

# Hillview Capital Advisors, LLC

## Part 2A of Form ADV

### The Brochure

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This brochure provides information about the qualifications and business practices of Hillview Capital Advisors, LLC (“HCA”). If you have any questions about the contents of this brochure, please contact us at 484-708-4740. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

## Item 2. Material Changes

The following changes have been made to this Brochure since HCA's last update, which was filed on March 31, 2017: (1) HCA no longer serves as general partner to the private funds for which it still serves as investment manager, and (2) routine updates and clarifying changes. We encourage you to read this Brochure in its entirety.

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## Item 4. Advisory Business

HCA was founded in April of 1999 and is owned by David Spungen and Jonathan Hochberg. As of December 31, 2017 HCA managed assets of \$890 million on a discretionary basis for approximately 100 clients and approximately \$174 million on a non-discretionary basis for one client.

HCA is an investment adviser providing financial planning and investment management services to individuals, collective investment vehicles (including limited partnerships), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. HCA offers its services on a fee basis with fees based on assets under management. Prior to engaging HCA to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with HCA setting forth the terms and conditions under which HCA shall render its services (collectively the "*Client Agreement*").

HCA offers advice on various types of investments but intends to primarily allocate a client's investment management assets, on a discretionary and/or non-discretionary basis, among mutual funds, ETF's, private investment partnerships, and Independent Managers (as described below) in accordance with the investment objectives of the client. HCA serves as investment manager to private funds operating as funds-of-funds (see The Funds section below). HCA recommends that

certain clients allocate a portion of their assets to these private funds subject to the client's overall investment objectives. Pooling client assets in these private funds enables HCA to make investments with Independent Managers and in private investment partnerships in which individual clients may not otherwise be able to access due to high minimum investments.

The client may make additions to and withdrawals from its account at any time, upon five (5) days' notice, subject to the usual and customary securities settlement procedures. However, assets allocated to a private fund may be withdrawn only in accordance with the offering memorandum for such private fund. HCA designs its portfolios as long-term investments and asset withdrawals may impair the achievement of a client's investment objectives.

Additions to a client account may be made by check, via wire, or in the form of securities, provided HCA reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. HCA may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or taxes.

HCA's clients are advised to promptly notify HCA if there are ever any changes in their financial situations or investment objectives or if they wish to impose any reasonable restrictions upon HCA's management services.

Neither HCA nor the client may assign the Client Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of HCA shall not be considered an assignment.

As a general matter, HCA does not act on behalf of its clients in legal proceedings, including, without limitation, class actions and bankruptcies, involving securities purchased or held in client accounts. However, HCA will promptly forward any client communication relating to legal proceedings to its clients and provide administrative assistance to its clients in this regard.

HCA may enter into advisory services agreements to provide asset allocation advice and model portfolios on a non-discretionary basis subject to negotiated fees with investment advisors or financial intermediaries. Recommendations made on a non-discretionary basis may be the same or similar to the advice provided to HCA's clients on a discretionary basis. It is at the investment advisors' or financial intermediaries' sole discretion as to whether or not and to what extent they will implement the model portfolios or each recommendation made by HCA for their respective clients. HCA does not enter into a direct relationship with clients of those investment advisors or financial intermediaries. Therefore, HCA does not provide administrative, trading, portfolio accounting or account-specific performance reporting services to the clients of those investment advisors and financial intermediaries.

## **The Funds**

HCA is the investment manager of the HCA Special Opportunities Fund, LP ("*Special Opportunities*"), the HCA Global Alpha Fund, LP ("*Alpha*"), the HCA Global Alpha Fund Offshore, Ltd. ("*Alpha Offshore*") and the sub-advisor to the HCA WindAcre Access Fund, LP ("*WindAcre Access*") (collectively, the "Funds"). The Funds seek to achieve their objectives by investing their assets in other collective investment vehicles or by allocating assets to separate account managers. Interests in the Funds are privately offered pursuant to Regulation D under the Securities Act of 1933, as amended. As of January 1, 2018, the General Partners of the Funds are affiliates of PPB

Capital Partners, LLC (collectively, PPB"). PPB is paid a fee by each Fund for serving as its general partner.

*Special Opportunities* is a Delaware limited partnership that currently relies on an exemption from registration under the Investment Company Act of 1940, as amended (the "*Company Act*") that is available to investment partnerships whose partnership interests are owned exclusively by "qualified purchasers" (as defined in the *Company Act*). *Special Opportunities* seeks capital appreciation with attractive risk-adjusted returns. *Special Opportunities'* strategy is to achieve capital appreciation with attractive risk-adjusted returns by investing its assets in a multi-manager format with third-party managers through collective investment vehicles and managed accounts. Participation as an investor in *Special Opportunities* is currently limited to HCA's clients that qualify as further described in the Fund's offering documents.

*Alpha*, a Delaware limited partnership, and *Alpha Offshore*, a Cayman Islands exempted company, currently rely on an exemption from registration under the *Company Act* that is available to investment funds whose interests are owned exclusively by "qualified purchasers" (as defined in the *Company Act*). The investment objective of the *Alpha* and *Alpha Offshore* funds is to achieve long-term capital appreciation through exposure to multiple types of equity strategies, including domestic, international (developed and emerging markets) and global strategies. *Alpha* and *Alpha Offshore* aim to achieve their objective by investing with investment managers who will be investing in separately managed accounts, commingled funds or investment partnerships. Participation as an investor in *Alpha* and *Alpha Offshore* are open to HCA's clients who are "qualified purchasers" and HCA does not receive, from these investors, any additional fees for its services as investment manager. *Alpha* and *Alpha Offshore* are also open to investors who are not existing clients of HCA, but who are "qualified purchasers". Investors who are not clients are subject to the incentive allocation and the management fee described in each offering document.

*WindAcre Access* is a Delaware limited partnership that currently relies on an exemption from registration under the Investment Company Act of 1940, as amended (the "*Company Act*") that is available to investment partnerships whose partnership interests are owned exclusively by "qualified purchasers" (as defined in the *Company Act*). *WindAcre Access* seeks to generate attractive returns and to outperform the market by investing substantially all its assets in The WindAcre Domestic Partnership LP.

Clients that invest in a Fund will bear the expenses of the Fund. HCA may, however, in its capacity as investment manager to the Funds, be reimbursed from the Funds certain expenses incurred by HCA in connection with research and due diligence by the principals and employees of HCA including, without limitation, a portion of the compensation of the principals and employees of HCA who perform research and due diligence for HCA as well as research and due diligence related travel expenses. Effective January 1, 2018, such reimbursement will be at a fixed rate of 0.55% per annum. The rate will decrease to 0.35% for any period during which the net asset value of the applicable fund is greater than \$100,000,000. Such expenses would have otherwise been borne by HCA if the assets were managed outside the Funds. This creates a conflict of interest for HCA.

All relevant information, terms and conditions relative to the Funds, including the investment objectives and strategies, minimum investments, qualification requirements, suitability, Fund expenses, risk factors, and potential conflicts of interest, are set forth in the offering documents (which typically include a confidential private offering memorandum, Limited Partnership Agreement, and Subscription Agreement), which each investor is required to receive and/or execute prior to being accepted as an investor in a Fund.

## Item 5. Fees and Compensation

Pursuant to the Client Agreement, clients pay HCA an annual fee based on a percentage of the market value of the assets being managed by HCA. HCA may provide certain of its clients with comprehensive financial planning and consulting services (which may include other non-investment related matters) as part of its investment management services. As discussed in response to Item 12 - Brokerage Practices, HCAs' annual fee is exclusive of, and in addition to custody charges, brokerage commissions, transaction fees, fees payable to third parties for electronic access to portfolio information and other related costs and expenses which shall be incurred by the client. However, HCA does not receive any portion of these commissions, fees and costs (other than in the form of reimbursements). HCA's annual fee is prorated and charged monthly, as set forth in the Client Agreement, in arrears, based upon the market value of the assets on the last day of the previous month. While HCA does not generally accept accounts less than \$10,000,000, when it does it may charge an annual fee up to 1% of the market value of the assets under management. For Accounts with a market value of at least \$10,000,000 the annual fee varies (between 0.50% and 0.75%) depending upon the market value of the assets under management and the type of investment management services to be rendered, incrementally, as follows:

| PORTFOLIO VALUE             |  | ANNUAL FEE |
|-----------------------------|--|------------|
| First \$10,000,000          |  | 0.75%      |
| \$10,000,001 - \$20,000,000 |  | 0.65%      |
| Above \$20,000,000          |  | 0.50%      |

HCA generally imposes a minimum annual fee of \$50,000 for its investment management services. HCA, in its sole discretion, may negotiate to waive its stated account minimum or charge a lesser management fee based upon certain criteria. In addition, HCA has full discretion to waive fees in certain circumstances (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts (employee & employee spouse accounts), account composition, pre-existing client, account retention, *pro bono* activities and such other factors that HCA determines in its discretion).

Clients may incur certain charges imposed by financial institution(s) and other third parties such as custodial fees, charges imposed directly by a mutual fund or exchange traded fund, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Furthermore, client assets that are allocated to private investment partnerships and to Independent Managers will be subject to management fees, performance fees and other expenses charged by such funds and investment managers. Client assets allocated to a Fund will bear the expenses charged by the Fund. Such charges, fees and commissions are exclusive of, and in addition to, HCA's fees.

HCA's investment management fee is generally inclusive of any investment-related consulting services. For the non-investment management clients and investment management clients that require a disproportionate amount of consulting services, HCA may charge a separate fee for investment-related consulting services. In these circumstances, an additional hourly or fixed fee shall be agreed upon prior to rendering the consulting services.

For the initial month of investment management services, the first month's fees are calculated on a *pro rata* basis. The Client Agreement between HCA and the client will continue in effect until terminated by either party pursuant to the terms of the Client Agreement. HCA's annual fee is

prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate, in a timely manner.

Fees on assets custodied by Fidelity and Pershing are calculated using electronic data feeds from the relevant custodian. These data feeds may vary from the custodial statements sent directly to clients based on timing differences for posting dividends, unsettled trades, etc. Margin and pending subscriptions may also be added back to custodial balances.

HCA may provide certain of its clients with comprehensive financial planning and consulting services (which may include other non-investment related matters) as part of its investment management services. HCA generally will not charge a separate fee for these services.

Fees charged by HCA to provide non-discretionary investment advice in the form of model portfolios to investment advisors or financial intermediaries may vary depending upon the level of service agreed to under the terms of advisory services agreements.

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

As described above in the Funds section of Item 4, *Alpha* and *Alpha Offshore* are open to investors who are not existing clients of HCA, but who are “qualified purchasers”. Investors who are not clients are subject to the Incentive Allocation and the Management Fee described in each offering document. The possibility that HCA may receive an Incentive Allocation, a form of performance-based compensation, creates a potential conflict of interest in that it may create an incentive for HCA to make investments that are riskier or more speculative than in the absence of such performance-based compensation. Investors are provided with clear disclosure as to how the Incentive Allocation is charged in *Alpha* and *Alpha Offshore* and the risks associated with such performance-based compensation prior to making an investment. As of December 31, 2017 all investors of *Alpha* and *Alpha Offshore* were clients of HCA.

## **Item 7. Types of Clients**

HCA provides investment supervisory services and financial planning services, to individuals, collective investment vehicles (including limited partnerships), pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. As a condition for starting and maintaining a relationship, HCA generally imposes a minimum annual fee of \$50,000. This minimum fee may have the effect of making HCA’s service impractical for clients, particularly those with portfolios less than \$10,000,000 under HCA’s management. HCA, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities and such other factors that HCA determines in its discretion. In addition, HCA, in its sole discretion, may aggregate related accounts, such as accounts related by personal or organizational relationships.

Clients who allocate assets to the Funds are required to satisfy the suitability criteria set forth in the offering memorandum for each such Fund. The minimum investment in a *Fund* is \$500,000, subject to the discretion of HCA to accept lesser amounts.

Additionally, certain Independent Manager(s) may impose more restrictive account requirements and varying billing practices than HCA. In such instances, HCA may alter its corresponding

account requirements and/or billing practices to accommodate those of the Independent Manager(s).

HCA provides non-discretionary investment advice to investment advisors and financial intermediaries as stated in Items 4 and 5 above.

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

HCA manages client assets, not through a specific trading strategy, but through Independent Managers and a proprietary asset allocation framework. This asset allocation framework begins with the evaluation of near, mid and long-term investment goals. Allocations are then made to asset classes and managers based on their ability to meet these needs. Allocations may be adjusted from time to time due to market conditions, new opportunities or other variables. Any factor that may impact returns is taken into account at each stage of the process.

Forward looking returns for broad asset classes (fixed income, public equity and alternatives) are developed based upon a forward-looking building block approach, which seeks to isolate the expected sources of return (yield, growth, valuation change, manager value added). Risks are assessed and assigned, with history used as a guide only, and adjusted for the current environment and for “worst case” downsides. In addition to viewing allocations along asset class lines, they are also viewed along a duration perspective, grouping often dissimilar assets into functional groupings (short-term – preservation, medium term – growth and income, long term – growth). Allocations are then made to asset classes and Independent Managers based on their ability to contribute meaningfully to a portfolio’s return, or its risk reduction. These allocations are dynamic and flexible, capable of adjusting over time in response to changing risks, return expectations, and opportunities. They are periodically modified to take advantage of new opportunities that arise or to take into account the emergence of niche manager skills. Taxes, liquidity and expenses are taken into consideration at each stage of the process and before making each investment decision, which can have a material impact on the overall returns.

Analyses on prospective and existing Independent Managers include but are not limited to trailing period returns, trailing period standard deviations, historical performance as well as drawdown, correlation and statistical analyses. All relevant benchmarks / indices and similar strategies are included in these analytics for comparative purposes. HCA also employs a robust due diligence program to evaluate prospective and existing Independent Managers which includes but is not limited to on-site visits and quarterly and annual questionnaires requesting operational and compliance related information and documentation. Based upon this initial and ongoing investment research, “bottom up” views on asset classes and strategies formulated from meetings with current and prospective managers are combined with “top down” views on macro factors to develop asset allocation views. HCA’s Investment Committee then takes those views, and translates them into three model portfolios; conservative, moderate and aggressive. Changes to those portfolios are communicated to clients broadly, and adjusted to a client’s specific circumstances and investment objectives.

All relevant information, terms and conditions relative to the Funds, including the investment objectives and strategies, minimum investments, qualification requirements, suitability, Fund expenses, risk factors, and potential conflicts of interest, are set forth in the offering documents (which typically include a confidential private offering memorandum, Limited Partnership Agreement, and Subscription Agreement), which each investor is required to receive and/or execute prior to being accepted as an investor in a Fund.

## Potential Risks

This brochure does not include every potential risk associated with an investment strategy, or all of the risks applicable to a particular portfolio. Investing in securities involves the risk of loss which investors should be prepared to bear. Other risks may include, but are not limited to:

Underperformance – HCA's judgments about the attractiveness, value and potential returns of a particular asset class, strategy or pooled investment vehicle may be incorrect and there is no guarantee that investments will perform as anticipated. The value of an investment can be more volatile than the market as a whole.

Management Risk – HCA's asset allocation plan may not meet all of a client's investment objectives.

General Market Risk - The day-to-day potential for an investor to experience losses from fluctuations in securities prices.

Liquidity Risk – Certain limited partnerships may be unable to raise funds to fill its commitments, or may be unable to sell investments quickly or at a fair value. The success of limited partnerships may depend upon the availability of the underlying funds or entities to develop and implement investment strategies that achieve the limited partnership's investment objective. Decisions made by these underlying funds or entities may cause the limited partnership to incur losses, which in turn may cause the limited partnership to limit a limited partner's withdrawals.

Foreign Investment Risk – Investing in foreign markets and foreign securities will expose investors to the risk that the value of an investment will fluctuate due to changes in currency exchange rates. Factors that may adversely affect the value of currency and securities are changes in interest rates, restrictions on repatriation of investment income and capital, imposition of exchange control regulation by the United States or foreign governments, confiscatory taxation, economic or political instability in foreign nations, or the risk of natural disasters in foreign countries or regions.

Emerging Market Risk - Emerging markets are typically not subject to the same credit evaluation and regulatory oversight that exists in U.S. markets, and as a result may be more volatile and less liquid than U.S. or other foreign markets. Exchange rate risk is especially higher in emerging markets.

Counterparty Risk – Investing in foreign securities and foreign markets exposes market participants to the risk that a counterparty may not settle a transaction in accordance with its contractual obligations. Disputes may arise and settlements may be delayed due to the lack of established rules for swift settlement or transactions may not be able to settle due to insolvency, bankruptcy or other causes.

Limited Track Record Risk – HCA may construct model portfolios, which have a limited track record, for use by investment advisors or financial intermediaries under the terms of advisory services agreements. Based upon the composition of the portfolios, each will be subject to specific risks associated with the underlying securities.

Market Price Risk – In addition to general market risk, certain securities such as Exchange-Traded Funds (ETFs) and Closed End Funds (CEFs) that trade on a national securities exchange or the Nasdaq Market System carry the risk that the market price of the security deviates from the Net Asset Value (NAV) of the security. There can be no assurance that an active trading market will be



maintained for shares of ETFs and CEFs or that market prices of the shares will be close to their NAV. The purchase of shares of ETFs and CEFs may result in duplication of expenses, including advisory fees, in addition to a fund's own expenses.

**Technology Risk** - With the increased use of technologies such as the Internet to conduct business, HCA is susceptible to operational, information security and related risks. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). Cyber incidents affecting HCA and other service providers (including but not limited to, accountants, custodians, transfer agents and financial intermediaries) have the ability to cause disruptions and impact business operations, potentially resulting in financial losses, interference with HCA's ability to calculate the net asset value ("NAV") of the Funds, impediments to trading, the inability of HCA to transact business, violations of applicable privacy and other laws, regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs. Similar adverse consequences could result from cyber incidents affecting issuers of securities in which HCA or the Funds invest, counterparties with which HCA or the Funds engage in transactions, governmental and other regulatory authorities, exchanges and other financial market operators, banks, brokers, dealers, insurance companies and other financial institutions (including financial intermediaries and service providers for HCA, the Funds and Registrant's clients) and other parties. In addition, substantial costs may be incurred in order to prevent any cyber incidents in the future. While HCA and the Funds' service providers have established business continuity plans in the event of, and risk management systems to prevent, such cyber incidents, there are inherent limitations in such plans and systems including the possibility that certain risks have not been identified. Furthermore, HCA cannot control the cyber security plans and systems put in place by its service providers or any other third parties whose operations may affect HCA, the Funds or HCA's clients.

## **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 an evaluation of the firm or the integrity of the firm's management. HCA has no legal or disciplinary events to report.

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

HCA and its employees do not have any affiliations with other financial services companies that pose material conflicts of interest.

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

HCA does not buy nor sell for itself securities that it also recommends to clients. However, persons associated with HCA ("*Associated Persons*") are permitted to buy or sell securities that HCA also recommends to its clients consistent with HCA's policies and procedures.

HCA has adopted a code of ethics that sets forth the standards of conduct expected of its Associated Persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Advisers Act, its Code of Ethics contains written policies reasonably designed to prevent the unlawful use of material non-public information by HCA or any of its Associated Persons. The Code of Ethics also requires that certain of HCA’s personnel (called “Access Persons”) report their personal securities holdings on an annual basis and report personal securities transactions on a quarterly basis as well as obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in HCA’s Code of Ethics, none of HCA’s Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale on behalf of any of HCA’s clients, until a decision has been made not to purchase or sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments; (iii) shares issued by open-ended mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds. HCA, in its normal course of business, does not generally trade individual equity and debt securities directly in client accounts. However, in certain circumstances upon client request, HCA may purchase or sell specific individual securities on behalf of clients. HCA currently effects trades of mutual funds and exchange traded funds in client accounts. Clients may contact HCA to request a copy of its Code of Ethics.

HCA may select or recommend investments for its clients that may indirectly benefit one or more of HCA’s other clients to the extent that one or more of HCA’s clients may receive direct or indirect compensation as a board member or related person of an investment adviser or Independent Manager of a recommended investment. Notwithstanding the foregoing, HCA mitigates this risk through its due diligence process, and makes investment decisions based on the merits of each investment.

## **Item 12. Brokerage Practices**

### **Selection of Broker-Dealers**

Except in limited circumstances in which the client directs HCA to execute securities transactions, or in which the implementation of a client portfolio may dictate the execution of securities transactions, HCA generally does not select the broker-dealer that executes client securities transactions. In these limited circumstances, HCA generally uses Fidelity Investments or Pershing LLC (“*Pershing*”) to execute securities transactions. HCA also uses Fidelity Investments and Pershing to custody client assets, including those allocated to the Independent Manager(s). Through the Fidelity relationship, HCA uses the brokerage services of National Financial Services, LLC and Fidelity Brokerage Services, LLC (together with all affiliates, “*Fidelity*”). The Funds’ assets are held in custody at First Republic Bank and the Funds also use the brokerage services of Fidelity for trading services, account reconciliation and prime brokerage reporting services.

Typically, the Independent Manager(s) are responsible for ensuring that clients get “best execution” because the Independent Manager(s) are responsible for the day-to-day investment decisions in client accounts. In seeking best execution, the determinative factor is generally 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 others, the value of

research provided, execution capability, commission rates, and responsiveness. Accordingly, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where HCA determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received by HCA. While HCA will seek to ensure Fidelity and Pershing provide competitive “best execution” rates, the lowest possible commission rates may not be obtained for client transactions. Factors which HCA considers in selecting and recommending Fidelity, Pershing or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research, and service. The commissions and/or transaction fees charged by Fidelity and Pershing may be higher or lower than those charged by other broker-dealers. The brokerage commissions and/or transaction fees charged by Fidelity and Pershing or any other designated broker-dealer are exclusive of and in addition to HCA’s fees.

HCA receives from Fidelity and Pershing, without cost, computer software and related systems support, which allow HCA to better monitor client accounts. HCA may receive the software and related support without cost from Fidelity because HCA renders investment management services to clients that, in the aggregate, maintain a certain level of assets at these firms. Fidelity enables HCA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. Additionally, HCA may receive the following benefits from Fidelity through the Fidelity Institutional Wealth Services: receipt of duplicate client trade confirmations and duplicate statements; access to a trading desk that exclusively services its Institutional Wealth Services participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information. Pershing also provides HCA with similar services as well as consulting services relating to trading systems other than those provided by Pershing. As a result of receiving such services at no additional cost, HCA may have incentive to continue to use or expand the use of services from Fidelity or Pershing.

### **Directed Brokerage**

A client may direct HCA 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 HCA will not seek better execution services or prices from other broker-dealers for execution through other broker-dealers with orders for other accounts managed by HCA (as described above). As a result, the client may not receive best execution, 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. HCA may decline a client’s request to direct brokerage if, in HCA’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Soft Dollars**

HCA may enter into soft dollar arrangements with broker-dealers. Soft dollar arrangements arise when an investment adviser obtains products and services, other than securities execution, from a broker-dealer in return for directing client securities transactions to the broker-dealer. When engaging in soft dollar transactions, HCA intends to comply with the safe harbor requirements of Section 28(e) of the Securities Exchange Act of 1934, as amended, and seeks to secure products and services that would qualify for this provision. Under this provision, in exercising its discretionary authority to select or arrange for the selection of brokers for execution of transactions for its clients, and, subject to its duty to obtain best execution, HCA may consider the value of research and brokerage and research products and services (collectively, “*Research*”) provided by

such broker-dealers. Research may include, among other things, proprietary research from broker-dealers, which may be written or oral. Research products may include, among other things, databases and quotation services. Research services may include among other things, research concerning the market, economic and financial data, a particular aspect of economics or on the economy in general, statistical information, pricing data and availability of securities, financial publications, electronic market quotations, performance measurement services, analyses concerning specific securities, companies, industries or sectors, market, economic and financial studies and forecasts, appraisal services, and invitations to attend conferences or meetings with management or industry consultants. Research generally will be used to service all of HCA'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 Research products and/or services poses a conflict of interest. HCA assesses that the benefit of receiving products and services is commensurate with its costs.

Generally, HCA will request that the Independent Managers that are allocated assets from *Alpha* and *Alpha Offshore* or allocated assets for separate accounts trade such assets through Pershing, LLC or Fidelity to the extent practicable. Many of these trades will generate "soft dollar" credits for *Alpha* and *Alpha Offshore* and for separate accounts which may be used by HCA to pay for research products and services, the use of which may benefit all clients of Hillview, not just *Alpha* and *Alpha Offshore*. The brokerage commissions charged by Pershing, LLC or Fidelity may be higher or lower than the brokerage commission that would be charged by another broker for the same transaction. Trades placed by Independent Managers for allocated assets in separate accounts do not fall within the safe harbor requirements of Section 28(e) since HCA did not place the trades; however, the products and services are research related and are considered in HCA's cost/benefit analysis.

### **Item 13. Review of Accounts**

For those clients to whom HCA provides investment supervisory services, HCA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom HCA provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis and may receive reports from HCA summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by HCA. Such reviews are conducted by one of HCA's investment advisory employees qualified to provide investment advisory services. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with HCA and to keep HCA informed of any changes. HCA shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom HCA provides investment advisory services will also receive a report from HCA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis, unless agreed otherwise.

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

If a client is introduced to HCA by either an unaffiliated or an affiliated solicitor, HCA may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 under the Advisers Act. Any such referral fee shall be paid to the solicitor based on a percentage of the overall assets investment management fee paid to HCA by the solicited client, and shall not result in any additional charge to the client.

## **Item 15. Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but HCA can access many clients' accounts through standing instructions or to debit advisory fees. Client signatures are required to move money for any transactions other than debiting client advisory fees and authorized trading. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by HCA.

Additionally, HCA's role as investment manager to the Funds enables it to access Fund assets and HCA has developed procedures that ensure the safeguarding and protection of the assets. Such procedures include among other things, maintaining the Funds' assets with an independent custodian, the separation of functions, and signatory approvals for certain types of distributions.

The Funds are subject to an annual audit completed by an independent public accounting firm that is registered with and subject to regular inspection by the Public Company Accounting Oversight Board and the audited financial statements are distributed to each Investor. The audited financial statements are prepared in accordance with generally accepted accounting principles, issued with an unqualified opinion, and distributed within 180 days of the Funds' respective fiscal year-ends.

## **Item 16. Investment Discretion**

HCA's client Agreement generally provides for full discretionary authority over client assets. HCA will also recommend that clients authorize the active discretionary management of a portion of their assets by and/or among certain Independent Managers, based upon the stated investment objectives of the client. The terms and conditions under which the client shall engage the Independent Manager(s) shall be set forth in the written agreements between (1) the client and HCA or (2) either HCA or client and the designated Independent Manager(s). Clients will be provided with the specific fees such manager will charge for their services. HCA shall continue to render advisory services to the client relative to the ongoing monitoring and review of account performance, for which HCA shall receive an annual advisory fee (described above) which is based upon a percentage of the market value of the assets being managed by the designated Independent Manager(s). Factors that HCA shall consider in recommending Independent Manager(s) include the client's stated investment objective(s), the investment manager's management style, performance, reputation, financial strength, reporting and pricing policies. The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, HCA's investment advisory fee set forth above.

HCA also may render non-discretionary investment management services to the client relative to: (1) variable life/annuity products that they may own, and/or (2) their individual employer-sponsored retirement plans. In so doing, HCA either directs or recommends the allocation of client assets among the various mutual fund subdivisions that comprise the variable/life annuity product or the retirement plan. The client assets shall be maintained at either the specific insurance company that

issued the variable life/annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

HCA may enter into advisory services agreements with investment advisory firms or other financial intermediaries to provide non-discretionary investment advice in the form of model portfolios.

## **Item 17. Voting Client Securities**

Independent Managers generally have the authority to vote proxies solicited by and with respect to issuers of securities held in allocated accounts managed by such Independent Managers.

HCA may also vote proxies on behalf of its clients, as provided for in HCA's Client Agreement. When HCA accepts such responsibility, it will cast proxy votes only in a manner consistent with the best interests of its clients. Absent special circumstances, which are described in HCA's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in HCA's Proxy Voting Policies and Procedures, as they may be amended from time to time. At any time, clients may contact HCA to request information about how HCA voted proxies for that client's securities or get a copy of HCA's Proxy Voting Policies and Procedures. A brief summary of HCA's Proxy Voting Policies and Procedures are as follows:

- HCA's Director of Client Portfolio Administration will generally vote proxies in the best interests of HCA's clients, ensuring that proxies are submitted in a timely fashion, according to HCA's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are to be followed as a general policy, certain issues will be considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, HCA shall devote an appropriate amount of time and resources to monitor these changes.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that HCA maintains with persons having an interest in the outcome of certain votes, HCA will take appropriate steps to ensure that its proxy voting decisions are made in the best interests of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

HCA does not require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance. HCA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.