of interest rates, it is Hilton Capital Management’s opinion that strategies stressing capital preservation benefits its clients. The firm’s Wealth Preservation Strategy is no longer offered to prospective clients.

Financial Opportunity Strategy. The “Financials Opportunity Strategy” will seek to take advantage of expected further consolidation in the United States banking industry by investing in publicly traded small and mid-cap banks that are likely to be acquired during the current consolidation cycle. Specifically, the strategy will invest in bank franchises that are trading at attractive valuations who are likely to attract multiple potential acquirers.

Equity Income Strategy. Our “Equity Income Strategy” uses the strengths of our primary Hilton Tactical Income Strategy’s income oriented approach to develop a global portfolio of largely dividend paying equities. This strategy is designed for the investor who seeks to have exposure to global equities with an emphasis on dividend yield. One of key attributes of the strategy is that we attempt to deliver a competitive yield by investing in the sectors of the market that closely mirror the drivers of United States gross domestic product in any given year.

Risk Factors

Risks Related to the Investment Advisory Business

Risks of Loss. The profitability of Hilton Capital Management’s recommendations depends upon correctly assessing the future course of price movements of stocks, bonds and other financial instruments. There can be no assurance that Hilton Capital Management will be able to predict those price movements accurately. Investing in securities involves the risk of loss. Clients should be prepared to bear such loss. A full description of the market and other risks for the Hilton Capital Partners Funds, Hilton Capital Management Private Equity I, LLC and the public fund is set forth in their respective offering documents. Risks for individual clients may be described in their respective investment management agreements.

Regulatory Risk. Clients are subject to the risk that a change in U.S. law and related regulations will impact the way the fund conducts business on behalf of its clients, increase the particular costs of the clients’ account operations and/or change the competitive landscape.

Cybersecurity Risks. Hilton Capital Management’s information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by its professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although Hilton Capital Management has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, Hilton Capital Management may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in Hilton Capital Management’s operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm Hilton Capital Management’s reputation or subject it or its affiliates to legal claims and otherwise affect their business and financial performance. Additionally, any failure of Hilton Capital Management’s information, technology or security systems could have an adverse impact on its ability to manage the private investment funds and separately managed accounts referred to herein.

Risks Related to the Firm’s Investment Strategies

Depository Receipt Risk. To the extent a client account invests in foreign companies, the client's investment may be in the form of depository receipts or other securities convertible into securities of foreign issuers including American Depositary Receipts ("ADRs"), European Depositary Receipts ("EDRs"), and Global Depositary Receipts ("GDRs"). While the use of ADRs, EDRs and GDRs, which are traded on exchanges and represent ownership in a foreign security, provide an alternative to directly purchasing the underlying foreign securities in their respective national markets and currencies, investments in ADRs, EDRs, and GDRs continue to be subject to certain of the risks associated with investing directly in foreign securities, such as political and exchange rate risks.

Preferred Stock Risk. A preferred stock is a blend of the characteristics of a bond and common stock. It may offer the higher yield of a bond and has priority over common stock in equity ownership, but it does not have the seniority of a bond and, unlike common stock, its participation in the issuer's growth may be limited. Preferred stock has preference over common stock in the receipt of dividends or in any residual assets after payment to creditors should the issuer be dissolved. Preferred stock is subject to many of the risks associated with debt instruments, including interest rate risk. As interest rates rise, the value of preferred stocks are likely to decline. In addition, preferred stocks may not pay a dividend; an issuer may suspend payment of dividends on preferred stocks at any time; and in certain situations an issuer may call or redeem its preferred stock or convert it to common stock.

Energy Sector Risk. If a client account invests in MLPs, it will primarily invest in energy MLPs. These MLPs are subject to risks specific to the energy sector including, but not limited to the following:

- The energy sector is highly regulated. MLPs operating in the energy sector are subject to significant regulation of virtually every aspect of their operations by federal, state and local governmental agencies, including how facilities are constructed, maintained and operated, environmental and safety controls, and the prices they may charge for the products and services they provide.
- MLPs in the energy sector may be affected by fluctuations in the prices of energy commodities, including natural gas, natural gas liquids, crude oil and coal.
- MLPs engaged in the exploration, development, management or production of energy commodities are at risk of the natural resources depleting over time, which may cause the market value of the MLP to decline over time.
- MLPs operating in the energy sector may be adversely affected by reductions in the supply or demand for energy commodities.
- MLPs in the energy sector may be subject to various operational risks, such as disruption of operations, inability to timely and effectively integrate newly acquired assets, unanticipated operation and maintenance expenses, underestimated cost projections, and other risks arising from specific business strategies.
- Rising interest rates could adversely impact the financial performance of these companies by increasing their costs of capital, which may reduce an MLP's ability to execute acquisitions or expansion products in a cost-effective manner.
- Extreme weather or other natural disasters could adversely impact the value of the debt and equity securities of the MLPs operating in the energy sector.
- Threats of attacks by terrorists on energy assets could impact the market for MLPs operating in the energy sector.

- If a significant accident or event occurs and an MLP is not fully insured, it could adversely affect the MLP's operations and financial condition and the securities issued by the MLP.

Equity Securities Risk. Investments in publicly issued equity securities, including common stocks, in general are subject to market risks that may cause their prices to fluctuate over time. Fluctuations in the value of equity securities in which a client account invests will cause the net asset value of the client's portfolio to fluctuate.

Foreign Securities Risk. Investing in foreign instruments may involve greater risks than investing in domestic instruments. As a result, a client account's returns and net asset value may be affected to a large degree by fluctuations in currency exchange rates, political, diplomatic or economic conditions and regulatory requirements in other countries. The laws and accounting, auditing, and financial reporting standards in foreign countries typically are not as strict as they are in the U.S., and there may be less public information available about foreign companies.

Market Risk. Each client account is subject to market risks that can affect the value of its shares. These risks include political, regulatory, market and economic developments, including developments that impact specific economic sectors, industries or segments of the market. Turbulence in financial markets and reduced liquidity in equity, credit and fixed income markets may negatively affect many issuers worldwide, which could have an adverse effect on a client's account.

MLP Risk. Investments in common units of MLPs involve risks that differ from investments in common stock. Holders of MLP common units are subject to certain risks inherent in the structure of MLPs, including (i) tax risks, (ii) risk related to limited control of management or the general partner or managing member, (iii) limited rights to vote on matters affecting the MLP, except with respect to extraordinary transactions, (iv) conflicts of interest between the general partner or managing member and its affiliates, on the one hand, and the limited partners or members, on the other hand, including those arising from incentive distribution payments or corporate opportunities, and (v) cash flow risks. MLP common units and other equity securities can be affected by macro-economic and other factors affecting the stock market in general, expectations of interest rates, investor sentiment towards MLPs or the energy sector, changes in a particular issuer's financial condition, or unfavorable or unanticipated poor performance of a particular issuer (in the case of MLPs, generally measured in terms of distributable cash flow). Prices of common units of individual MLPs and other equity securities also can be affected by fundamentals unique to the partnership or company, including cash flow growth, cash generating power and distribution coverage.

The public fund currently qualifies as, and intends to continue to qualify as, a registered investment company under Subchapter M of the Internal Revenue Code of 1985, as amended (the "Code") and as such, may not invest more than 25% of its net assets in the securities of MLPs. If the public fund exceeds this limitation, it may no longer qualify under the Code as a registered investment company and may be subject to taxation as a corporation instead of a registered investment company.

Credit Risk. A client could lose money if the issuer or guarantor of a debt security goes bankrupt or is unable or unwilling to make interest payments and/or repay principal. Changes in an issuer's financial strength or in an issuer's or debt security's credit rating also may affect a security's value and thus have an impact on a client account's net asset value and performance.

Debt Instrument Risk. The value of debt instruments may increase or decrease as a result of the following:

- market fluctuations, changes in interest rates, actual or perceived inability of issuers, guarantors, or liquidity providers to make schedule principal or interest payments or illiquidity in debt securities markets;

- the risk of low rates of return due to reinvestment of securities during periods of falling interest rates or repayment by issuers with higher coupon or interest rates; and/or
- the risk of low income due to falling interest rates.

To the extent that interest rates rise, certain underlying obligations may be paid off substantially slower than originally anticipated and the value of those securities may fall. Changes in interest rates will likely have a greater impact on the value of debt instruments that have a longer duration. Returns on investments in debt instruments may trail the returns on other investment options, including investments in equity securities.

Early Close/Trading Halt Risk. An exchange or market may close or issue trading halts on specific securities, or the ability to buy or sell certain securities or financial instruments may be restricted, which may result in a client being unable to buy or sell certain securities or financial instruments. In such circumstances, a client may be unable to rebalance its portfolio, may be unable to accurately price its investments and/or may incur substantial trading losses.

Exchange-Traded Note Risk. The value of an exchange-traded note may be influenced by time to maturity, level of supply and demand for the exchange-traded note, volatility and lack of liquidity in the underlying securities' markets, changes in the applicable interest rates, changes in the issuer's credit rating and economic, legal, political or geographic events that affect the referenced index. In addition, exchange traded notes are unsecured debt of the issuer and would lose value if the issuer goes bankrupt.

High Yield Debt Securities Risk. A client's account may invest a significant portion of its assets in securities rated below investment grade, otherwise known as "junk bonds." Junk bonds may be sensitive to economic changes, political changes, or adverse developments specific to a company. These securities generally involve greater risk of default or price changes than other types of fixed-income securities and performance may vary significantly as a result. Junk bonds may be illiquid and their values can have significant volatility and may decline significantly over short periods of time.

High-Yielding Dividend Stock Risk. A client's account may invest in stocks that pay high dividends. These stocks are often speculative, high risk investments. These companies may be paying out more earnings than they can support and may reduce their dividends or stop paying dividends at any time, which could have a material adverse impact on the stock price of these companies and materially impact performance.

Interest Rate Risk. Debt instruments have varying levels of sensitivity to changes in interest rates. In general, the price of debt instrument or security will fall when interest rates rise and rise when interest rates fall. The U.S. is currently in a period of historically-low interest rates and it is unclear how much longer interest rates will remain at their current levels. Changes or volatility in interest rates may materially affect a client's account performance. The effect of increased interest rates is more pronounced for any intermediate-term or longer-term fixed income obligations. Recent events in the fixed-income market may expose clients to heightened interest rate risk and volatility.

Liquidity Risk. Some securities held by a client's account, including derivatives, may be difficult to sell or illiquid, particularly during times of market turmoil. Markets for securities or financial instruments could be disrupted by a number of events, including but not limited to, an economic crisis, natural disasters, new legislation or regulatory changes inside or outside the U.S. Illiquid securities also may be difficult to value. If a client is forced to sell an illiquid security at an unfavorable time or at a price that is lower than the firm's judgment of the security's true market value, the client may be forced to sell the security at a loss. Such a situation may prevent clients from limiting losses or realizing gains, thus materially affecting clients' account performance.

Money Market Instrument Risk. Clients may use a variety of money market instruments for cash management purposes, including money market funds, depository accounts and repurchase agreements. Money market funds may be subject to credit risk with respect to the short-term debt instruments in which they invest. Depository accounts may be subject to credit risk with respect to the financial institution in which the depository account is held. Repurchase agreements are contracts in which a seller of securities agrees to buy the securities back at a specified time and price. Repurchase agreements may be subject to market and credit risk related to the collateral securing the repurchase agreement. There is no guarantee that money market instruments will maintain a stable value, and they may lose money.

Municipal Securities Risk. Municipal issuers are subject to unique factors affecting their ability to pay debt obligations. As such, investment in municipal securities carries additional risk. Changes in federal, state or local laws may make a municipal issuer unable to make interest payments when due. Municipal securities backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the inability to collect revenue, for the project or from the assets. Moreover, an adverse interpretation of the tax status of municipal securities may make such securities decline in value.

Options Risk. There are significant differences between the securities and options markets that could result in an imperfect correlation between these markets which may result in the firm not achieving its intended results on behalf of a client with its use of options. There is no assurance that a liquid market will exist when we seek to close out an option position on behalf of our clients. The hours of trading for options may not conform to the hours during which the underlying securities are traded. To the extent the options markets close before the markets for the underlying securities, significant price and rate movements can take place in the underlying markets that cannot be reflected in the options markets. Additionally, the value of options can be affected by changes in the value and dividend rates of the underlying common stocks, an increase in interest rates, changes in the actual or perceived volatility of the stock market and the underlying common stocks and the remaining time to the options' expiration. Additionally, the exercise price of an option may be adjusted downward before the option's expiration as a result of the occurrence of events affecting the underlying equity security. A reduction in the exercise price of an option would reduce a client account's capital appreciation potential on the underlying security.

Other Investment Companies (including ETFs) Risk. The firm may invest in the securities of other investment companies on behalf of clients, including ETFs, which may involve duplication of advisory fees and certain other expenses. By investing in another investment company or ETF, a client becomes a shareholder of that investment company or ETF. As a result, clients indirectly bear their account's proportionate share of the fees and expenses paid by shareholders of the other investment company or ETF, in addition to the fees and expenses they will bear in connection with their account's operations. As a shareholder, a client must rely on the investment company or ETF to achieve its investment objective. A client's performance may be magnified positively or negatively by virtue of its investment in other investment companies or ETFs. If the investment company or ETF fails to achieve its investment objective, the value of the Fund's investment will not perform as expected, thus affecting the client's account performance. In addition, because closed-end investment companies and ETFs are listed on national stock exchanges and are traded like stocks on an exchange, their shares potentially may trade at a discount or a premium. Investments in such shares may be subject to brokerage and other trading costs, which could result in greater expenses to the Fund. Finally, because the value of closed-end investment company or ETF shares depends on the demand in the market, the Subadviser may not be able to liquidate the client's account holdings in those shares at the most optimal price or time, adversely affecting the client's account performance.

Prepayment Risk. Many types of debt securities are subject to prepayment risk, which is the risk that the issuer of the security will repay principal prior to the maturity date. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a debt security can be difficult to predict and result in greater volatility. As a result, we have to reinvest client assets in other debt securities that have lower yields.

Real Estate Investment Risk. Real estate securities are subject to risks similar to those associated with direct ownership of real estate, including changes in local and general economic conditions, vacancy rates, interest rates, zoning laws, rental income, property taxes, operating expenses and losses from casualty or condemnation. An investment in a REIT is subject to additional risks, including poor performance by the manager of the REIT, adverse tax consequences, and limited diversification resulting from being invested in a limited number or type of properties or a narrow geographic area.

REITs receive favorable tax treatment only if they meet certain conditions, including the requirement that they distribute at least 90% of their taxable income.

Small- and/or Mid-Capitalization Company Risk. Investing in the securities of small- and/or mid-capitalization companies, and securities that provide exposure to small- and/or mid-capitalization companies, involves greater risks and the possibility of greater price volatility than investing in more-established, larger-capitalization companies. Small- and mid-capitalization companies often have narrower markets for their goods and/or services and more limited managerial and financial resources than larger, more-established companies. Furthermore, those companies often have limited product lines, services, markets, financial resources or are dependent on a small management group. In addition, because these stocks are not well known to the investing public, do not have significant institutional ownership and are followed by relatively few security analysts, there will normally be less publicly available information concerning these securities compared to what is available for the securities of larger companies. Adverse publicity and investor perceptions, whether based on fundamental analysis, can decrease the value and liquidity of securities held by the Fund. As a result, the performance of small- and/or mid-capitalization companies can be more volatile and they face greater risk of business failure, which could increase the volatility of the client's portfolio.

U.S. Government Securities Risk. A security backed by the U.S. Treasury or the full faith and credit of the United States is guaranteed only as to the timely payment of interest and principal when held to maturity. The market prices for such securities are not guaranteed and will fluctuate. In addition, because many types of U.S. government securities trade actively outside the United States, their prices may rise and fall as changes in global economic conditions affect the demand for these securities.

Valuation Time Risk. As a general matter, a client's portfolio will be valued as of the close of regular trading on the New York Stock Exchange (generally 4:00 PM Eastern Time). In some cases, foreign markets may close before the New York Stock Exchange opens or may not be open for business on the same calendar days as the firm. Clients may have to price any holdings that are not traded on the New York Stock Exchange at a fair value determined by such clients' custodian, administrator or investment adviser, as applicable. In regards to the public fund, the investment adviser's determinations will be subject to the oversight of the public fund's board of trustees.

Financials Sector Risk. We may cause client accounts to invest in financial services companies. Performance of companies in the financial sector may be materially impacted by many factors, including but not limited to, government regulations, economic conditions, credit rating downgrades, changes in interest rates and decreased liquidity in credit markets. Profitability of these companies is largely dependent on the availability and cost of capital, and can fluctuate significantly when interest rates change. Credit losses resulting from financial difficulties of borrowers also can negatively impact the sector. This sector has experienced significant losses in the recent past, and the impact of more stringent capital requirements and recent or future regulation on any individual company or the sector as a whole cannot be predicted.

Item 9. Disciplinary Information

Hilton Capital Management is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Hilton Capital Management does not have any required disclosures to this Item.

Item 10. Other Financial Industry Activities and Affiliations

Hilton Capital Management is under common control and ownership with Rafferty Capital Markets, LLC ("RCM"), an SEC-registered broker-dealer and member of FINRA and Rafferty Asset Management, LLC ("RAM"), an SEC-registered investment adviser. Hilton Capital Management has an agreement in place with RCM whereby Hilton Capital Management manages certain RCM accounts. In addition, certain of the Supervised Persons of Hilton Capital Management are also registered representatives of RCM. These registered representatives do not currently effect securities brokerage transactions on a commission basis for Hilton Capital Management's separately managed account clients.

Conflicts of Interest

Other Investment Vehicles or Clients. In addition to the separately managed accounts and the public fund, we may in the future participate in or sponsor other investment vehicles and other advisory accounts or clients. Such investment vehicles and accounts may employ investment strategies similar to those of the separately managed accounts. The existence of such present and future multiple investment vehicles and accounts, or other businesses, and any other material conflicts of interest which might reasonably be expected to impair the rendering of unbiased or objective investment advice by the firm, are disclosed to the firm's clients.

Allocation Issues. It is likely that separately managed accounts and the public fund managed by the firm or its affiliates may invest in the same securities. The firm intends to allocate and aggregate investment opportunities among the funds and such other investment vehicles, accounts and clients by applying such considerations as it deems appropriate, including those factors disclosed in Item 12 (*Brokerage Practices – Aggregation*).

As a result of such considerations, allocations among the separately managed accounts and the public fund will not necessarily be *pro rata*. No account will be entitled to investment priority, and accounts may not necessarily participate in every investment opportunity. In cases where a limited amount of a security or other instrument is available for purchase, the allocation of such security among the accounts may necessarily reduce the amount thereof available for purchase by any participating account.

Although accounts managed by the firm and its affiliates may generally invest in the same securities, the net performance of the accounts may vary materially from each other as a result of the allocation policies described above, as well as differing expenses, tax considerations, the impact of leverage and other factors.

Balancing Transactions. Other separately managed accounts of the firm that employ similar or substantially similar investment strategies may invest and trade on a *pari passu* basis; however, certain differences in the specific investment strategies employed (including, applicable investment parameters, eligibility criteria with respect to various clients, applicable expenses, available capital, the relative use of leverage and other factors), may result in non-*pari passu* treatment of specific clients with respect to some or all of their investment and trading activities.

The firm may, from time to time in its discretion, be expected to adjust (or "rebalance") the portfolio holdings of one or more of its clients so as to eliminate or minimize variations among the portfolio holdings

of such clients that employ the same or similar investment strategies or otherwise to maintain, in the view of the firm, a desirable portfolio composition for each of such clients, subject to the applicable client differences and any limitations on which broker-dealers the firm may enter into trades with in regards to a particular account).

Time Commitments. The firm's portfolio managers intend to devote their primary efforts (i.e., substantially all of their time during business hours) to management of the separately managed accounts, and, possibly, other accounts with comparable strategies. However, should they have additional clients or other business responsibilities in the future, such commitments may have the effect of reducing the time they devote to the investment activities of the accounts. The firm may retain additional personnel as the firm's portfolio managers deem necessary.

Conflicts Regarding Advisory Fees. See Items 5 (*Fees and Compensation*) and 6 (*Performance-Based Fees and Side-by-Side Management*) above for a description of conflicts of interest that may be caused by performance fees.

Information Provided by the Firm. Factual information contained in this brochure, including without limitation, the investment strategy and policies, and certain other information, has been furnished largely by the firm and its affiliates and in general has not been independently confirmed or verified. Therefore, clients should seek to confirm such information, acquire additional information or conduct further investigation as they deem appropriate in connection with a decision to engage the firm.

Item 11. Code of Ethics

Hilton Capital Management maintains a code of ethics which includes policies regarding the trading of securities in personal brokerage or similar accounts by its principals and employees. The code does not restrict the firm's principals, members and employees from maintaining or trading in such accounts, but establishes that any activity that either abuses confidential knowledge about client accounts or attempts to profit at their expense is considered an abuse of the foundation of trust upon which Hilton Capital Management's business is built and is strictly prohibited. All of the firm's principals, members and employees are required to submit annual reports on all securities holdings and quarterly reports on all security transactions in accounts controlled either directly or indirectly (although certain exceptions apply). Submitted reports are reviewed by the Chief Compliance Officer, or her delegate. Violations of policy are punishable by sanctions including fines and termination of employment. Each firm employee is required to acknowledge that he or she has received and reviewed, and understands the code.

Clients and prospective clients may contact Hilton Capital Management to request a copy of its code of ethics.

The firm will not be engaged as an investment adviser to advise clients as to the appropriateness of investing in the public fund, and the firm will not receive any compensation for doing so or for selling interests in the public fund.

Item 12. Brokerage Practices

Selection of Brokers

Hilton Capital Management generally recommends that clients utilize the brokerage and clearing services of broker-dealers. Factors which Hilton Capital Management considers in recommending broker-dealers to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by such broker-dealers may be higher or lower than those charged by other broker-dealers.

Hilton Capital Management, LLC Brochure

The commissions paid by Hilton Capital Management's clients comply with Hilton Capital Management's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified broker-dealer might charge to effect the same transaction where Hilton Capital Management determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among other:

- the value of research provided;
- execution capability;
- the reputation, experience and financial stability of the broker-dealer involved;
- familiarity with the securities markets and investment techniques employed by the accounts;
- clearing and settlement capabilities;
- the availability of margin or other leverage, block positioning or other special execution capabilities;
- responsiveness and quality of service;
- commission rates; and/or
- other services provided to the accounts.

Hilton Capital Management seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Directed Brokerage

An individual client may direct Hilton Capital Management in writing to use a particular broker-dealer to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and Hilton Capital Management will not seek better execution services or prices from other broker-dealers or be able to "batch" client transactions or execution through other broker-dealers with orders for other accounts managed by Hilton Capital Management. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Hilton Capital Management may decline a client's request to direct brokerage if, in Hilton Capital Management's sole discretion, such directed brokerage arrangement would result in additional operational difficulties or violate restrictions imposed by other broker-dealers.

Aggregation

Transactions for each client generally will be effected independently, unless Hilton Capital Management decides to purchase or sell the same securities for several clients at approximately the same time. Hilton Capital Management may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among Hilton Capital Management's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Hilton Capital Management's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that Hilton Capital Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Hilton Capital Management's Supervised Persons may invest, Hilton Capital Management generally does so in accordance with applicable regulations. Hilton Capital Management does not receive any additional compensation or remuneration as a result of the aggregation. In the event that Hilton Capital Management determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of

line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, Hilton Capital Management may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Soft Dollars

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist Hilton Capital Management in its investment decision-making process. Such research generally will be used to service all of Hilton Capital Management's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Hilton Capital Management does not have to produce or pay for the products or services. Any research and/or brokerage products or services received by Hilton Capital Management will comply with Section 28(e) of the Securities Exchange Act of 1934.

The firm did not use any soft dollars during its prior fiscal year.

Item 13. Review of Accounts

Account Reviews

Hilton Capital Management monitors individual client's accounts as part of an ongoing process on a monthly basis, while regular account reviews are conducted on at least a quarterly basis. Such reviews are conducted by one of Hilton Capital Management's principals. All individual clients are encouraged to discuss their needs, goals, and objectives with Hilton Capital Management and to keep Hilton Capital Management informed of any changes thereto. Hilton Capital Management contacts individual clients at least annually to review their previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives. With respect to the Hilton Capital Partners Funds and Hilton Capital Management Private Equity I, LLC, Hilton Capital Management reviews such Funds on at least a semi-annual basis and more frequently as necessary.

Account Statements and Reports

Unless otherwise agreed upon, individual clients are provided with transaction confirmation notices and regular summary account statements directly from the applicable custodian for such clients. Those clients to whom Hilton Capital Management provides investment advisory services will also receive a report from Hilton Capital Management that may include relevant account and/or market-related information, such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from Hilton Capital Management.

Investors in the public fund receive a report from such fund's' administrator that includes relevant account and/or market-related information, such as account performance on a monthly basis. In addition, all

investors in the public fund receive the audited financial statements within 120 days of the end the applicable fund's fiscal year. The public fund's investment manager, Rafferty Asset Management, LLC, is responsible for providing such reports and statements to the public fund's investors.

Item 14. Client Referrals and Other Compensation

Client Referrals

Hilton Capital Management is required to disclose any direct or indirect compensation that it provides for client referrals. Hilton Capital Management does not have any required disclosures to this Item.

Other Economic Benefits

Hilton Capital Management is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12 above.

Item 15. Custody

Hilton Capital Management's agreements with the custodian of any individual client's account may authorize Hilton Capital Management to debit such account for Hilton Capital Management's management fees and/or performance fees and directly remit such fees to Hilton Capital Management in accordance with applicable custody rules. In these circumstances, such custodians send statements to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees and/or performance fees paid directly to Hilton Capital Management. Hilton Capital Management also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the custodians and compare them to those received from Hilton Capital Management.

Item 16. Investment Discretion

Hilton Capital Management is given the authority to exercise investment discretion on behalf of clients via written investment management agreements or other written agreements. Hilton Capital Management is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Hilton Capital Management is given this authority through agreements between Hilton Capital Management and such clients. In certain circumstances, clients may request a limitation on this authority (such as certain securities not to be bought or sold). When given investment discretion, Hilton Capital Management and its affiliates generally take discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The broker-dealers to be utilized in effecting such transactions.

Public fund investors generally do not have the ability to restrict the investments of the public fund.

Item 17. Voting Client Securities

Hilton Capital Management does not generally vote proxies on behalf of its clients. Instead, the majority of the firm's clients retain the ability to vote proxies through the accounts' custodians. When Hilton Capital Management accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, all proxies will be voted consistent with guidelines established and described in Hilton Capital Management's proxy voting policies and procedures, as they may be amended from time-to-time. Clients may contact Hilton Capital Management to request information about how Hilton Capital Management voted proxies for that client's securities or to get a copy of Hilton Capital Management's proxy voting policies and procedures.

The firm is not responsible for voting proxies on behalf of the public fund.

Item 18. Financial Information

Hilton Capital Management is not required to disclose any financial information pursuant to this Item due to the following:

- It does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- It does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- It has not been the subject of a bankruptcy petition at any time during the past ten years.