

## Item 1: Cover Page

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# NK Capital LLC

## Form ADV Part 2A Brochure

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This brochure provides information about the qualifications and business practices of NK Capital LLC. If you have any questions about the contents of this brochure, please contact us at the telephone number or email address listed above. 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. NK Capital LLC is a registered investment adviser, but registration does not imply a certain level of skill or training.

Additional information about NK Capital LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and by searching for CRD# 318615.

## Item 2: Material Changes

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There are no material changes to identify or discuss since the last brochure was filed on August 31, 2023.

## Item 3: Table of Contents

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## Item 4: Advisory Business

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- A. NK Capital LLC (“Adviser”) is an investment adviser founded in 2016 and registered with the U.S. Securities and Exchange Commission (“SEC”), and is principally owned by Krish Daftary and Nikhil Daftary.

Advisory Services: Adviser provides ongoing discretionary investment management services through either managed accounts as provided directly to high-net-worth individuals, family offices, and institutions (the “Managed Accounts”), or through its management of pooled investment vehicles (the “Pooled Investment Vehicles”).

With respect to Managed Accounts, Adviser’s discretionary management is based upon each client’s current financial condition, goals, risk tolerance, income, liquidity requirements, investment time horizon, and other information that is relevant to the management of such clients’ account(s).

With respect to Pooled Investment Vehicles, Adviser currently serves as the investment manager to a portion or “sleeve” of the assets of an independent and unaffiliated private fund, as well as the sole investment manager to NKC Flagship, LP (the “Fund”). The general partner of the Fund, NKC General Partner LLC (the “General Partner”) is owned by Krish Daftary and Nikhil Daftary, and is thus under common control with Adviser. The Fund is managed pursuant to the same investment philosophy as Managed Accounts, but limited partners of the Fund should carefully review the Fund’s subscription documents, limited partnership agreement, and private placement memorandum (collectively, the “Fund Documents”) for a complete description of the Fund’s investment objective, fees, and associated risks.

- B. Both Managed Account clients and limited partners of the Fund must be “qualified clients” as such terms are defined under U.S. federal securities laws.

Adviser typically provides investment advice with respect to limited types of investments, which include publicly-traded equities. However, Adviser retains the discretion to make investments into other security types and investment products dependent upon the written agreement with the client.

- C. Adviser does not participate in any wrap fee programs.

- D. Adviser manages the following amount of discretionary and non-discretionary client assets calculated as of December 31, 2023:

- |     |                    |              |
|-----|--------------------|--------------|
| i.  | Discretionary:     | \$29,684,718 |
| ii. | Non-Discretionary: | \$0          |

## Item 5: Fees and Compensation

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- A. Managed Account clients pay Adviser an annualized management fee of 0.50%, charged either monthly or quarterly based on the fair market value of the account.

In addition, Managed Account clients that are qualified clients pay Adviser an annual performance fee (the "Performance Fee") in an amount equal to twenty percent (20%) of the calendar year capital appreciation of the account in excess of the "hurdle". This will be generally calculated as the year end value of the account, less applicable expenses for such year, less the "hurdle" defined as the product of (A) 1.06 and (B) each client's beginning "high water mark" for such year.

Investors in the Fund will generally be subject to (i) a quarterly management fee, payable in advance, equal to 1/4th of 0.50% (0.50% per annum) of such investor's capital account balance as of the beginning of each quarter (the "Management Fee"); and (ii) an annual incentive allocation equal to 20% of each investor's ratable share of the Fund's profits for such year in excess of in excess of a "hurdle", generally representing a rate of return calculated as the product of 1.06 and each capital account's "high water mark" (the "Incentive Allocation").

Fees associated with Adviser's management of independent and unaffiliated Pooled Investment Vehicles are subject to the investment management agreement with such vehicle's sponsor.

In addition, clients and investors should be aware that the accounts of the Adviser and its affiliated personnel are not assessed the management fee, performance fee, or incentive allocation.

- B. In addition to the fees charged by Adviser, Managed Account clients will incur brokerage and other transaction costs. Please refer to Item 12: Brokerage Practices, for further information on such brokerage and other transaction-related practices. Clients will also typically incur additional fees and expenses imposed by independent and unaffiliated third-parties, which can include qualified custodian fees, mutual fund or exchange traded fund fees and expenses, mark-ups and mark-downs, spreads paid to market makers, wire transfer fees, check-writing fees, certain deferred sales charges on previously-purchased mutual funds, margin fees, charges or interest, IRA and qualified retirement plan fees, and other fees and taxes on brokerage accounts and securities transactions. The Fund and other independent and unaffiliated Pooled Investment Vehicle clients will incur additional fees and costs as described in the Fund Documents associated with such vehicle. Such fees and costs can include, for example, legal fees and expenses, all trading expenses and transaction costs, all filing and recording fees, and all applicable federal, state, local and foreign taxes payable by the Fund. These additional charges are separate and apart from the fees charged by Adviser.
- C. If Adviser or a Managed Account client terminates the advisory agreement before the end of a billing period, Adviser's fees will be prorated through the effective date of the termination. The pro rata fees for the remainder of the billing period after the termination will be refunded to the client. Investors in the Fund are subject to the withdrawal limitations and associated pro-rata fees as described in the Fund Documents.
- D. Neither Adviser nor any of its supervised persons accepts compensation for the sale of securities or other investment products.

## Item 6: Performance-Based Fees & Side-By-Side Management

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As described in Item 5, Adviser charges a performance fee to Managed Account Clients and an incentive allocation to the Fund. This will also generally be the case for other Pooled Investment Vehicle clients. Such fees are only assessed with respect to “qualified clients” as such terms are defined under U.S. federal securities laws. Clients should be aware that performance-based fee arrangements create an incentive for the Adviser to recommend investments which may be riskier or more speculative than those which would be recommended under a different fee arrangement. Adviser mitigates this incentive and associated conflict of interest by selecting investments that it believes to be appropriate for Managed Account clients, the Fund, and any other Pooled Investment Vehicles. The performance fee and incentive allocation are in addition to the management fees.

## Item 7: Types of Clients

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Adviser generally provides its services to high-net-worth individuals, family offices, institutions, and Pooled Investment Vehicles. The minimum account value required to open and maintain an account with Adviser is \$250,000, subject to negotiation.

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

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- A. Adviser's investment objective is to protect and grow client and investor capital by generating tax efficient net returns. Adviser generally seeks to achieve this objective by making concentrated investments in public equities, but retains the discretion to make investments into other security types and investment products subject to the written agreement with the client. Adviser looks to invest in durable businesses run by exceptional management at reasonable valuations. Investing in securities involves risk of loss that clients should be prepared to bear. Past performance does not guarantee future returns.
- B. Like any investment strategy, investing in a concentrated number of public equities involves material risks. Such material risks are described in further detail below:
- i. Investing for the long term means that a client's account will be exposed to short-term fluctuations in the market and the behavioral impulse to make trading decisions based on such short-term market fluctuations. Adviser does not condone short-term trading in an attempt to "time" the market, and instead seeks to remain committed to each client's investment objectives. However, investing for the long term can expose clients to risks borne out of changes to interest rates, inflation, general economic conditions, market cycles, geopolitical shifts, and regulatory changes.
  - ii. Inflation risk is the risk that the value of a client's portfolio will not appreciate at least in an amount equal to inflation over time. General micro- and macro-economic conditions may also affect the value of the securities held in a client's portfolio, and general economic downturns can trigger corresponding losses across various asset classes and security types. Market cycles may cause overall volatility and fluctuations in a portfolio's value, and may increase the likelihood that securities are purchased when values are comparatively high and/or that securities are sold when values are comparatively low. Geopolitical shifts may result in market uncertainty, lowered expected returns, and general volatility in both domestic and international securities. Regulatory changes may have a negative impact on capital formation and increase the costs of doing business, and therefore result in decreased corporate profits and corresponding market values of securities.
  - iii. Investing in common stocks means that a client will be subject to the risks of the overall market as well as risks associated with the particular company or companies whose stock is owned. These risks can include, for example, changes in economic conditions, growth rates, profits, interest rates and the market's perception of these securities. Common stocks tend to be more volatile and more risky than certain other forms of investments, especially as compared to fixed income products like bonds.
  - iv. Investments in limited partnerships such as the Fund and other Pooled Investment Vehicles subject investors to liquidity restrictions, which means that an investor may not be able to redeem his or her investment until a redemption window is available. In addition, such investments can be more volatile and less transparent than an exchange-listed security that trades daily in an electronic marketplace. Limited partnerships can be more difficult to value than exchange-listed securities, and therefore are more reliant on individual judgment as opposed to market prices when determining a valuation. Adviser believes this valuation risk to be substantially mitigated due to its limited investments into publicly-traded equities. Managed Account clients may also bear similar risks.

Investors into limited partnerships (including the Fund and other Pooled Investment Vehicles) and Managed Accounts are generally required to be accredited investors or



qualified clients, and should carefully consider the specific risks described in the applicable investment management agreement, private placement memorandum, limited partnership agreement, or other disclosure documents.

- v. Investing in a limited, concentrated number of public equity positions means that Managed Account clients, the Fund, and other Pooled Investment Vehicles will not be broadly diversified into multiple types of asset classes or security types. This can increase volatility and amplify losses to the extent the concentrated public equities into which the Managed Account clients, the Fund, or other Pooled Investment Vehicles are invested experience a broad decline in market value.

## Item 9: Disciplinary Information

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There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of Adviser's advisory business or the integrity of Adviser's management.

## Item 10: Other Financial Industry Activities & Affiliations

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- A. Neither Adviser nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither Adviser nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.
- C. Neither Adviser nor any of its management persons have any relationship or arrangement with any related person below:
  - i. broker-dealer, municipal securities dealer, or government securities dealer or broker
  - ii. other investment adviser or financial planner
  - iii. futures commission merchant, commodity pool operator, or commodity trading advisor
  - iv. banking or thrift institution
  - v. accountant or accounting firm
  - vi. lawyer or law firm
  - vii. insurance company or agency
  - viii. pension consultant
  - ix. real estate broker or dealer
  - x. sponsor or syndicator of limited partnerships
- D. As discussed in Item 4, Adviser currently serves as the investment manager to the Fund. The General Partner is owned by Krish Daftary and Nikhil Daftary, and is thus under common control with the Adviser. This common ownership creates a conflict of interest to the extent that Managed Account Clients are invested into the Fund, as Krish and Nikhil Daftary will indirectly earn additional compensation as a result of the management fee and incentive allocation charged to Fund investors as described in Item 5, above. Adviser addresses this conflict of interest by fully disclosing it in this brochure, by advising Managed Account Clients to whom they recommend an investment into the Fund about the common ownership and fees that will result, and by not charging any Managed Account client additional management fees or performance fees with respect to Managed Account client assets invested into the Fund.

## Item 11: Code of Ethics, Participation or Interest in Client Transactions & Personal Trading

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- A. Adviser has adopted a code of ethics that will be provided to any client, prospective client or investor in the Fund upon request. Adviser's code of ethics describes the standards of business conduct that Adviser requires of its supervised persons, which is reflective of Adviser's fiduciary obligations to act in the best interests of its clients. The code of ethics also includes sections related to compliance with securities laws, reporting of personal securities transactions and holdings, reporting of violations of the code of ethics to Adviser's Chief Compliance Officer, pre-approval of certain investments by access persons, and the distribution of the code of ethics and any amendments to all supervised persons followed by a written acknowledgement of their receipt.
- B. The Adviser may recommend to clients, or buy or sell for client accounts, securities in which Adviser or its related persons has a material financial interest.
- C. From time to time, Adviser or its related persons will invest in the same securities (or related securities such as warrants, options or futures) that Adviser or a related person recommends to clients. This has the potential to create a conflict of interest because it affords Adviser or its related persons the opportunity to profit from the investment recommendations made to clients. Adviser's policies and procedures and code of ethics address this potential conflict of interest by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Adviser will act in the best interests of its clients.
- D. From time to time, Adviser or its related persons will buy or sell securities for client accounts at or about the same time that Adviser or a related person buys or sells the same securities for its own (or the related person's own) account. This has the potential to create a conflict of interest because it affords Adviser or its related persons the opportunity to trade either before or after the trade is made in client accounts, and profit as a result. Adviser's policies and procedures and code of ethics address this potential conflict of interest by monitoring for compliance through the reporting and review of personal securities transactions. In all instances Adviser will act in the best interests of its clients.

## Item 12: Brokerage Practices

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- A. Adviser considers several factors when recommending a custodial broker-dealer for Managed Account client transactions and determining the reasonableness of such custodial broker-dealer's compensation. Such factors include the custodial broker-dealer's industry reputation and financial stability, service quality and responsiveness, execution price, speed and accuracy, reporting abilities, and general expertise. Assessing these factors as a whole allows Adviser to fulfill its duty to seek best execution for its clients' securities transactions. However, Adviser does not guarantee that the custodial broker-dealer recommended for client transactions will necessarily provide the best possible price, as price is not the sole factor considered when seeking best execution. Adviser undertakes a similar analysis with respect to the broker-dealers and the custodians used for the Fund, but retains the discretionary authority to choose which broker-dealers through which transactions are to be placed and assets are to be maintained under custody.
- i. Adviser does not receive research and other soft dollar benefits in connection with client securities transactions, which are known as "soft dollar benefits". However, the custodial broker-dealer(s) recommended by Adviser do provide certain products and services that are intended to directly benefit Adviser, clients, or both. Such products and services include (a) an online platform through which Adviser can monitor and review client accounts, (b) access to proprietary technology that allows for order entry and other account maintenance, (c) duplicate statements for client accounts and confirmations for client transactions, (d) invitations to the custodial broker-dealer(s)' educational conferences, and (e) practice management consulting. The receipt of these products and services creates a conflict of interest to the extent it causes Adviser to recommend or select a particular broker-dealer and/or custodian as opposed to a comparable broker-dealer and/or custodian. Adviser addresses this conflict of interest by fully disclosing it in this brochure and by evaluating recommended and selected broker-dealers and/or custodians based on the value and quality of its services as realized by clients.
  - ii. Adviser does not consider, in selecting or recommending custodial broker-dealers, whether Adviser or a related person receives client referrals from a custodial broker-dealer or third-party.
  - iii. Adviser does not recommend, request, or require that a client direct Adviser to execute transactions through a specified custodian and/or broker-dealer.
- B. Adviser retains the ability to aggregate the purchase and sale of securities for clients' accounts with the goal of seeking more efficient execution and more consistent results across accounts. Aggregated trading instructions will not be placed if it would result in increased administrative and other costs, custodial burdens, or other disadvantages. If client trades are aggregated by Adviser, such aggregation will be done so as to not disadvantage any client and to treat all clients as fairly and equally as possible.

## Item 13: Review of Accounts

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- A. The Chief Compliance Officer of Adviser periodically reviews client accounts. Such reviews seek to ensure that Managed Account clients, the Fund, and other Pooled Investment Vehicles are still on track to achieve the agreed-upon investment objective. Managed Account clients are encouraged to proactively reach out to Adviser to discuss any changes to their personal or financial situation.
- B. Other factors that may trigger a review include, but are not limited to, material developments in market conditions, material geopolitical events, and changes to a Managed Account client's personal or financial situation (the birth of a child, preparing for a home purchase, plans to attend higher education, a job transition, impending retirement, death or disability among family members, etc.).
- C. The custodial broker-dealer will make account statements/reports available to Managed Account clients no less frequently than quarterly. A third-party administrator will make account statements/reports available to investors in the Fund no less frequently than monthly. Such applicable statements/reports may be mailed to Managed Account clients or investors in the Fund at their address of record or delivered electronically, depending on their election.

## Item 14: Client Referrals and Other Compensation

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- A. Nobody other than clients provides an economic benefit to Adviser for providing investment advice or other advisory services to clients.

In addition, one of the original institutional partners has agreed to compensate Adviser in the form of a monthly reimbursement for certain operating and overhead expenses, subject to an annual cap and potential offset. This compensation and reimbursement arrangement with such institutional partner creates a conflict of interest due to the avoidance of certain operating and overhead costs that Adviser or its affiliates would otherwise bear in connection with the management and administration of the Fund. This institutional partner pays lower incentive compensation, and receives more detailed reporting, than other investors in the Fund pursuant to this arrangement. Adviser addresses this conflict of interest by fully disclosing it in this brochure and by always acting as a fiduciary with respect to all of its clients.

- B. Neither Adviser nor a related person directly or indirectly compensates a person who is not Adviser's supervised person for client referrals.

## Item 15: Custody

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For Managed Account clients that do not have their fees deducted directly from their account(s) and have not provided Adviser with any standing letters of authorization to distribute funds from their account(s), Adviser will not have any custody of client funds or securities. For Managed Account clients that have their fees deducted directly from their account(s) or that have provided Adviser with discretion as to amount and timing of disbursements pursuant to a standing letter of authorization to disburse funds from their account(s), Adviser will typically be deemed to have limited custody over such Managed Account clients' funds or securities pursuant to the SEC's custody rule and subsequent guidance thereto.

Adviser is additionally deemed to have custody with respect to the Fund, since the General Partner of the Fund is under common control with Adviser. As such, the Fund's financial statements are annually audited by an independent and unaffiliated third-party accounting firm, and such statements are distributed to investors in the Fund.

Adviser is not deemed to have custody of Pooled Investment Vehicles other than the Fund.

At no time will Adviser accept full custody of client funds or securities in the capacity of a custodial broker-dealer, and at all times Managed Account clients' assets and the Fund's assets will be held by a third-party qualified custodian as described in Item 12, above.



## Item 16: Investment Discretion

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Adviser has discretionary authority to manage securities accounts on behalf of Managed Account clients, the Fund, and other Pooled Investment Vehicles. With respect to Managed Account clients, such discretionary authority is granted pursuant to the mutual written agreement of Adviser and the client through a power-of-attorney, which is typically contained in the advisory agreement signed by Adviser and the client. Clients may place reasonable limitations on this discretionary authority so long as it is contained in a written agreement and/or power-of-attorney. Adviser's discretionary authority is granted as part of the Fund's Limited Partnership Agreement as signed by investors in the Fund. Adviser's discretionary authority with respect to other Pooled Investment Vehicles will generally be granted as part of the investment management agreement with such vehicle's sponsor.

## Item 17: Voting Client Securities

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Adviser may exercise the right to vote, give assent, execute, and deliver proxies. Fund investors are required to adopt the voting policies of the Fund for purposes of their investments in the Fund. Adviser may also vote proxies on behalf of Managed Account clients for securities held in their account(s), and may take action on class action legal matters which are solicited for securities held in such account(s). Adviser may also vote proxies on behalf of independent and unaffiliated Pooled Investment Vehicles if agreed between Adviser and the sponsors of such vehicles.

Adviser has adopted proxy voting policies and procedures for voting proxies on behalf of the Fund and Managed Account clients. Should a material conflict arise between Adviser's interest and clients' interest, Adviser will vote the proxies in accordance with its fiduciary duty to clients. A written record will be maintained describing the conflict of interest, and an explanation of how the vote taken was in the client's best interest.

Clients, Fund investors, and the sponsors of independent and unaffiliated Pooled Investment Vehicles may obtain a copy of Adviser's proxy voting policies and procedures upon request.

## Item 18: Financial Information

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- A. Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance.
- B. Adviser has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.
- C. Adviser has not been the subject of a bankruptcy petition at any time during the past ten years.