

# FIRM BROCHURE

## *(PART 2A OF FORM ADV)*

**Heritage Capital Investment Management, LLC**  
400 Park Avenue, Suite 810, New York, NY 10022  
PHONE – 646.278.1357  
FAX – 212.867.4525  
[www.hcifund.com](http://www.hcifund.com)  
[inder@hcifund.com](mailto:inder@hcifund.com)

March 31, 2011

This brochure provides information about the qualifications and business practices of Heritage Capital Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at: 646.278.1357, or by email at: [inder@hcifund.com](mailto:inder@hcifund.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or a state securities authority does not imply a certain level of skill or training.

Additional information about Heritage Capital Investment Management, LLC, also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

## ITEM 2: MATERIAL CHANGES

There have been no material changes in our business since our last Update.

---

### ITEM 3: TABLE OF CONTENTS

ITEM 2: MATERIAL CHANGES.....	2
ITEM 3: TABLE OF CONTENTS.....	3
ITEM 4: ADVISORY BUSINESS .....	5
<i>Firm Description .....</i>	<i>5</i>
<i>Principal Owners.....</i>	<i>5</i>
<i>Types of Advisory Services .....</i>	<i>5</i>
<i>Tailored Relationships .....</i>	<i>6</i>
<i>Wrap Fee Programs .....</i>	<i>6</i>
<i>Assets Under Discretionary and Non-Discretionary Management .....</i>	<i>6</i>
ITEM 5: FEES AND COMPENSATION .....	6
<i>Description .....</i>	<i>6</i>
<i>Fee Billing .....</i>	<i>6</i>
<i>Other Fees or Expenses .....</i>	<i>6</i>
<i>Participation or Interest in Client Transaction .....</i>	<i>6</i>
ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT.....	7
ITEM 7: TYPES OF CLIENTS .....	7
ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS .....	7
<i>Methods of Analysis and Investment Strategies .....</i>	<i>7</i>
<i>Risk of Loss.....</i>	<i>9</i>
ITEM 9: DISCIPLINARY INFORMATION.....	13
ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS .....	13
<i>Broker-Dealer Registration .....</i>	<i>13</i>
<i>Futures, Commodity Pool Operator, Commodity Trading Advisor .....</i>	<i>13</i>
<i>Related Person Arrangements .....</i>	<i>13</i>
<i>Arrangements With Other Investment Advisers .....</i>	<i>13</i>
ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING .....	14
<i>Code of Ethics.....</i>	<i>14</i>
ITEM 12: BROKERAGE PRACTICES .....	16
<i>Selecting Brokerage Firms .....</i>	<i>16</i>
<i>Research and Other Soft Dollar Benefits .....</i>	<i>16</i>
<i>Brokerage for Client Referrals.....</i>	<i>17</i>
<i>Directed Brokerage.....</i>	<i>17</i>
<i>Aggregation of Client Accounts.....</i>	<i>17</i>
ITEM 13: REVIEW OF ACCOUNTS .....	18

<i>Periodic Reviews</i> .....	18
<i>Review Triggers</i> .....	18
<i>Regular Reports</i> .....	18
ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION .....	18
<i>Incoming Referrals</i> .....	18
ITEM 15: CUSTODY .....	19
ITEM 16: INVESTMENT DISCRETION .....	19
ITEM 17: VOTING CLIENT SECURITIES .....	19
<i>Proxy Votes</i> .....	19
ITEM 18: FINANCIAL INFORMATION .....	20
ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS .....	20

---

## **ITEM 4: ADVISORY BUSINESS**

### ***Firm Description***

Heritage Capital Investment Management, LLC (“we” or “Heritage”) was formed in July 2010 to provide investment management services focused primarily on equity investments in listed India companies. Our predecessor affiliate, Heritage Capital Management Co. Limited, was formed in 2008 and we took over its advisory business in the fourth quarter of 2010.

Prior to forming Heritage the principals were involved in running the investment operations for the Doshi family. We receive advisory services from Rajesh Bhatia, who heads Heritage India Advisory Pvt. Ltd. Prior to joining Heritage India Advisory Pvt. Ltd., Mr. Bhatia was Sr. Vice President at Reliance Capital, and Division Head / CIO of Reliance Portfolio Management Services (PMS) from 2004 – 2007.

### ***Principal Owners***

Inder Sodhi owns 25% of Heritage Capital. 75% of Heritage Capital is owned by members of the Doshi family. As a practical matter, Nitin Doshi controls the voting of the 75% owned by the Doshi family.

### ***Types of Advisory Services***

We manage portfolios that invest primarily in equity securities listed on Indian exchanges. Our principal investment objective is to achieve absolute returns for our clients in a controlled risk environment using a long short investing strategy. Our investing approach is based upon a flexible approach that emphasizes deep fundamental analysis, a long-term investing perspective and an awareness of local market sentiment and global capital flows.

While we focus on long and short equity positions, our investment activities may also include special situation investments, opportunistic trading, investing in debt securities and we may utilize options and puts to hedge or obtain certain desired market exposures. At times, we may use a modest amount of leverage in our investment activities.

We currently provide investment advisory services to a Delaware limited partnership and a Cayman Islands exempted company, each of which is a pooled investment vehicle which serves as a feeder fund in a “master-feeder” structure. Each of the feeder Funds feeds into a Cayman Islands limited partnership (the “Cayman Partnership”) which subsequently feeds into a Mauritius private limited company, which serves as the trading subsidiary in the master-feeder structure. Each of these entities is referred to in the brochure as a “Fund” and collectively as the “Funds”.

### ***Tailored Relationships***

Investors in either the Delaware limited partnership or the Cayman Islands exempted company do not have the ability to individually tailor their investment or impose unique investment restrictions.

### ***Wrap Fee Programs***

We do not participate in any wrap fee programs.

### ***Assets Under Discretionary and Non-Discretionary Management***

As of February 28, 2011, we have assets under discretionary management of \$39,200,000 and no assets under non-discretionary management.

---

## **ITEM 5: FEES AND COMPENSATION**

### ***Description***

We generally charge both an asset-based management fee, as well as performance-based incentive fee for the investment management of our portfolios. Performance-based fees are charged in compliance with Rule 205-3 of the Advisers Act. Our current standard fee structure is a management fee at the rate of 2% per annum of the value of the portfolio's account and a performance fee equal to 20% of the net appreciation in the portfolio account subject to a high water mark. Fees are negotiable and may be waived in connection with investments by employees and affiliates.

### ***Fee Billing***

Asset management fees are paid to us quarterly in arrears by the Funds. Performance fees are calculated and charged annually in arrears or upon a redemption or withdrawal of capital by an investor, if such redemption or withdrawal occurs other than at year end. Performance fees are paid to an affiliate of Heritage Capital. Fees and expenses are accrued monthly, and shown as deducted from clients' monthly NAV statement.

### ***Other Fees or Expenses***

The Funds, including the Cayman Partnership and the Master Fund, pay all of their own trading related and operating expenses including their own legal, accounting and external audit expenses. We are responsible for our own administrative expenses including office space, telephone, and salaries of administrative staff and owners/managers. The Master Fund employs a Mauritius-based trader and is responsible for part of the costs associated with such employee.

The Funds will also incur custodial, brokerage and other transaction costs. For more information regarding our brokerage arrangements see Item 12 below.

### ***Participation or Interest in Client Transaction***

Neither we nor any of our supervised persons accepts compensation for the sale of

securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

---

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As described above under Item 5. Fees and Compensation, we receive both asset-based management fees and performance-based compensation from the Funds. The performance fee is payable to one of our affiliates which serves as the general partner of the Cayman Partnership. This arrangement may create a theoretical incentive for us to make investments that are riskier or more speculative than would be the case in the absence of such performance fees.

---

## **ITEM 7: TYPES OF CLIENTS**

Currently, we provide services only to the Funds. We expect investors in Funds to include:

- Individuals, including high net worth individuals
- Trusts, estates or charitable organizations
- Institutions
- Corporations or other business entities
- Private and public pension and profit sharing plans
- Foundations and endowments
- Fund of funds
- Government or political subdivisions

The minimum single investment commitment by an individual investor in a Fund is \$250,000, while the minimum single investment commitment for an institutional investor in a Fund is \$1,000,000. We can accept lower amounts.

---

## **ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### ***Methods of Analysis and Investment Strategies***

In managing our portfolios we emphasize independent thinking, deep fundamental research, an all-cap flexible approach, an awareness of global capital flows and local

sentiment, and a long term investment perspective. Key attributes of long and short investments which we target are presented below:

Long Investments:

- Follow a disciplined process of evaluating several large and mid-capitalization companies based upon structural sector growth complemented by bottom up fundamental analysis
- Emphasize market leaders, secular growth, high returns on capital, good management teams, transparency
- Seek to develop quality of research and depth of relationships with management and industry sources as a source of competitive advantage
- Look for investments presenting favorable risk-reward characteristics – disproportionate upside relative to downside
- Actively look for special situation investments where a catalyst will lead to unlocking shareholder value
- Diversify the portfolio such that a number of attractive investment themes are represented, and
- While overall emphasizing a long term investment perspective, remain open to opportunistic trading ideas that offer the potential for high returns with limited downside.

Short Investments:

- Primary focus is high conviction short ideas that will produce profits; ideas may be identified through red flags or sector calls based upon demand and supply characteristics
- Look for companies where sell side is too optimistic on business growth, ROE or earnings projections
- Use index puts or other derivatives related to market indexes or baskets of stocks to protect the Fund against significant losses or implement desired exposures
- Incorporate our assessment of local sentiment (e.g. investor margin exposure, domestic mutual fund flows) and external capital flows into India in setting the desired net exposure
- Active management of position size, sector exposure and aggregate short exposure; use of stop losses to limit downside on short ideas
- Use research to identify catalysts that provide evidence of deteriorating fundamental outlook (loss of major customer, lower margins etc.), and seek to capitalize on these opportunities, and
- Focus on companies that exhibit red flags such as: poor investor transparency, low free cash flow generation, aggressive accounting, promotional management etc.

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



## ***Risk of Loss***

We have the overall responsibility for the establishment and oversight of the Fund's risk management frame work. Our risk management policies are established to identify and analyze the risks faced by the fund to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and our activities. The Fund has exposure to the following risks from its use of financial instruments; credit risk, liquidity risk, market risk and currency risk.

Listed below is a summary of the material risks involved in connection with our significant investment strategies. For a more detailed discussion of the material risks, please refer to the private placement memorandum that you were provided with when you made your investment:

*Non-Diversification.* The Funds' portfolio will not be diversified among geographic areas or types of securities. Further, the Funds' portfolio may not be diversified among a wide range of companies or industries. Accordingly, the Funds' investment portfolio may be subject to more rapid change in value than would be the case if the Funds were required to maintain a wide diversification among industries, areas, types of securities and companies, and will not have the protection against risk that diversification provides. Since the Funds may only make a limited number of investments, poor performance by a few of the investments could severely affect the total returns to the investors in the Funds.

*Lack of Liquidity of Partnership Assets.* The Funds' assets may, at any given time, include securities and other financial instruments or obligations which are very thinly traded or which are restricted as to their transferability under applicable laws. The Funds may own securities that are relatively liquid when acquired but that become illiquid after the Funds' investment. The sale of any such illiquid investments may be possible only at substantial discounts. Further, such investments may be extremely difficult to value with any degree of certainty.

Under the current Indian regulations and practice, the price at which the securities may be transferred between a resident and non-resident, not being on a recognized stock exchange, would have to be in accordance with a specified statutory framework stipulated by the Reserve Bank of India. This may also affect the liquidity of the Funds' assets.

*Investment and Repatriation Issues.* Foreign investment in securities of Indian companies is restricted or controlled to varying degrees. These restrictions may at times limit or preclude foreign investment and increase the costs and expenses of the Funds. Investments by the Funds in Indian companies may require the approval of the Reserve Bank of India and/or other governmental entities. While in some instances such approvals are routinely granted, in others approval may be more difficult to obtain and may be granted only subject to certain conditions, if at all. While Indian regulation of foreign investment has been liberalized in recent years, there can be no assurance that the Funds will be able to obtain all the approvals necessary to implement its investment program fully.

Stock exchanges in India are highly regulated and investments by the Funds in listed companies may be affected by regulations relating to the acquisition and sale of shares, including but not limited to laws, rules and regulations of the Securities and Exchange Board of India, the Reserve Bank of India and the Foreign Investment Promotion Board.

*Political Risk, Economic, Social and Legal Risks.* Political, economic, social and regulatory changes in the Indian environment, which are beyond our control, can impact the investment climate and hence may affect the value of the Funds' investments. Changes in general macro-economic conditions, such as interest rates, exchange rates, taxation, conditions of foreign investment, economic and financial instability, industry conditions, competition, technological developments, trade relationships, political and diplomatic events and trends, tax laws and other relevant policies, laws and regulations may impact substantially and adversely the value and the number of investments made by the Funds' and consequently the rate of return.

Since 1991, successive Indian Governments have pursued policies of economic liberalization, including significant relaxation of restrictions on the private sector. Nevertheless, the role of the Indian central and state governments in the Indian economy as producers, consumers and regulators has remained significant. The pace of economic liberalization could change, and specific laws and policies affecting foreign investment, currency exchange and other matters affecting investment in securities of Indian companies could also change. A reversal or slowdown of India's economic liberalization and deregulation policies could adversely affect business and economic conditions in India, which in turn, could have an adverse effect on the Funds' investments.

India's diversity in respect of religion and ethnic groups has given rise to tensions between certain segments of the Indian population and resulted in conflicts, such as the Gujarat riots in 2002. Although such clashes in India have, in the recent past, been sporadic and have been contained within reasonably short periods of time, any such civil disturbance in the future could have adverse implications on general economic conditions in India. Additionally, the South Asian region has from time to time experienced instances of civil unrest and hostilities among neighboring countries, in particular between India and Pakistan. These tensions, if they further intensify, could have adverse implications for the Funds' investments.

*Inflationary Pressures.* Although inflation in India has been relatively modest over the last ten years through 2006, there are signs that high oil prices are contributing to a significant increase in inflation in India and other countries. There is no assurance that inflation rates will not increase further. High inflation may lead to the adoption of corrective measures designed to moderate growth, regulate prices of commodities and otherwise contain inflation, and such measures could inhibit economic activity in India and thereby possibly affect the Funds' investments.

*Securities Markets.* It is anticipated that the majority of the companies in which the Funds invest will have their securities listed with a recognized stock exchange in India at the time of such investment. Such securities in which the Funds invest may have low market capitalization and trading volume. There can be no assurance that

sales on the Indian stock exchanges will provide a viable exit mechanism for the Funds' investments.

*Powers of Indian Regulatory Authority (SEBI).* The Securities and Exchange Board of India, or SEBI, the principal regulator of the Indian securities market, received statutory authority in the year 1992 to oversee and supervise the Indian securities markets. As a result, SEBI has been entrusted with much wider powers and duties, which, amongst other things, include the prohibition of fraudulent and unfair trade practices relating to the stock markets, including insider trading, regulation of substantial acquisitions of shares and takeovers of companies. The Indian stock exchanges have been subject to broker defaults, failed trades and settlement delays in the past and, in the event such events occur in the future, there may be an adverse impact on the net asset value of the Funds. In addition, in the event of occurrence of any such events, SEBI can impose restrictions on trading in certain securities, limitations on price movements and margin requirements, which could adversely impact the liquidity of the Funds. The securities law and regulations in India are continuously evolving, and the ability of SEBI to promulgate and enforce rules regulating market practices is uncertain.

*Stock Market Volatility.* The Indian securities markets are smaller and more volatile than the securities markets of the United Kingdom, the United States, and certain other OECD countries. Accordingly, the Indian stock markets may decline significantly in response to adverse issuer, political, regulatory, market or economic developments. Different parts of the market and different types of equity securities may react differently to these developments. Issuer, political or economic developments may affect a single issuer, issuers within an industry, sector or geographic region, or the market as a whole.

Indian stock exchanges utilize 'circuit breaker' systems under which trading in particular stocks or overall trading could potentially be suspended on account of excessive volatility in a particular stock or on the market as a whole. This was experienced on May 17, 2004, October 17, 2007 and January 22, 2008 when the market indexes fell significantly on account of selling pressure and trading was suspended on the stock exchanges for a while. In addition, the circuit breaker was triggered on May 18, 2009 after the announcement of strong election results favoring the Congress lead UPA party. Such disruptions could significantly impact the ability of a Fund to sell its investments. Further, such volatility could also create liability on a Fund to bring in additional margin. Factors like these could adversely affect the Funds' performance.

*Short Sales.* To the extent permissible under Indian regulations, the Funds may engage in short sales by selling equity securities that it does not own at the time of sale or by short selling through the single stock futures market. In the event that the price of an equity security increases between the short sale and a Fund's subsequent purchase of shares of that security, the Fund will suffer a loss on that transaction and the value of the Fund's investments will decrease accordingly. There can be no assurance that the Funds' will not suffer such losses. In theory, a short sale has the potential for unlimited loss. In connection with short sales, a Fund will have to deliver appropriate cash margins as required by the exchanges from time to time, based upon the value of the underlying securities and subsequent fluctuations in such value.

*Swaps.* In India and certain other countries it may be advantageous for the Funds to use single name equity swaps in lieu of making investments directly in the

securities due to regulatory issues and transactions costs. The Funds, for regulatory or other reasons, may elect to trade directly in such securities and not engage in swaps, however. The terms of each swap will be negotiated on an individual, case-by-case basis. The Funds will be required to post collateral for each swap, the amount of which will be determined on a swap by swap basis. The Funds will also be required to comply with certain limits on the frequency with which it can trade swaps and rebalance its swap portfolio. These limitations could impede the Funds' ability to respond to changing market conditions

Swaps are not guaranteed by any clearing house or other organization. If a counterparty experiences financial difficulties, such counterparty may be unable to perform the swap and the Funds may suffer a loss as a result.

*Options.* A Fund may engage in options trading. Stock or index options that may be purchased or sold by a Fund include options not traded on a securities exchange. Options not traded on an exchange are not issued by the Options Clearing Corporation; therefore, the risk of nonperformance by the obligor on such an option may be greater and the ease with which the Fund can dispose of such an option may be less than in the case of an exchange traded option issued by the Options Clearing Corporation. The trading of options is highly speculative and may entail risks that are greater than those present when investing in other securities. Prices of options are generally more volatile than prices of other securities. To the extent that a Fund purchases options that it does not sell or exercise, it will suffer the loss of the premium paid in such purchase. To the extent that a Fund sells options and must deliver the underlying securities at the option price, the Fund has a theoretically unlimited risk of loss if the price of such underlying securities increases. To the extent that a Fund must buy the underlying securities, it risks the loss of the difference between the market price of the underlying securities and the option price. Any gain or loss derived from the sale or exercise of an option will be reduced or increased, respectively, by the amount of the premium paid. The expenses of option investing include commissions payable on the purchase and on the exercise or sale of an option. Special risks are associated with the use of options. A decision as to whether, when and how to use options involves the exercise of skill and judgment which are different from those needed to select securities, and even a well-conceived transaction may be unsuccessful to some degree because of market behavior, currency fluctuations or interest rate trends. The potential loss incurred by a Fund in writing uncovered options is unlimited. When options are used as a hedging technique, there can be no guaranty of a correlation between price movements in the option and in the portfolio securities being hedged. A lack of correlation could result in a loss on both the hedged securities and the hedging vehicle, so that a Fund's return might have been better had hedging not been attempted.

*Trading in Warrants and Convertible Securities.* A Fund may purchase or sell warrants or convertible securities. If a Fund buys a warrant it may pay a "premium" representing the market value of the warrant or convertible security. If the price of the securities underlying the instrument does not change so that it becomes profitable for a Fund to exercise the conversion feature prior to its expiration, the Fund will lose the entire premium.

*Exchange Rate Risk.* Volatility in international exchange rates between the United States Dollar and other currencies may affect pricing and the profit margin on

sales of non-U.S. securities held by the Funds. This, in turn, could adversely affect the Funds' rate of return or an investor's profit.

*Reliance on Key Individuals.* The success of the Funds is substantially dependent on the efforts of Inder Sodhi. The loss of his services could adversely affect the Funds.

*Reliance on Indian Advisor.* Our success in serving the Funds is significantly dependent on the services of Heritage India Advisory Pvt. Ltd., who serves as our advisor. The termination of the investment advisory services agreement by the advisor could adversely affect the Funds.

---

## **ITEM 9: DISCIPLINARY INFORMATION**

Neither we nor any of our affiliates have been the subject of any legal or disciplinary events since our or their inception and through the date on the cover of this brochure that are material to an investor's or prospective investor's evaluation of our business or integrity.

---

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### ***Broker-Dealer Registration***

Neither we nor any of our management persons are registered or have a pending application for registration as a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading adviser or associated person of a futures commission merchant, commodity pool operator or commodity trading advisor.

### ***Futures, Commodity Pool Operator, Commodity Trading Advisor***

We do not have a registration or 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.

### ***Related Person Arrangements***

As described elsewhere in this brochure, we have engaged Heritage India Advisory Pvt. Ltd. to provide advisory services to our firm. Pursuant to the terms of the advisory agreement, Heritage India Advisory Pvt. Ltd. performs due diligence on potential investments in India and provides us with non-binding investment recommendations. The relationship with Heritage India Advisory Pvt. Ltd. does not create a material conflict of interest for our clients.

### ***Arrangements With Other Investment Advisers***

We do not recommend or select other investment advisers for our clients nor do we have other business relationships with those advisers that create a material conflict of interest.

---

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics***

We have adopted a Code of Ethics (the "Code") in accordance with Rule 204A-I of the Investment Advisers Act of 1940. A copy of the Code is available to clients upon request without charge. The purpose of the Code is to set forth certain key guidelines that have been adopted by us as office policy for the guidance of all personnel and to specify the responsibility of all of our employees to act in accordance with their fiduciary duty to our clients and to comply with applicable federal and state laws and regulations. The Code requires that all employees conduct themselves in accordance with high ethical standards, which should be premised on the concepts of integrity, honesty and trust, and in full compliance with all applicable federal and state laws and regulations concerning the securities industry. The following is a summary of certain provisions of the Code:

### **Confidential Information**

As an investment adviser, we have a fiduciary duty to our clients not to divulge or misuse information obtained in connection with our services as an adviser. Therefore, all information, whether of a personal or business nature, that an employee obtains about a client's affairs in the course of employment should be treated as confidential and used only to provide services to or otherwise to the benefit of the client. Such information may sometimes include information about non clients, and that information should likewise be held in confidence. Even the fact that we advise a particular client should ordinarily be treated as confidential.

The Code sets forth steps that employees should take to help preserve confidential information.

### **Material Inside Information**

All of our employees (in any capacity) and all persons friends, relatives, business associates and others who receive nonpublic material inside information from employees concerning an issuer of securities (whether such issuer is a client or not) are subject to these rules. The Code sets forth an extensive list of subjects information about which is likely to be material inside information. The Code also explicitly forbids disclosing material inside information to another person ("tipping") who subsequently uses that information for his or her profit.

All personnel receiving material, nonpublic information have the same duty not to disclose or use information about persons or issuers who are not clients of the Applicant in connection with securities transactions as they have with respect to client securities. In other words, employees may not purchase or sell any securities with respect to which they have inside information for their own, for our or for a client's account or cause clients to trade on such information until after such information becomes public. The foregoing prohibition applies whether or not the material inside information is the basis for the trade. Whenever employees come into possession of what they believe may be material nonpublic information about an issuer, they must immediately notify the Chief Compliance Officer. The Chief Compliance Officer shall maintain a list of all issuers



about which Heritage has inside information and shall circulate such list to the appropriate personnel at Heritage so as to prevent any trading in securities of such issuers.

### **Fiduciary Duty and Conflicts of Interest**

Both we and our employees have a fiduciary duty to our clients to act for the benefit of the clients and to take action on the clients' behalf before taking action in the interest of any employees or the firm. Both we and our employees must act for the clients' benefit and treat the clients fairly. The manner in which any employee discharges its fiduciary duty and addresses a conflict of interest depends on the circumstances. Sometimes general disclosure of common conflicts of interest may suffice. In other circumstances, explicit consent of the client to the particular transaction giving rise to a conflict of interest may be required or an employee may be prohibited from engaging in the transaction regardless of whether the client consents. The duty to disclose and obtain a client's consent to a conflict of interest must always be undertaken in a manner consistent with the employee's duty to deal fairly with the client. Therefore, even when taking action with a client's consent, each employee must always seek to assure that the action taken is fair to the client.

The Code sets forth several common examples of conflicts of interest and how such conflicts can be avoided.

### **Scalping or Front-Running**

As a general rule, if any employee knows of a pending "buy" recommendation or is aware of a pending "sell" recommendation, then that employee (or family member residing in that employee's household or person or entity over which the employee has control) may not engage in the practice of purchasing or selling stock before we take action for our clients.

### **Unfair Treatment of Certain Clients vis-a-vis Others**

An employee who handles one or more clients may be faced with situations in which it is possible to give preference to certain clients over others. Employees must be careful not to give preference to one client over another even if the preferential treatment would benefit our firm or the employee. For example, an employee should not (i) provide better advice to a large, prestigious client than is given to a smaller, less influential one, (ii) give sale advice to one client ahead of another, or (iii) direct securities of a limited supply and higher potential return to particular clients because they generate larger fees for our firm.

### **Dealing with Clients as Agent and Principal**

In accordance with Section 206(3) of the Advisers Act, the Code requires that employees involved in situations where our firm is buying or selling securities from a client or where our firm acts as a broker-dealer for a non-client in a transaction with an advisory client disclose to the client in writing the capacity in which our firm acts, its profits (if it acts as principal) and its commissions (if it acts as agent for another) and obtain the client's consent. These types of transactions must not be entered into without prior consultation with the Chief Compliance Officer.

## **Personal Trading**

Employees are required to pre-clear with the Chief Compliance Officer securities transactions in all accounts in which the employee has a "beneficial ownership interest" involving Indian related securities. This restriction does not apply to trades: (i) in shares of open-ended mutual funds for which we do not serve as investment adviser or sub adviser, including those which are India focused; or (ii) transactions in discretionary accounts for which we do not serve as investment adviser. Employees may not purchase, for any account in which the employee has a "beneficial ownership interest", equity securities issued in an initial public offering or any securities offered in a "private placement" without the prior written approval of the Chief Compliance Officer.

Each current employee has submitted an initial holdings report disclosing to the Chief Compliance Officer the identities, amounts, and locations of all securities owned in all accounts in which he or she has a "beneficial ownership interest." Each new employee must submit such a report within 10 days of commencement of employment. In addition, each employee must disclose similar information within thirty (30) days after the end of each calendar year while employed by our firm. Such reports must be current as of a date not more than 45 days prior to the employee joining the company (for an initial report) or the date the report is submitted (for the annual report). Each employee must report to the Chief Compliance Officer within 30 days after the end of each calendar quarter all securities transactions in all of the employee's covered accounts during the preceding quarter.

---

## **ITEM 12: BROKERAGE PRACTICES**

### ***Selecting Brokerage Firms***

We will seek to obtain the best execution possible for the client. While a primary criterion for all transactions in portfolio securities is the execution of orders at the most favorable net price, numerous additional factors may be considered when arranging for the purchase and sale of positions. These include restrictions imposed by the federal securities laws and the allocation of brokerage in return for certain services and materials described below. In determining the abilities of the broker-dealer to obtain best execution of a particular transaction, we will consider all relevant factors including the execution capabilities required by the transaction(s), the ability and willingness of the broker-dealer to facilitate the account's portfolio transactions promptly and at reasonable expense, the importance to the account of speed, efficiency or confidentiality, the broker dealer's apparent familiarity with sources from or to whom particular securities might be purchased or sold, the broker-dealer's ability to supplement our management capabilities with research, quotation services and brokerage related services and products, as well as any other matters we deem relevant to the selection of a broker-dealer for a particular portfolio transaction of the account.

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

We may use broker-provided research and brokerage services and products which assist us in carrying out our investment decision making responsibilities. These services may include (but are not limited to): (i) written information and analyses concerning



specific securities, companies or sectors; (ii) market, financial and economic studies and forecasts, as well as discussions with research personnel; (iii) certain financial and industry publications; and (iv) statistical and pricing services utilized in the investment management process. We intend to comply with Section 28(e) of the Securities Exchange Act of 1934 in connection with our use of soft dollars. In some cases we may acquire a research or brokerage product or service with soft dollars which also has non-research uses. In these cases we will make a reasonable allocation of the cost of the product or service according to its use. That portion of the product or service which provides administrative or other non-research services will be paid for by us in hard dollars. All research and brokerage products and services received from broker-dealers to whom commissions are paid are used collectively. There is no direct relationship between commissions received by a broker-dealer from a particular client's transactions and the use of any or all of that broker-dealer's products and services in relation to that client's account. We may pay a broker-dealer a brokerage commission in excess of that which another broker-dealer might have charged for the same transaction in recognition of research and brokerage related services provided by the broker-dealer.

### ***Brokerage for Client Referrals***

We do not consider whether we receive client referrals from a broker in selecting or recommending broker-dealers.

### ***Directed Brokerage***

We do not recommend, request or require that a client direct us to execute transactions through a specified broker-dealer.

### ***Aggregation of Client Accounts***

#### **Allocation Procedures**

##### **A. Preparation of Allocation Statement**

Prior to entering an order, the portfolio manager will prepare a statement in written or electronic form such as the trade blotter or order management system (the "Allocation Statement") specifying participating accounts and the allocation of the order among such accounts.

##### **B. Allocation of Executed Orders**

If an aggregated order is filled in its entirety, it will be allocated among participating accounts in accordance with the Allocation Statement. If an aggregated order is partially unexecuted at the end of a trading day, the executed trades will be allocated among participating accounts pro rata based upon the Allocation Statement unless allocated post-execution. Notwithstanding the foregoing, all accounts need not be given their pro rata share of a filled order if full pro rata allocation would result in certain clients receiving an odd share amount or would result in increased transaction costs due to per ticket charges (vs. per share charges). Pro rata amounts allocated may also be rounded depending on the size of the client account. We will endeavor to distribute partially filled orders among clients so that all clients are treated fairly over the long term.

C. When Full Aggregation is not Possible

In some circumstances, it may be appropriate to buy or sell a security on behalf of more than one advisory client account over a period of time. In those instances, although it may not be possible for aggregated orders to be entered for all of our clients, the portfolio manager still must allocate advisory clients' orders on an equitable basis.

---

## ITEM 13: REVIEW OF ACCOUNTS

We have an independent administrator who is responsible for back office procedures and reporting. All trades are reconciled with our own internal system as well as our administrator and custodian.

### ***Periodic Reviews***

The month-end NAV reports are completed by the administrator and delivered to us within 7 business days after the end of the month. These reports are thoroughly reviewed against our own internal system,

### ***Review Triggers***

Any discrepancy from our internal systems and the administrator's NAV reports are fully reviewed and reconciled.

### ***Regular Reports***

We send each investor in the Funds monthly estimates of the Funds' overall performance and written quarterly investor letters summarizing the Funds' performance for the quarter, as well as such other information that we deem appropriate. In addition, the Fund's administrator provides each investor in the Funds with a written monthly statement detailing the increase or decrease in the net asset value of such investor's investment during the preceding month. In addition, as soon as practicable after the end of each fiscal year and no later than 90 days after the end of the fiscal year, each Fund furnishes to each investor its audited annual financial statements as of the end of that fiscal year. In addition, from time-to-time, we may provide to investors with additional information regarding current investment themes and other matters that we feel may be of interest to investors.

---

## ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION

We currently do not use placement or selling agents in connection with the offering of the Funds.

### ***Incoming Referrals***

We reserve the right to pay placement and/or referral fees, both initial and ongoing, to persons who introduce prospective investors. All prospective

investors whose investments may be subject to any form of placement fee and/or referral fee payable by the investor will be informed prior to the effective date of their investment, and given the opportunity to revoke or withdraw their prospective investment prior to it being made.

---

## **ITEM 15: CUSTODY**

Citibank N.A. serves as custodian for the Funds.

The Funds have engaged a fund administrator whose responsibilities include sending account statements to the Funds' investors. As the Funds are commingled accounts, the investors do not receive prime brokerage or custodial statements. However, the Fund's administrator reconciles the Fund's accounting records with the records of the prime brokers and custodians. As described above under Item 13, investors in the Funds receive monthly unaudited reports from the Fund's third party administrator. In addition, in lieu of receiving quarterly custody statements from a custodian, investors in the Funds also receive audited year-end financial statements.

---

## **ITEM 16: INVESTMENT DISCRETION**

Pursuant to the governing documents of the Funds, we have complete investment authority with respect to all securities owned by the Funds. There are no limitations on this authority. This authority is conveyed by investors subscribing to the Funds in their subscription agreements and in the Funds' governing documents.

---

## **ITEM 17: VOTING CLIENT SECURITIES**

### ***Proxy Votes***

We comply with the Securities and Exchange Commission adopted Rule 206(4)-6 under the Investment Advisers Act of 1940, which requires registered investment advisers that exercise voting authority over client securities to implement proxy voting policies. We have adopted proxy voting policies and procedures. The general policy is to vote proxy proposals, amendments, consents or resolutions relating to client securities, including interests in private investment funds, if any, in a manner that serves the best interests of our client's portfolios, as determined by us in our discretion, taking into account the following factors: (i) the impact on the value of the investments; (ii) the anticipated associated costs and benefits; (iii) the continued or increased availability of portfolio information; and (iv) industry and business practices. In limited circumstances, we may refrain from voting proxies where we believe that voting would be inappropriate taking into consideration the cost of voting the proxy and the anticipated benefit to our portfolio.

---

## **ITEM 18: FINANCIAL INFORMATION**

We are not required to provide a balance sheet pursuant to Item 18A. We do not have any financial condition that is reasonably likely to impair our ability to meet our contractual commitments to our clients.

---

## **ITEM 19: REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

This is not required as we are a federally registered investment adviser.

---