

## Item 1 – Cover Page

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### **Important Disclosure:**

This brochure, dated March 30, 2017 (the “Brochure”) provides information about the qualifications and business practices of Hinoki Capital Management, LLC (“Hinoki” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at: (203) 489-5970. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.

Hinoki is a registered investment adviser. Registration with the SEC or a state securities authority does not imply any level of skill or training.

Additional information about Hinoki also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Hinoki is 173381.

## **Item 2 – Material Changes**

There have been no material changes since the last brochure. This Brochure has been updated by Hinoki as an annual amendment to the prior version of its brochure, dated April 1<sup>st</sup>, 2016. This Brochure provides risk disclosure regarding cybersecurity and business continuity / disaster recovery, as well as makes other minor updates compared to the brochure dated April 1<sup>st</sup>, 2016.

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## **Item 4 – Advisory Business**

Hinoki, a Delaware limited liability company, is an investment adviser headquartered in Greenwich, Connecticut. Ellen Adams and Daniel Sheridan founded Hinoki and have been providing investment advisory services since October 1, 2014.

Hinoki provides investment advisory services on a discretionary basis to three (3) pooled investment vehicles, including: Hinoki Investments, Ltd., Hinoki Fund, LP, and Hinoki Fund, Ltd. (each a "Fund" or "Client", or collectively "Funds" or "Clients").

Hinoki is under common control with Hinoki Partners, LLC (defined herein as, the "General Partner"). The advisory services of Hinoki and the General Partner, as a related investment adviser, are described in this Brochure.

Hinoki provides discretionary investment advisory services through a master-feeder structure to private funds that are not registered under the Investment Company Act of 1940, as amended (the "Investment Company Act"). Hinoki generally invests in equity securities that are listed on the U.S. exchanges, as well as in derivatives thereon. Hinoki concentrates the investment strategy on mid and large-cap companies with market capitalizations of greater than \$1 billion (measured at the time of initial purchase), although some assets are expected to be invested in companies under that threshold.

Advisory services provided to the Funds follow the investment objectives and investment restrictions, if any, as set forth in the respective Fund's limited partnership agreements, private placement or offering memorandum, and other legal documents (collectively, the "Governing Documents"). Hinoki does not tailor Fund investments to the individual needs of investors in a Fund, nor may Fund investors impose restrictions on Hinoki's ability to invest in certain securities or types of securities.

As of December 31, 2016, Hinoki managed approximately \$63,812,803 in client net assets and \$120,324,659 in regulatory assets under management, all of which are managed on a discretionary basis.

## **Item 5 – Fees and Compensation**

### **Management Fees**

Hinoki charges the Funds a monthly management fee calculated at an annual rate of 1.5% of the net asset value of the capital account of each Fund investor (the "Management Fee"). The Management Fee is paid monthly in advance, based on the value of each Fund investor's capital account as of the first Business Day (defined below) of each month. (A "Business Day" means any day on which banks are open in New York.)

The Management Fee may be waived, reduced, rebated or calculated differently at the sole discretion of Hinoki. In addition, certain seed investors receive a portion of the Management Fee monthly.

The Firm deducts the Management Fees directly from the Funds' accounts monthly.

Hinoki intends to deliver this Brochure only to "accredited investors" within the meaning of Regulation D of the Securities Act of 1933, as amended; and therefore, is not required to disclose its Clients' fee schedules.

## **Incentive Fees**

At the end of each fiscal year, the General Partner, as the holder of certain allocation class shares in Hinoki Investments, Ltd. (the "Master Fund"), receives at the Master Fund level an annual incentive allocation equal to 20% of Master Fund net profits (including realized and unrealized gains and losses), if any, attributable to each investor's capital account established with respect to Interests, subject to a loss carryforward provision (the "Incentive Allocation").

Hinoki may waive or modify the Incentive Allocation for Fund investors that are members, employees or Hinoki affiliates or the General Partner, relatives of such persons, and for certain large or strategic investors. In addition, certain seed investors receive an allocation of the Incentive Allocation.

When calculating the Incentive Allocation at the Master Fund level, net profits will be reduced by the Management Fee, and all items of income, loss and expense incurred at the Fund level are taken into account. Since the General Partner receives the Incentive Allocation at the Master Fund level, no incentive fee or allocation is paid at the Fund level.

In the event that a Fund investor makes a complete or partial withdrawal or is required to make a complete or partial withdrawal at any time other than the end of a fiscal year, the General Partner will receive the Incentive Allocation with respect to the withdrawn amount, with respect to such Fund investor, on the applicable withdrawal date; provided, however, that in the case of a partial withdrawal, the General Partner may, at its sole discretion, elect to delay the deduction of the Incentive Allocation until the end of the fiscal year, at which time it will assess the Incentive Allocation on the entire performance of the Fund investor's capital account since the last deduction of the Incentive Allocation from such Fund investor's capital account. The Fund's fiscal years will end on December 31.

Under a loss carryforward provision contained in the Fund's Governing Documents, no Incentive Allocation will be made from the capital account of a particular Fund investor until any net loss previously allocated to the capital account of such Fund investor has been offset by subsequent net profits. Any such loss carryforward will be subject to reduction for withdrawals on a pro-rata basis.

Hinoki's fees are exclusive of investment expenses such as commissions, transaction fees, margin interest and other related costs and expenses which are incurred by the Client. Clients may incur certain charges imposed by custodians, brokers and other third parties, custodial fees, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Such charges, fees and commissions are exclusive of and in addition to Hinoki's fee. Item 12 further describes the factors considered in selecting or recommending broker-dealers for *Client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

Valuation of Fund investments (which will indirectly determine the Management Fee and the Incentive Allocation) may involve uncertainties and judgmental determinations, and if such valuations should prove to be incorrect, Fund investors could be adversely affected. Independent pricing information may not at times be available with respect to certain securities and other investments, particularly illiquid investments. Accordingly, while we will use our best efforts to value all investments fairly, certain investments may be difficult to value and may be subject to varying interpretations of value.

## **Other Fees and Expenses**

As permitted by the respective Governing Documents the Management Fee and Incentive Allocation are exclusive of other fees and expenses. The Funds bear their respective operating costs and expenses, including the following: such as legal, compliance, administrator, audit and accounting expenses, shareholder proxy voting services, organizational expenses; investment expenses such as commissions, research fees and expenses and custodial fees (provided, however, that the Clients will only pay for research which constitutes research within the meaning of Section 28(e) of the Securities Exchange Act of 1934); interest on margin accounts and other indebtedness, borrowing charges on securities sold short, bank service fees, Fund-related insurance costs and other expenses reasonably related to the Clients. Item 12 further describes the factors considered in selecting or recommending broker-dealers for *Client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

As described above, in addition to the Management Fee, the General Partner may be entitled to receive Incentive Allocation from investors in the Funds. The Incentive Allocation will be made in conformity with Section 205 of the Advisers Act and Rule 205-3 thereunder. Incentive Allocation may create an incentive for the Firm and General Partner to cause a Fund to make investments that are riskier or more speculative than would be the case if this allocation were not made. However, the Firm is committed to fulfilling its fiduciary duty to its Clients to act at all times in their best interest.

Since the allocation is calculated on a basis that includes unrealized appreciation of assets, such allocation may be greater than if it were based solely on realized gains.

See each Fund's relevant Governing Documents for more detail including the calculation of performance based fees.

## **Item 7 – Types of Clients**

Hinoki's Clients consist of private pooled investment vehicles. Interests in the Funds are sold exclusively to investors that are "accredited investors" within the meaning of Regulation D of the Securities Act of 1933, as amended. Details concerning minimum investment amounts and suitability criteria are set forth in the respective Fund's Governing Documents, as well as the Firm's Form ADV, Part 1A.

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

### *Investment Strategy*

Hinoki uses a classic and time-tested investment approach based on fundamental analysis of individual stocks. The portfolio is built from the bottom up, one stock at a time. Hinoki will make long and short investments in equity securities that are listed on U.S. exchanges, as well as in derivatives thereon. Hinoki concentrates the investment strategy on mid and large-cap companies with market capitalizations of greater than \$1 billion (measured at the time of initial purchase), although usually some assets are expected to be invested in companies under that threshold. The net exposure of the portfolio is expected to be between 0%-60%. Variation within that range will be driven by stock specific opportunities on both the long and short sides. The core competency of Hinoki is stock selection, not market timing.

### *Methods of Analysis*

Each position will be chosen because the business or industry is undergoing or appears about to undergo dynamic change that Hinoki believes will lead to an asymmetric upside return over 2 years with moderate downside risk. The core positions of the portfolio are expected to exhibit multiple layers of change and dynamism occurring in the business/industry, where the drivers of this change/dynamism show a sufficient potential of duration to fulfill the expectations of the investment thesis. These characteristics will be determined by a review of the numbers combined with, more importantly, analysis of the intangibles.

Hinoki may consider various factors, including but not limited to the following:

- Stock specific: new product cycle, expanding geographical footprint, new management team and corporate restructuring.
- Industry specific: cyclical boom/bust, structural change in sector ROIC, changing competitive landscape and macro-economic shifts.

In addition to positions held in the portfolio, Hinoki will maintain a pipeline with various positions and industries at various maturity stages that are being monitored for potential future investment. Stocks will be ripe for purchase in the portfolio when a compelling blend of (i) valuation, (ii) timing, and (iii) insight coalesces.

### Valuation – Absolute and relative metrics

Hinoki intends to invest in stocks that it believes offer attractive absolute and relative valuations. Absolute valuation is based on the logic of a fundamental buyer of the entire business, primarily determined by projected cash flows and ROIC that Hinoki believes will lead to an attractive payback relative to the risks entailed in earning that return. Relative valuation compares the potential investment to the market, its prior history and other equities with similar risk and return potential.

### Timing

While it is impossible to perfectly time entry into a long term investment, Hinoki recognizes the importance of the time value of money. Hinoki regularly assesses the various factors of dynamic change occurring for a pipeline of potential investments. We attempt to gauge when this change will be discounted in the marketplace. We call this gestation period and try to buy when that time frame is shortened.

### Research Insight

Insight may be based on a fact Hinoki will uncover in our research, where we interpret or weigh the fact differently from other market participants. However, insight regarding a majority of the fund/client's position will be based on a mosaic created through piecing together a puzzle of information. While it is usually more difficult and time consuming to obtain, Hinoki believes that such an approach will lead to higher returns and better duration than pure facts alone.

Hinoki will review detailed price targets that it will use in determining how to allocate the Client's capital to various positions, based on the highest projected risk/reward tradeoff.

### Exiting of positions:

Hinoki intends to exit positions in the following circumstances: (i) when the risk/reward is no longer attractive (approaching price target), (ii) when Hinoki no longer has an advantageous insight, or (iii) when Hinoki's thesis has been proven invalid.

### **Short stock selection methodology**

The goal of Hinoki is to make an absolute profit on each and every short position that is not a hedge to an existing portfolio investment. In evaluating potential short positions, Hinoki may consider various factors including, but not limited to: deteriorating financial metrics, accounting screens, weakening competitive and/or secular positioning, technical and valuation screening. Quantitative analysis, including such factors as short interest, put/call buying and other variables, are expected to help avoid crowded shorts.

The portfolio is expected to have the following types of short positions: (i) investment shorts – long-term deterioration, (ii) earnings and/or consensus mismatch shorts, and (iii) hedges.

### Investment shorts – undergoing long term deterioration in business prospects

These positions will be analyzed in much the same way as investment longs, but looking for the opposite characteristics. Hinoki may consider various factors in evaluating this type of short position, including but not limited, to the following: competitive challenges, structural industry deterioration in growth and/or ROIC, decelerating or declining earnings trends due to revenue, margins or other variables, and shifts in pricing due to supply/demand imbalances. These short investments will have the longest holding period and will be larger in size than the two below.



### Earnings and/or consensus shorts

These positions will be sound businesses in a period where earnings expectations appear likely to be missed or consensus is on the wrong end of the discounting mechanism, meaning an adjustment in expectations is necessary. These will be smaller in size and have a shorter holding period than investment shorts.

### Hedges

Periodically, Hinoki will look to reduce exposure to some long positions for tactical reasons. Hedge shorts are paired trades that have high correlation and beta to the targeted long positions in the portfolio.

### **Risk of Loss**

The investment activity that the Firm conducts on behalf of its Clients is speculative and volatile and may involve substantial risk, including the risk that the entire amount invested may be lost. No guarantee is made that the investment objectives will be realized. Each investment strategy is broad, and may allow the Firm to invest in a broad range of securities and industry sectors and in the securities of companies of all sizes. Below is a discussion of the material risks of significant investment strategies and primary investments of the Funds. For additional information about a Fund's risks, please see the Governing Documents for that Fund.

***Nature of Investments*** - Hinoki has broad discretion in making investments for the Funds. Investments will generally consist of equity securities, equity-related instruments and other assets that may be affected by business, financial market or legal uncertainties. There can be no assurance that Hinoki will correctly evaluate the nature and magnitude of the various factors that could affect the value of and return on investments. Prices of investments may be volatile, and a variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of the Fund's activities and the value of its investments. In addition, the value of the Fund's portfolio may fluctuate as the general level of interest rates fluctuates. No guarantee or representation is made that the Fund's investment objective will be achieved.

***Equity-Related Instruments in General*** - Hinoki will use equity-related instruments in its investment program. Certain options and other equity-related instruments may be subject to various types of risks, including market risk, liquidity risk, counterparty credit risk, legal risk and operations risk. In addition, equity-related instruments can involve significant economic leverage and may, in some cases, involve significant risks of loss.

***Short Sales*** - Short sales can, in certain circumstances, substantially increase the impact of adverse price movements on a portfolio. A short sale involves the risk of a theoretically unlimited increase in the market price of the particular investment sold short, which could result in an inability to cover the short position and a theoretically unlimited loss. There can be no assurance that securities necessary to cover a short position will be available for purchase when needed.

***Lack of Diversification/Portfolio Concentration*** - The Fund's portfolio may not be diversified among a wide range of sectors, industries, types of securities, geographic areas or issuers. Accordingly, the Fund's portfolio may be subject to more rapid change in value than would be the case if the Fund were required to maintain a wide diversification among sectors, industries, types of securities, geographic areas and issuers.

***Use of Leverage*** - Hinoki may utilize leverage. The use of leverage results in a Fund controlling more assets than the Fund has equity. Leverage increases a Fund's returns if the Fund earns a greater return on investments purchased with borrowed funds than the Fund's cost of borrowing such funds. However, the use of leverage exposes a Fund to additional levels of risk, including (i) greater losses from investments than would otherwise have been the case had the Fund not borrowed to make the investments, (ii) margin calls or interim margin requirements which may force premature liquidations of investment positions and (iii) losses on investments if the investment fails to earn a return that equals or exceeds a Fund's cost of borrowing such funds. In the event of a sudden, precipitous drop in value of the Fund's assets, the Fund might not be able to liquidate assets quickly enough to repay its borrowings, further magnifying its losses.

In an unsettled credit environment, Hinoki may find it difficult or impossible to obtain leverage for a Fund. In such event, the Fund could find it difficult to implement its strategy. In addition, any leverage obtained, if terminated on short notice by the lender, could result in Hinoki being forced to unwind a Fund's positions quickly and at prices below what Hinoki deems to be fair value for such positions.

***Options*** - The purchase or sale of an option (including an over-the counter option) involves the payment or receipt of a premium by the investor and the corresponding right or obligation, as the case may be, to either purchase or sell the underlying security, commodity or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument will not change price in the manner expected, so that the investor loses its premium. Selling options involves potentially greater risk because the investor is exposed to the extent of the actual price movement in the underlying security rather than only the premium payment received (which could result in a potentially unlimited loss). Over-the-counter options also involve counterparty solvency risk.

***Exchange Traded Funds*** - Hinoki may invest in the securities of ETFs. ETF securities represent interests in (i) fixed portfolios of common stocks designed to track the price and dividend yield performance of broad-based securities indices (such as the S&P 500 or NASDAQ 100) or (ii) "baskets" of industry-specific securities. ETF securities are traded on an exchange, like shares of common stock, and the value of ETF securities fluctuates in relation to changes in the value of the underlying portfolio of securities. However, the market price of ETF securities may not be equivalent to the pro rata value of the underlying portfolio of securities. ETFs designed to track the price and dividend yield performance of broad-based securities indices are subject to similar risks as an investment in a broad-based portfolio of common stocks. ETFs designed to track a "basket" of industry-specific securities are subject to the similar risks as an investment in a portfolio that is concentrated in equity securities of a specific industry. ETF securities are considered investments in registered investment companies.

***Portfolio Turnover*** - The investment strategy of a Fund may require Hinoki to actively trade the Fund's portfolio, and as a result, turnover and brokerage commission expenses of the Fund may significantly exceed those of other investment entities of comparable size.

***Lack of Liquidity of Fund Investments*** - Fund assets and liabilities may, at any given time, include securities and other financial instruments or obligations that are thinly-traded or for which no market exists and/or which are restricted as to their transferability under applicable securities laws. The sale or cover of any such investments may be possible only at substantial discounts, and it may be extremely difficult to accurately value any such investments.

***Business Continuity and Disaster Recovery.*** The Firm's, the Clients' and their portfolio companies' business operations may be vulnerable to disruption in the case of catastrophic events such as fires, natural disaster (e.g., tornadoes, floods, hurricanes and earthquakes), terrorist attacks or other circumstances resulting in property damage, network interruption and / or prolonged power outages. Although the Firm has implemented various measures to manage risks relating to these types of events, there can be no assurances that all contingencies can be planned for. If such business operations are disrupted or suspended for extended periods of time, the Clients may be adversely affected.

***Cyber Security Breaches and Identity Theft.*** The Firm's, the Clients' and their portfolio companies' information and technology systems may be vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, other security breaches and / or usage errors by their respective professionals. Although the Firm has implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Firm, a Client and / or portfolio company may have to make a significant investment to fix or replace them. The failure of these systems for any reason could cause significant interruptions in the Firm's, such Client's and / or such portfolio company's operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Firm's, such Client's and / or such portfolio company's reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect their business and financial performance.

The risks described herein should not be considered to be an exhaustive list of all the risks which investors should consider. Investors should refer to the applicable Governing Documents for additional information on risk factors and risk of loss.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Hinoki or the integrity of Hinoki's management. Hinoki has no information applicable to this Item.

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

Hinoki is under common control with the General Partner.

Neither Hinoki nor any of its related persons, directors, officers, principals or affiliates is registered as a broker-dealer or a representative of a broker-dealer or has an application pending to register as a broker-dealer or as a registered representative of a broker-dealer.

Neither Hinoki nor any of its related persons, directors, officers, principals or affiliates is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or is an associated person of any of the above.

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

The Firm has adopted a Code of Ethics (the “Code”) to ensure that it fulfills its role as a fiduciary to the Funds. The Code requires that employees of the Firm act in the best interests of the Funds to the exclusion of contrary interests, act in good faith and in an ethical manner, avoid conflicts of interest with the Funds to the extent reasonably possible, and identify and manage conflicts of interest to the extent that they arise. Employees of the Firm are required to comply with applicable provisions of federal securities laws and make prompt reports to the Chief Compliance Officer or appropriate party of any actual or suspected violation of such laws by the Firm and its employees or affiliates. In addition, the Code of Ethics sets forth policies and procedures with respect to the personal securities trading activities of Hinoki’s Supervised Persons (as defined in the Code), and as described in more detail below. The Code also addresses outside business activities of employees, policies and procedures concerning the prevention of insider trading, and restrictions on the receipt and acceptance of gifts and business entertainment, including the reporting of certain gifts and business entertainment. Employees are required to provide a written certification to the Firm as to their compliance with the Code upon commencement of employment and at least annually thereafter.

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 the Firm takes action for its Clients. It is the expressed policy of Hinoki that no person employed by the Firm shall prefer his or her own interest to that of an advisory Client or make personal investment decisions based on investment decisions of advisory Clients.

To supervise compliance with the Code, Hinoki requires that anyone associated with this advisory practice with access to advisory recommendations provide initial and annual securities holding reports and quarterly securities transaction reports to the Firm’s Chief Compliance Officer. Hinoki also requires access persons to receive pre-approval from the Chief Compliance Officer prior to investing in any security, including securities traded in an initial public offering or a private placement (limited offering).

Hinoki has also adopted a Compliance Manual, which sets forth policies and procedures with respect to, among other things, best execution, proxy voting, marketing activities, valuation, political contributions, record retention, and information security and cybersecurity policies and procedures intended to protect the confidentiality of the information retained by Hinoki and other policies and procedures designed to ensure compliance with applicable laws, rules and regulations.

Investors can request a copy of the Code by contacting the Chief Compliance Officer at 203-489-5970.

## **Item 12 – Brokerage Practices**

Hinoki is solely responsible for choosing broker dealers for Client transactions and considers various factors as part of the Firm's ongoing effort to seek best execution, including, but not limited to, reasonableness of their compensation based on the range and quality of services including execution capability, trading expertise, accuracy of execution, commission rates, research, reputation and integrity, fairness in resolving disputes, financial stability and responsibility, operational efficiency, access to conferences and events, and other services, among other factors.

In selecting broker-dealers, we may consider whether we, or any of our affiliates, receive Client or investor referrals from a broker-dealer or other third party. To the extent that we may enter into any such arrangements or otherwise consider referral activities, we may have an incentive to select or recommend a broker-dealer based on our interest in receiving such capital introductions, rather than on our Clients' interest in receiving most favorable execution.

Hinoki's aggregation policy allows the Firm to aggregate Client transactions in an effort to seek best execution and to reduce overall transaction and commission charges. The Firm's general policy is to aggregate transactions where possible and when advantageous to Clients. In these instances, Clients participating in any aggregated transactions will receive an average price and transaction costs will be shared equally and on a pro-rata basis if the order is partially filled.

Hinoki is authorized to determine the broker or dealer to be used for each securities transaction for Clients. In selecting brokers or dealers to execute transactions, Hinoki need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Hinoki does not expect to negotiate "execution only" commission rates, thus Clients may be deemed to be paying for research, brokerage or other services provided by the broker which are included in the commission rate.

In selecting brokers and negotiating commission rates, Hinoki will take into account the financial stability and reputation of brokerage firms, and the research, brokerage or other services provided by such brokers. Hinoki may place transactions with a broker or dealer that (i) provides Hinoki (or an affiliate) with the opportunity to participate in capital introduction events sponsored by the broker-dealer, (ii) provides the opportunity to participate in New Issues allocations, or (iii) refers investors to a Fund or other products advised by Hinoki (or an affiliate), if otherwise consistent with seeking best execution; provided Hinoki is not selecting the broker-dealer in recognition of the opportunity

to participate in such capital introduction events, the opportunity to participate in New Issues or the referral of investors. The Prime Broker will provide additional services that are not considered research and brokerage within the meaning of Section 28(e) of the Exchange Act. Hinoki will not take those services into account in determining whether to execute trades with the Prime Broker.

Section 28(e) of the Exchange Act, is a “safe harbor” that permits an investment manager to use commissions or “soft dollars” to obtain research and brokerage services that provide lawful and appropriate assistance in the investment decision-making process. Except as described below, Hinoki will limit the use of “soft dollars” to obtain research and brokerage services to services which constitute research and brokerage within the meaning of Section 28(e). Research services within Section 28(e) may include, but are not limited to, research reports (including market research); certain financial newsletters and trade journals; software providing analysis of securities portfolios; corporate governance research and rating services; attendance at certain seminars and conferences; discussions with research analysts; meetings with corporate executives; consultants’ advice on portfolio strategy; data services (including services providing market data, company financial data and economic data); advice from brokers on order execution; and certain proxy services. Brokerage services within Section 28(e) may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software that provides trade analytics and trading strategies; software used to transmit orders; clearance and settlement in connection with a trade; electronic communication of allocation instructions; routing settlement instructions; post trade matching of trade information; and services required by the Securities and Exchange Commission or a self-regulatory organization such as comparison services, electronic confirms or trade affirmations. The use of commissions arising from investment transactions for services other than research and brokerage will be limited to services that would otherwise be a Fund expense. The use of commissions to obtain such other services would be outside the parameters of Section 28(e).

In some instances, Hinoki may receive a product or service that may be used only partially for functions within Section 28(e) (e.g., an order management system, trade analytical software or proxy services). In such instances, a good faith effort will be made to determine the relative proportion of the product or service used to assist Hinoki in carrying out its investment decision-making responsibilities and the relative proportion used for administrative or other purposes outside Section 28(e). The proportion of the product or service attributable to assisting Hinoki in carrying out its investment decision-making responsibilities will be paid through brokerage commissions generated by client transactions and the proportion attributable to administrative or other purposes outside Section 28(e) will be paid for by Hinoki from its own resources.

Research and brokerage services obtained using commissions arising from the Client’s portfolio transactions may be used by Hinoki in its other investment activities and thus, the Client may not, in any instance, be the direct or indirect beneficiary of the research or brokerage services provided.

Although Hinoki will make a good faith determination that the amount of commissions paid is reasonable considering the products or services provided by a broker, commission rates are generally negotiable and thus, selecting brokers based on considerations that are not limited to the applicable commission rates may result in higher transaction costs than would otherwise be obtainable. The

receipt of such products or services and the determination of the appropriate allocation in the case of “mixed use” products or services creates a potential conflict of interest between Hinoki and its Clients.

When appropriate, Hinoki may, but is not required to, aggregate client orders to achieve more efficient execution or to provide for equitable treatment among accounts. Clients participating in aggregated trades will generally be allocated securities based on the average price achieved for such trades.

Hinoki will maintain accounts with the Prime Broker through which it can execute trades, borrow securities and maintain custody of its securities.

Hinoki reserves the right, at its sole discretion, to change the brokerage and custodial arrangements described above without further notice to Clients.

### **Item 13 – Review of Accounts**

#### **Reviews:**

Hinoki’s Investment Committee is responsible for continuously monitoring portfolio positions, executing and reconciling purchases and sales of securities on a daily basis and periodically reviewing the performance of the Funds. In addition, our Chief Compliance Officer reviews accounts on a periodic basis to ensure compliance with our policies and procedures and relevant Fund documents with respect to the treatment of client accounts.

#### **Reports:**

Investors in the Funds receive a monthly statement from the respective onshore and offshore administrators documenting the performance of their Fund and the amount of their investment. Additionally, Hinoki provides investors with a quarterly commentary and may provide certain investors with information on a more frequent basis if agreed to by Hinoki. Investors are also issued annual tax reports and audited financial statements concerning their respective Funds as well as unaudited performance information on a monthly basis.

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

- A. No one other than the Clients provide an economic benefit to the Firm for providing investment advice or other advisory services.
- B. Neither the Firm nor any related person directly or indirectly compensates any person who is not a supervised person for Client referrals. Nonetheless, Hinoki has an agreement with a placement agent in connection with referrals of potential investors for the Funds managed by the Firm. The arrangement complies with SEC Rule 206(4)-3 or similar state rules regarding solicitation arrangements.

## **Item 15 – Custody**

Hinoki is deemed to have custody since a related person serves as General Partner to the Funds. The SEC's Custody Rule sets forth certain requirements for the safekeeping of Client assets. Pursuant to the rule, Hinoki's policy is to have the Funds audited annually by an independent auditor registered with and subject to regular inspection by the Public Company Accounting Oversight Board, and to distribute copies of the audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") to the Funds investors within 120 days of the end of each Funds' fiscal year.

## **Item 16 – Investment Discretion**

Hinoki has discretionary authority to manage securities on behalf of the Clients which are subject to limitations set forth in each Client's Governing Documents.

## **Item 17 – Voting Client Securities**

In accordance with SEC requirements, Hinoki has adopted Proxy Voting Policy and Procedures (the "Policy") to address how the Firm votes proxies, as applicable, for the securities held by the Funds. The Policy is designed with the goal that the Firm votes proxies (or similar instruments) in the best interest of the Funds, including when there may be material conflicts of interest in voting proxies.

The basic components of the Policy are as follows:

- Generally vote in favour of routine corporate housekeeping proposals such as the election of directors and selection of auditors absent conflicts of interest raised by auditors' non-audit services.
- Generally vote to change the management structure of an Issuer if it would increase shareholder value.
- Generally vote against management if there is a clear conflict between the issuer's management and shareholder interest.
- Identify any conflicts that exist between the interests of the Firm and the Client by reviewing the relationship of Hinoki with the issuer of each security to determine if Hinoki or any of its employees has any financial, business or personal relationship with the issuer.
- Maintain a record of the voting resolution of any conflict of interest.

Clients may obtain a copy of Hinoki's Policy and/or information about how we voted proxies (or similar instruments), as applicable, for the securities held by the Funds by contacting Anthony Federici, the Chief Compliance Officer at 203-489-5970.



## **Item 18 – Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about Hinoki's financial condition. Hinoki has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients, and has not been the subject of a bankruptcy proceeding.

## **Item 19 – Requirements for State-Registered Advisers**

This item is not required as Hinoki is a federally registered investment adviser.