

# Kaname Capital, L.P.

Form ADV  
Part 2A Brochure  
June 2019



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This brochure (“Brochure”) provides information about the qualifications and business practices of Kaname Capital, L.P. (“Kaname” or the “Firm”). If you have any questions about the contents of this Brochure, please contact Kaname Capital by phone at (617) 841-7705 or by email at [contact@kanamecapital.com](mailto:contact@kanamecapital.com).

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

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

**Item 2: Material Changes**

This is the Firm's initial filing of the Form ADV Part 2A. As such, there are no material changes to report.

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#### **Item 4: Advisory Business**

Kaname Capital, L.P. is a Delaware limited partnership that was formed in September 2018. The Firm is owned and controlled by Thomas (Toby) Rodes and Eric Ikauniks through their ownership of Kaname Capital GP, LLC. The Firm is the sub-adviser to an unaffiliated private fund, SCHF (M) PV, L.P. (the “Fund”), currently, its only client.

The Firm seeks to accomplish its investment mandate on behalf of the Fund generally by investing in Japanese small cap equities.

The Firm does not participate in wrap fee programs.

As of May 31, 2019, the Firm’s regulatory assets under management were approximately \$68 million, all managed on a discretionary basis.

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

In consideration of the services it provides as sub-adviser to the Fund, Kaname receives a flat fee paid quarterly in advance by the Fund’s adviser. To the extent that the adviser reduces assets under Kaname’s management during a quarter, Kaname’s advisory fee will be reduced on a pro-rata basis for that quarter. Additionally, Kaname is eligible to receive an annual performance fee of 10% of the gains over a hurdle rate of 10%, with the previous year’s closing net asset value as the base for comparison.

In addition to the management fee and performance fee, the Fund’s adviser also reimburses Kaname for up to \$35,000 annually for investment research expenses which are charged to the Fund.

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

As described in Item 5, above, Kaname is eligible to receive an annual performance fee based on outperformance of a hurdle rate of 10% from the prior year’s net asset value.

Although performance-based fees are intended to align Kaname’s interests with those of the Fund, creating a greater incentive for Kaname to manage Fund assets well, they also can create conflicts of interest between Kaname and its supervised persons, on the one hand, and the Fund, on the other hand. For example, a performance-based fee may create an incentive for Kaname to make investments on behalf of the Fund that are riskier, more speculative or exhibit more volatility than would be the case in the absence of a performance-based fee.

Kaname seeks to mitigate potential conflicts of interests in a number of ways. First, the governing documents of the Fund contain provisions governing the type of securities (including the targeted market capitalization of the issuer) in which such Fund primarily invests and other conflicts of interests. These provisions are designed to minimize conflicts of interests between Kaname and the Fund, and provide clear, predetermined rules for resolving certain conflicts of interest. Second, Kaname takes seriously its duties as an investment adviser and values highly its reputation. Kaname

seeks long-term absolute and relative out- performance for its clients, irrespective of performance-based fees.

Kaname does not represent that the amount it receives as a performance fee or the manner of calculating such performance fee is consistent with the performance-based fees charged by other investment advisers under the same or similar circumstances. The performance fee paid by the Fund may be higher or lower than the performance-based fees or allocations charged by other investment advisers for the same or similar services.

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

The Fund is currently Kaname's sole client. Kaname manages its portion of the Fund in accordance with the stated objectives provided to Kaname by the Fund's adviser and not individually to investors in the Fund. Similarly, the Fund is governed by a limited partnership agreement or other appropriate governing documents and managed in accordance with the terms and conditions of such governing documents.

Investors in the Fund generally are required to be "accredited investors" within the meaning of Regulation D of the Securities Act of 1933, as amended, and "qualified purchasers" within the meaning of the Section 2(a)(51) of the Investment Company Act of 1940, as amended.

The Fund relies on certain exclusions from the definition of "investment company" in the Investment Company Act of 1940, as amended. Accordingly, the Fund is not registered as an investment company with the SEC.

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

Kaname's process is bottom-up, fundamental investing combined with an active engagement process with management of the Fund's portfolio holdings. Kaname begins its research process using its proprietary screening methodology to identify attractive stocks based on a wide range of characteristics. The screens help Kaname narrow the potential investment universe to a small subset of opportunities on which it does further research, including, but not limited to, face-to-face meetings and interactions with the companies themselves. Kaname's principals' fluency in the Japanese language helps to facilitate such interactions.

*Risk of Loss.* No guarantee or representation is made that the Fund's investment programs, including, without limitation, the Fund's investment objectives, diversification strategies or risk monitoring goals, will be successful. Investment results may vary substantially over time. No assurance can be made that profits will be achieved or that substantial or complete losses will not be incurred. Past results are not necessarily indicative of future performance.

*General Economic and Market Conditions.* The success of the Fund's activities will be affected by general economic and market conditions, such as global and local economic growth, interest rates, availability of credit, credit defaults, inflation rates, economic uncertainty, changes in laws (including laws relating to taxation of the Fund's investments), trade barriers, currency exchange controls, and national and international political circumstances (including wars, terrorist acts, or security operations). These

factors may affect the level and volatility of the prices and the liquidity of the Fund's investments. Volatility or illiquidity could impair the Fund's profitability or result in losses. The Fund may maintain substantial trading positions that can be adversely affected by the level of volatility in the financial markets.

*Private Investment Funds.* The legal, tax, and regulatory environment worldwide for private investment funds and their managers is evolving. Changes in the regulation of private investment funds, their managers, and their trading and investing activities may have a material adverse effect on the ability of the Fund to pursue its investment program and the value of investments held by the Fund.

*Change in Laws and Regulations.* The Fund and its investments may be sensitive to changes in law or regulation, particularly those regarding rights and remedies available to holders of certain securities. Changes in law or regulation could severely limit the availability of investments for the Fund or affect the value of its investments or the amount of time it takes for the Fund to acquire and dispose of its investments. The effect of changes in law or regulation may be difficult to predict and may occur at any time.

*Competition; Availability of Investments.* Certain markets in which the Fund may invest may be competitive. As a result, there can be no assurance that the Firm will be able to identify or successfully pursue attractive investment opportunities in such environments. Further, the Fund's investment strategies and performance may be affected by the number of other investors pursuing similar strategies. Additionally, when other investors pursue similar strategies, the Firm's ability to influence investment outcomes may be affected.

*Japanese Securities.* An investment in the Fund will be subject to risks specific to investments in Japanese securities. Because the Japanese economy is heavily dependent on commodity imports, fluctuations or shortages in the commodity markets (especially oil) could negatively impact an investment in the Fund. Other risks arising from investing in Japanese securities include risks from earthquakes, volcanoes, tsunamis, and other environmental events; risks that Japan's trading partners, including China and other Southeast Asian countries, will experience significant political and economic turmoil; currency fluctuations; risks stemming from financial system instability due to large levels of non-performing loans, over-leveraged corporate balance sheets, extensive cross-ownership by major corporations, and large government deficits; and risks from an aging labor force, which could impair Japan's production capacity and overall competitiveness. There is still significant uncertainty surrounding Japan's economy, and investors should be prepared to bear such risks and uncertainties.

*Concentration Risk.* The Fund principally invests in equity securities issued by companies with significant relations to one country - Japan. By focusing its investments in one country, the Fund is subject to additional risk stemming from the non-diversification of its investments. Among other things, investment performance is closely tied to social, political, and economic conditions and changes in regulatory or tax policy within Japan. Due to this concentration, Kaname's investment strategy involves greater financial risk than the strategy of other more diversified investment funds.

*Foreign Investment Risk.* The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments, and changes in the regulatory environments of foreign countries. In addition, changes in exchange rates and interest

rates may adversely affect the values of the Fund's foreign investments. Foreign companies are generally subject to different legal and accounting standards than U.S. companies, and foreign financial intermediaries may be subject to less supervision and regulation than U.S. financial firms. Foreign securities include ADRs, EDRs and GDRs. Unsponsored ADRs and GDRs are organized independently and without the cooperation of the foreign issuer of the underlying securities and involve additional risks because U.S. reporting requirements do not apply. In addition, the issuing bank may deduct shareholder distribution, custody, foreign currency exchange, and other fees from the payment of dividends.

*Currency Risk.* The values of investments in securities denominated in foreign currencies increase or decrease as the rates of exchange between those currencies and the U.S. dollar change. Currency conversion costs and currency fluctuations could erase investment gains or add to investment losses. Currency exchange rates can be volatile and are affected by factors such as general economic conditions, the actions of the United States and foreign governments or central banks, the imposition of currency controls, and speculation.

*Volatility of Small Capitalization Companies.* Investments in small capitalization stocks involve greater risk than is customarily associated with investments in larger, more established companies. These companies often have sales and earnings growth rates that exceed those of large companies. These growth rates may in turn be reflected in more rapid share price appreciation. Smaller companies often have limited product lines, markets, or financial resources, and they may be dependent upon one-person management. These securities may have limited marketability and may be subject to more abrupt or erratic movements in price than securities of larger companies or the market averages in general.

*Systems and Operational Risk.* The Firm and the Fund rely heavily on certain financial, accounting, data processing, and other operational systems and services that are employed by the Firm and/or by third-party service providers, including legal service providers, a third-party administrator, and others. Many of these systems and services require manual input and are susceptible to error. These systems or services may be subject to certain defects, failures, or interruptions.

*Cybersecurity.* The Firm and its service providers are subject to risks associated with a breach in cybersecurity. Cybersecurity is a generic term used to describe the technology, processes, and practices designed to protect networks, systems, computers, programs, and data from both intentional cyberattacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage or interruption from computer viruses, network failures, computer and telecommunications failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages, and catastrophic events such as fires, tornadoes, floods, hurricanes, and earthquakes. A cybersecurity breach could expose both the Firm and the Fund to substantial costs (including, without limitation, those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information, and reputational damage), civil liability, and regulatory inquiry or action. In addition, any such breach could lead to substantial withdrawals from the Fund. While the Firm has established a business continuity plan in the event of, and risk management strategies, systems, policies and procedures to seek to prevent, cybersecurity breaches, there are

inherent limitations in such plans, strategies, systems, policies, and procedures including the possibility that certain risks have not been identified. Furthermore, the Firm and the Fund cannot control the cybersecurity plans, strategies, systems, policies, and procedures put in place by other service providers to the Fund and/or the issuers in which the Fund invests.

The risks described above are not a complete list of all risks associated with the Fund's investment strategies. In addition, as the Fund's investment program develops and changes over time, an investment in such Fund may be subject to additional and different risk factors.

Investors should refer to a Fund's Governing Documents for a more complete description of the risks involved in investing in such Fund.

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

The Firm and its management persons have not been involved in any legal or disciplinary events that are material to an Investor's evaluation of the Firm's investment advisory business or the integrity of the Firm's management.

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

Neither the Firm nor any of its management persons is registered or has an application pending to register as (i) a broker-dealer or a registered representative of a broker-dealer or (ii) a futures commission merchant, a commodity pool operator, a commodity trading adviser or associated person of the foregoing.

The Firm has no material relationships or arrangements with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer, or an entity that sponsors or syndicates limited partnerships that are material to its advisory services or the Fund. The Firm has developed and will continue to develop relationships with professionals who provide services such as legal, accounting, banking, tax preparation, insurance brokerage, and other personal services. None of the above relationships create a material conflict of interest with either the Fund or its investors.

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

The Firm has adopted a Code of Ethics (the "Code") that is designed to meet the requirements of Rule 204A-1 of the Investment Advisers Act of 1940 (the "Advisers Act"). The Firm's Code covers standards for business conduct, confidentiality of client information, personal trading limitations, preventing against insider trading, reporting of personal securities transactions, social media policies, political contribution policies, and restrictions on gifts and business entertainment items, among other things.

The Code applies to all Firm personnel and sets forth a standard of business conduct that takes into account the Firm's fiduciary duty as an investment adviser to the Fund. The Code requires Firm



personnel to comply with applicable federal securities laws, and to promptly bring any violations of the Code to the attention of the Firm's Chief Compliance Officer. All personnel are provided with a copy of the Code and are required to acknowledge receipt and understanding of the Code on at least an annual basis.

All Firm personnel must provide an initial list of personal securities accounts and holdings. Thereafter, the Firm requires its personnel to report their securities transactions on a quarterly basis and to disclose their securities holdings on an annual basis. The Code also includes insider trading policies and procedures that are designed to prevent the improper use of material, non-public information. Such policies and procedures generally prohibit the Firm and its personnel from trading for the Fund or themselves in securities of an issuer while in possession of material, non-public information about the issuer. Violations of the Code may result in remedial actions, including, but not limited to, fines, censure, suspension, or termination.

The Firm will provide a copy of its Code to any existing or prospective Investor upon request to its Chief Compliance Officer by phone at: (617) 841-7705, or by email at: [contact@kanamecapital.com](mailto:contact@kanamecapital.com).

If any matter arises that the Firm determines in good faith to constitute an actual conflict of interest, the Firm may take such actions as may be necessary or appropriate to ameliorate the conflict.

## **Item 12: Brokerage Practices**

It is Kaname's policy to execute portfolio transactions in the best interests of the Fund, including to seek to obtain "best execution" of every transaction made by Kaname for the Fund. The term "best execution" means seeking the best price and execution for a security in the marketplace as well as ensuring that, in executing client transactions, clients do not incur unnecessary brokerage costs and charges. Kaname is not obligated to obtain the lowest possible commission cost, but rather, should determine whether the transaction represents the best qualitative execution for the Fund. Kaname has adopted procedures to help it apply this policy.

On an annual basis, Kaname evaluates the execution performance of its brokers.

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

Kaname is solely responsible for choosing the broker or brokers used for each securities transaction for the Fund. In negotiating commission rates and selecting broker-dealers, Kaname will take into account the financial stability and reputation of the particular broker-dealer, the ability to achieve prompt and reliable executions at favorable prices, the operational efficiency with which transactions are effected and the brokerage and research services provided by such broker-dealer, among other factors. Since commission rates are generally negotiable, selecting brokers on the basis of considerations which are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

Kaname conducts the majority of the Fund's trading through the Fund's prime broker, but in certain circumstances, trades are executed through the prime broker but the prime broker "steps out" of the commissions associated with those trades in favor of another broker. Such transactions do not adversely impact the Fund's investors.

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

The Firm does not participate in any soft dollar arrangements outside of receiving research available to other institutional investors. Research services received from brokers and dealers are supplemental to the Firm's own research effort. To the best of the Firm's knowledge, these services are generally made available to all institutional investors doing business with such broker-dealers. The Firm does not separately compensate such broker-dealers for the research and does not believe that it “pays-up” for such broker-dealers’ services due to the difficulty associated with the broker-dealers not breaking out the costs for such services. In addition, the Firm believes that any information received from a broker-dealer is consistent with the safe harbor for brokerage and research services under Section 28(e) of the Securities Exchange Act of 1934.

### **Directed Brokerage**

Kaname does not have client directed brokerage arrangements.

### **Aggregation of Orders**

As the adviser to one client, the Fund, Kaname does not currently require a policy regarding the aggregation of orders. At such time as Kaname obtains additional clients, it will adopt the necessary aggregation policies.

### **Trade Errors**

Kaname believes that if a trade error occurs, it should be corrected in a prompt and efficient manner to minimize any loss. Pursuant to guidance from the SEC and the U.S. Department of Labor, Kaname does not use commissions from Fund transactions to compensate brokers for absorbing a trade. Additionally, pursuant to Section 28(e) of the Exchange Act, Kaname will not compensate for a loss by providing future commissions or soft-dollars to a broker-dealer. In general, when the error and the responsible party are identified, the trade is broken immediately, if possible, and the error is corrected the same day.

It is Kaname policy that it will net all gains and losses resulting from trade errors on an annual basis. If there is an overall net gain for the Fund, Kaname will leave such gain in the Fund’s account. If there is an overall net loss, Kaname will reimburse the Fund’s account with the appropriate amount necessary to make the affected Fund whole. If deemed necessary, Kaname will address trade errors on a more frequent than annual basis.

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

The Fund’s portfolio is under continuous review by the Firm.

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

The Firm does not compensate any person for client referrals, nor does it receive economic benefits from any third party for providing investment advisory services to the Fund.

**Item 15: Custody**

Kaname does not have custody of any Client funds or securities. All Client accounts are held in custody by unaffiliated broker-dealers or banks, and Kaname does not have the ability to access client funds or to debit its advisory fees.

**Item 16: Investment Discretion**

The Firm has discretionary authority to manage securities on behalf of the Fund. The Firm is authorized to make transaction recommendations for the Fund, subject to the terms of the Firm's investment management agreement with the Fund's adviser.

**Item 17: Voting Client Securities**

Kaname has established proxy voting policies and procedures designed to ensure that in cases when Kaname votes proxies with respect to the Fund's securities, such proxies are voted in the best interests of the Fund. Generally, Kaname votes proxies it receives on behalf of its clients absent unusual circumstances.

If a material conflict of interest between Kaname and the Fund exists, Kaname will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Fund or take some other appropriate action.

Kaname's client and investors in the Fund managed by Kaname may request a copy of its proxy voting policies and procedures, as well as the Fund's proxy voting records, by contacting the Chief Compliance Officer by phone at (617) 841-7705 or by email at [contact@kanamecapital.com](mailto:contact@kanamecapital.com).

Kaname does not generally participate in class action settlements.

**Item 18: Financial Information**

The Firm has never filed for bankruptcy and is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to the Fund.