

# Form ADV 2A Brochure

## Cadinha & Co., LLC

900 Fort Street Mall, Suite 1450  
Honolulu, HI 96813

Phone: (808) 523-9488  
[www.cadinha.com](http://www.cadinha.com)

March 30, 2020

This brochure provides information about the qualifications and business practices of Cadinha & Co., LLC. If you have any questions about the contents of this brochure, please contact us at (808) 523-9488. 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.

Cadinha & Co., LLC is registered with the SEC as an investment adviser; however, this registration does not imply a certain level of skill or training.

Additional information about Cadinha & Co., LLC is available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – Material Changes**

The last annual update of the Form ADV 2A was on March 27, 2019. The following material changes have been made: As of January 2020, we removed Victor Canto as Managing Director of Global Investments and portfolio manager and Reid Imai as portfolio manager and added Vicky Canto as Director of Business Development. We also included information in *Item 12 – Brokerage Practices* to reflect our participation in the Schwab Advisor Network as of March 2020.

Pursuant to SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year (our fiscal year ends December 31). We may further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. You may request our Brochure by contacting us at (808) 523-9488.

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**Item 4 – Advisory Business**Firm Description

Cadinha & Co., LLC (“Cadinha & Co.”) is an investment adviser with its principal place of business in Honolulu, Hawaii. We commenced operations in April 1979, and have been registered with the SEC since 1979. Cadinha & Co. is owned by Cadinha Acquisition Corp. and Cadinha Partners; Harlan J. Cadinha Family Limited Partnership is an owner of Cadinha Acquisition Corp.

Advisory Services

Our firm provides continuous and regular investment management services on a discretionary basis to various types of clients and client accounts, including but not limited to: individuals, trusts and estates, charitable organizations, pensions, profit sharing plans, and corporations. We manage client funds on a separate-account basis; we do not operate any pooled-investment vehicles such as mutual funds or limited partnerships. We seek to work with clients with \$1 million or more to invest (or subject to a minimum annual fee). At our discretion we may make exceptions for lesser amounts.

We provide advice to client accounts based on the individual needs of the client. Through personal discussion in which goals and objectives based on a client’s particular circumstances are identified, we develop a general investment policy and manage the client’s assets based on that policy. Clients’ investment policies may change over time as warranted. Our clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations may include the following securities:

- Common stock (listed and over-the-counter; domestic and foreign)
- Warrants
- Corporate debt securities
- Commercial paper
- CDs and money market funds
- U.S. government securities
- Foreign debt securities
- Foreign currencies
- Commodities
- Real Estate Investment Trusts
- Exchange-Trade Funds and Notes
- Mutual fund shares

The securities and types of securities we hold in a client’s account at any point in time depend on (1) the client’s individual objectives and restrictions; and (2) our view of various securities’ risk and return potential.

For the vast majority of our clientele, our investment work also focuses on tactical asset allocation strategies. Rather than set a long term and static asset allocation for a client’s account (such as all equity, all fixed income, or balanced), we incorporate a forward view of markets and set asset allocations for clients we feel best combine each client’s personal objectives and restrictions with our view of the risk and return potential for various asset classes. Unless clients restrict us from doing so, a client’s asset allocation will likely change over time. For example, if our investment outlook is that stocks are overpriced (and risk has therefore increased for stocks), we will pare stock exposure in client accounts as appropriate; allocation to fixed income securities and/or cash equivalents could increase at the same time. Clients have the ability to

limit total asset class exposure or set allowable ranges. We establish such guidelines at the onset of our management with periodic updates as we communicate with our clients.

#### Managed Allocation Portfolio (“MAP”)

Under our MAP platform, we offer discretionary investment advisory services primarily using exchange-traded funds. We believe MAP to be especially suitable for those clients seeking tactical and opportunistic asset allocation strategies and management but with lower risks (and possible rewards) associated with individual security selection. We may recommend to clients our MAP program when we believe that based on the account’s size and brokerage/transaction costs, holding a diversified number of securities and having active security selection may result in higher risk of generating more trading costs than the value-added produced by such practices. We will also recommend MAP when a client doesn’t wish to own individual stock and bond securities and prefers securities that have inherently higher diversification potential.

#### Global Portfolio Strategies (“GPS”)

GPS offers discretionary investment advisory services using exchange traded funds and high-quality individual securities. GPS takes a global view and seeks to allocate assets opportunistically considering “top-down” and fundamental analyses. Our investment work generates views on capital markets and accordingly, we weight allocations between asset types (equities versus fixed-income), equity regions (U.S., Europe, Asia, Canada, and “frontier markets”), equity sizes (U.S. large cap, mid-cap, and small-cap) and fixed-income (fixed-income vs. cash equivalents). The result, we believe, is a complete and rational investment portfolio framework for long-term risk and return objectives while capturing nearer-term opportunities to mitigate risk and increase returns.

We currently have a GPS portfolio strategy for this return objective:

- Conservative Benchmark: 60% MSCI World Index/40% Barclays U.S. Aggregate Bond Index

#### Consulting/Financial Planning Services

Generally, we encourage investment advisory clients to ask us for general financial planning advice or consulting services. We often furnish such services for no additional charge although we may require compensation for certain planning or consulting services based on the nature of the services required by the client. We may provide consulting and financial planning services to non-advisory clients for a minimum fee of \$500 per hour.

#### Wrap Fee Programs

Cadinha & Co. participates in a sub-adviser capacity for certain Separately Managed Accounts (“SMA”) and Unified Managed Accounts (“UMA”) wrap fee programs sponsored by Morgan Stanley Wealth Management (“Morgan Stanley”) and Adhesion Wealth Advisor Solutions (“Adhesion”). Cadinha & Co. receives compensation from the sponsoring firm for investment advisory services related to accounts where we have been selected as the discretionary manager. Cadinha & Co. serves as an investment sub-adviser to both Adhesion and Morgan Stanley, Unified Managed Accounts (“UMA”) Programs sponsored by the brokerage firms. In the UMA Program, the client executes a contract with the UMA Program sponsor and the sponsor selects which sub-adviser(s) will be utilized to meet the client’s objectives. Cadinha & Co. provides the UMA sponsor with a specific strategy model portfolio and updates the model portfolio to the UMA program sponsor whenever a change is made to the model. Under a UMA

program, Cadinha & Co. does not enter trades, receive trade reports and trade confirmations, and does not have access to record keeping or client specific reporting. Furthermore, Cadinha & Co. does not execute, acknowledge, or implement account specific trade restrictions, cash withdrawal/contribution requests, year-end tax harvesting, and generally does not interface with clients.

Cadinha & Co. provides discretionary investment management services based upon a specified strategy model that is offered to clients of sponsor firms. Cadinha & Co. will generally accept limited restrictions on investing in certain securities or types of securities, and does not provide investment advice on any other basis than that described above. Sponsor firms may set specific and mutually agreed upon investment parameters under this arrangement, including allowable securities, asset allocation ranges, and performance benchmarks. Cadinha & Co. may be one of multiple managers for a client under the program and operates in a sub-advisory capacity, with the sponsoring firm acting as the client's primary adviser. Overarching financial planning, asset allocation, trade execution, reporting, and performance monitoring among other services are provided by the sponsor firm under this arrangement. For the majority of our clients who do not retain us through a single contract wrap fee program arrangement, we usually perform all the aforementioned services.

#### Cadinha Institutional

We provide investment management and consulting services to select institutional accounts on a fee-only basis. Services include investment management (furnished on a continuous basis for management of public securities only); asset allocation advice and monitoring; general investment oversight; market outlook; and/or educational services. For investment management, we seek institutions with \$5 million or more to invest (or subject to a minimum annual fee). For consulting and related services, we generally charge a minimum annual fee of \$100,000. At our discretion we may make exceptions for lesser amounts.

#### Assets Under Management

As of December 31, 2019, we managed \$1,766,341,127 on a discretionary basis and \$0 on a non-discretionary basis.

### **Item 5 – Fees and Compensation**

Our fees are based upon a percentage of assets under management. The fee rates are stated annually but billed and paid quarterly—1/4 of the annual rate is applied to quarterly billings.

Balanced and Equity Accounts (Includes balanced and equity MAP and GPS accounts)	Annual Rate
First \$3 million of assets under management	1.00%
Next \$2 million	0.75%
Next \$5 million	0.50%
Over \$10 million	0.40%
Minimum Annual Fee: \$10,000	

Fixed Income Accounts (Includes fixed income MAP and GPS accounts)	Annual Rate
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First \$1 million of assets under management	0.75%
Next \$4 million	0.50%
Next \$5 million	0.40%
Over \$10 million	0.25%
Minimum Annual Fee: \$10,000	

Cadinha Institutional (management)	Annual Rate
First \$5 million of assets under management	1.00%
Next \$5 million	0.70%
Over \$10 million	0.50%
Minimum Annual Fee: \$50,000	

Cadinha Institutional (consulting and other)	Annual Rate
Total assets under management	0.10%
Minimum Annual Fee: \$100,000	

For the initial invoice to a client, fees are prorated for the remaining calendar quarter based on the account value at the inception of our management. Thereafter, fees are billed 90 days in advance based on the account value as of the last day of the calendar quarter (March 31, June 30, September 30 and December 31). In certain situations, we may negotiate rates or terms other than what is specified above.

Clients may elect to have our fees deducted from their accounts. Clients with this arrangement receive quarterly notices stating the fees deducted.

Our services may be terminated by either party at any time with written notice. If a client terminates our services before the end of a calendar quarter, that client will receive a refund for the “unused” portion of fees paid in advance. The refund amount shall be prorated to the date specified in the termination notice. There are no penalties for cancellation or termination of our services.

Though not charged by or paid to Cadinha & Co., clients incur other costs in conjunction with our management. Clients pay brokerage fees and may pay custody fees to a brokerage and/or bank; the rates and amounts of which are determined by the brokerage or bank that clients choose. We are not a bank or brokerage and we perform no transaction or custody services. However, our investment advice affects transactions that are performed at a brokerage or bank and charges may be levied to clients. Please see *Item 12 – Brokerage Practices* for more information on our approach to clients’ brokerage and custody options.

We often hold securities for investment in client accounts that may involve other fees to clients. These fees are generally deducted from the net asset value of the securities held by the client. Such securities include:

- Exchange-traded funds and exchange-traded notes
- Money market funds

- REITs
- Mutual funds

These fees are generally management fees charged by the manager of a particular fund or trust in which we've invested client assets. The rate, amount, and frequency of fees a client will ultimately incur from these securities are contingent on which securities we invest and the amount invested.

Neither Cadinha & Co. nor any of its employees receive any compensation for recommending any particular investment strategy, including the sale of securities or other investment products. We receive no commissions from any third party.

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

We collect no performance fees for our investment advisory services.

### **Item 7 – Types of Clients**

We provide advisory services to individuals, trusts and estates, charitable organizations, pensions, profit sharing plans, and corporations across Hawaii, the mainland U.S. and abroad. Generally, we seek to work with clients with \$1 million or more to invest (or subject to stated minimum annual fees listed in *Item 5 – Fees and Compensation*). At our discretion, we may make exceptions for lesser amounts.

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

We use a number of analyses in formulating investment advice and managing client assets, including:

- *Top-down and macroeconomic analysis.* We analyze overall economic trends and data as well as fiscal and monetary policies to get a “big picture” view of capital markets. We develop outlooks indicating which asset classes, types, sectors, and styles may be overvalued/risky or undervalued. Client's asset allocation at any given time is largely based on this work. Our bond strategies are largely shaped by our top down work as we focus mostly on duration strategies that seek to take advantage of perceived movements in interest rates.
- *Fundamental analysis.* We also conduct continuous research on a bottom-up basis, identifying asset classes and individual securities with attractive characteristics relative to its price.
- *Technical analysis (or trend analysis).* We will use technical analysis to gauge investor sentiment and the supply and demand dynamics for various securities, often after we've identified a security as a candidate to buy or sell on top-down or fundamental grounds. This work entails analyses of price charts, including price movement and trading volume.

Cash and cash equivalents are an ever-present investment consideration at Cadinha & Co. We may raise cash in client accounts—perhaps in significant percentages—when we believe a higher degree of capital preservation is warranted.



Risk

All clients and prospective clients should understand that investing in securities involves risk of loss that clients should be prepared to bear. Our management carries certain other risks besides overall market declines, including:

- *Asset allocation risk.* As we construct asset allocation strategies based on our outlook of capital markets, our investors are subject to the risk that our outlook, or implementation of our outlook, may be ineffective or unfavorable over any period of time.
- *Equity risk.* While we seek to invest in equities we believe have favorable capital appreciation and income potential with limited downside potential, our equity selections may result in capital loss for clients. Loss could also occur for a myriad of reasons including but not limited to, overall market loss, issuer-specific developments, interest rate movements, political developments, inflation, and competition.
- *Fixed income risk.* As our bond investing activities are largely based on our outlook for movements in interest rates, clients risk general under performance and even capital loss should interest rates move in an adverse way. For example, if we invest in long-term U.S. Treasury bonds and interest rates rise, the value of those bonds will decline. Other risks include credit risks (an issuer could default on its obligations to bond holders) and currency risks, as we may invest in bonds denominated in a currency other than the U.S. dollar.
- *Risks associated with cash.* As we raise balances in cash and cash equivalents from time to time, there is a risk we may do so in an ill-timed fashion. By directing client assets into cash, clients could experience smaller gains than they otherwise would.

These risks stated above may not be all the risks clients assume; clients may lose value or experience limited gains for a number of other reasons, including those that can't be anticipated. Clients should assume investing is a risky endeavor and understand that risks are not eliminated by using an investment adviser, including Cadinha & Co.

**Item 9 – Disciplinary Information**

As registered investment advisers, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Cadinha & Co. or the integrity of Cadinha & Co.'s management.

There have been no disciplinary events and no material legal events related to our firm or any management person.

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

We are an independent investment adviser with no parent organization or subsidiaries and no brokerage or custody operations. We manage no investment companies or limited partnerships. We recommend no other investment advisers to our clients (other than those in connection with certain securities we invest in such as exchange-traded funds and money market funds). We receive no compensation, directly or indirectly, from any adviser.

Certain firms have recommended our management to clients, including doing so under wrap fee arrangements. See *Item – 4 Advisory Business* under header *Wrap Fee Programs* for information on formal wrap fee programs in which we participate.

On occasion, brokers and financial planners from a number of firms will recommend to their clients our investment advisory services. These arrangements are not necessarily formal arrangements between other firms and Cadinha & Co., but may be characterized as “wrap fee programs” nonetheless. In the event these clients wish to retain us for management, we serve them as we do our other clients and under our normal fee schedules. As is often the case, referred clients pay their broker or financial planner a fee that covers custody, trading costs, portfolio monitoring, and financial planning. Such arrangement usually requires that a specific brokerage firm be used and, if trades are placed with another brokerage firm, the client will be charged separately for brokerage commissions. Therefore, when a client has entered into a wrap free agreement, we are generally not free to seek a competitive price or execution by placing transactions with other brokers or dealers. While it has been our experience that the selected broker-dealer generally offers execution in keeping with our “best execution” practices, no assurance can be given that such will continue to be the case in the future. Accordingly, clients may wish to satisfy themselves that the broker-dealer can provide adequate price and execution for the investments recommended by us.

Schwab Institutional, division of Charles Schwab & Co., Inc. (“Schwab”) and Fidelity Institutional Wealth Services, division of FMR, LLC (“Fidelity”)

We often recommend that clients establish brokerage accounts with Schwab or Fidelity, registered broker-dealers, members SIPC/NYSE, to maintain custody of clients’ assets and to effect trades for their accounts. Schwab and Fidelity provide us with access to their institutional trading and operations services, which are typically not available to Schwab and Fidelity retail clients. These services generally are available to independent investment advisers at no charge to them so long as a certain amount of the adviser’s clients’ account assets are maintained at Schwab or Fidelity. Schwab and Fidelity services include brokerage, custody, and research that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. Schwab and Fidelity also make available to us other products and services that benefit our firm but may not directly benefit clients’ accounts. Some of these other products and services assist us in managing and administering clients’ accounts, including software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of our fees from its clients’ accounts; and assist with back-office support, record keeping and client reporting.

We occasionally recommend clients select Schwab and Fidelity based on both firms’ offering of free custody and low-cost trading costs, financial strength and reputation. While we believe the features of our dealings with Schwab and Fidelity stated in the previous paragraph have no influence on our recommendation for using either firm, such features are disclosed as they could produce the appearance of a conflict of interest with clients.

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

Cadinha & Co. has adopted a Code of Ethics that sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Our firm and personnel owe a fiduciary duty of loyalty, fairness and good faith towards our

clients, and have an obligation to adhere not only to the specific provisions of applicable securities laws and our Code of Ethics but also to the spirit of both.

The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on giving or accepting significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All of our firm's employees must acknowledge the terms of the Code of Ethics annually, or as amended.

All employees must submit all brokerage statements to the Chief Compliance Officer or designee monthly or at least quarterly to ensure compliance with our policies and Code of Ethics.

Employees are generally prohibited from acquiring any securities in an initial public offering or private placements, in order to preclude any possibility of their profiting improperly from their position with an adviser. Prior approval by the President is required for such trading to occur. We also generally prohibit securities transactions and other business transactions with clients or other investment professionals outside the scope of our normal advisory business. Employees must seek prior approval from the President and Chief Compliance Officer to ensure compliance with our policies and Code of Ethics.

Any new material conflicts with clients that arise over time will be addressed and disclosed promptly to clients in writing.

Any client or prospective client can request a copy of our Code of Ethics, free of charge, upon request.

## **Item 12 – Brokerage Practices**

Clients generally select the broker-dealer or custodian they want for their account's brokerage and custody needs. In the event a client does not have an existing arrangement, we do make recommendations, but clients may also choose other brokerages or custodians, provided that such an arrangement is acceptable to us. We may decline working with prospective clients if:

- (1) we feel the selected brokerage/custodian's fees (transaction, custody and/or other) are too high or there are other characteristics particular to the brokerage/custodian we feel would not serve in the client's best interests; or
- (2) working with the selected brokerage/custodian would be too burdensome or costly for our operation.

While we believe our practice of recommending brokerages is in keeping with clients' best interests, we acknowledge that such recommendations may result in clients being unable to achieve best execution while paying more for transactions than by another arrangement. Similarly, if clients choose other brokerage and custody options, they may also subject themselves to overall higher costs and an inability to achieve best execution for their transactions. Clients should inquire for themselves about different brokerage and custody options—along with the services each provides—to determine the arrangement that best serves their interests.

For further information on our dealings with Schwab and Fidelity, see *Item 10 – Other Financial Industry Activities and Affiliations* under the header, *Schwab Institutional, division of Charles*

*Schwab & Co., Inc. ("Schwab") and Fidelity Institutional Wealth Services, division of FMR, LLC ("Fidelity").*

Our recommendations for broker-dealers are generally not based on whether or not we receive referrals from a broker-dealer or third party. Other than the referrals we receive as discussed in *Item 10 – Other Financial Industry Activities and Affiliations*, we do receive client referrals from Schwab through our participation in Schwab Advisor Network ("the Service"), a network designed to help investors find an independent investment adviser. Schwab is a broker-dealer independent of and unaffiliated with Cadinha & Co. Schwab does not supervise us and has no responsibility for our management of clients' portfolios or our other advice or services. We pay Schwab fees to receive client referrals through the Service, so our participation in the Service may raise potential conflicts of interest described below.

We pay Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by us is a percentage of the fees the client owes to Cadinha & Co. or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. We pay Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to us quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Cadinha & Co. and not by the client. We have agreed not to charge clients referred through the Service fees or costs greater than the fees or costs we charge clients with similar portfolios who were not referred through the Service.

We generally pay Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, we will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Cadinha & Co.'s clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, we will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit our fees directly from the accounts.

For accounts of Cadinha & Co.'s clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from our clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, we may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Cadinha & Co. nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for our other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Soft Dollars

On occasion, when clients do not direct or select brokers (for example, when custody of the client's assets is at a bank or trust company) all transactions will be directed to a list of approved brokers who provide research products and services (i.e. research reports, economic advice, real-time quotes and news products). In certain instances, we request brokers to provide specific research products or services that may be proprietary or may be produced by third parties. Under these circumstances, we will internally allocate business (commissions) to brokers who provide research products or services we feel are useful. To the extent that we use client transactions to obtain research information, we may have an incentive to place a greater volume of transactions or pay higher commissions than would otherwise be the case. Where products and services can be used for both research and non-research purposes, we will make an appropriate allocation of its uses and will only permit brokers to provide that portion of the services or products that assists us in our investment decision-making processes.

Our use of client brokerage commissions benefits our firm as the soft dollar benefits generated by directing trades to brokers pay for research and other services and products that we would otherwise have to pay for. At any particular time, we may have an incentive to direct trades to certain brokers based on our demand for their research, rather than on our client's interest in receiving best execution.

It is our policy to only direct trades to those brokers we deem to be competitive with other brokerage options. Our Trade Review Committee that periodically reviews our best execution processes and effectiveness. The Committee also monitors soft dollar benefits and reviews, with the input of members of our Investment Committee, the research we receive versus the soft dollars used to "pay" for that research as well as the trading costs for the executions with the broker/research source. If a broker whose research we highly demand offers transactional terms that are not in keeping with our best execution policies and processes, we will not direct trades or soft dollars to that broker. In such a case, we will seek to pay for the research ourselves.

Research products and services provided by brokers benefit all client accounts and not just those that paid for the benefits. We do not actively seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.

Trade Aggregation

It is generally our practice, when feasible, to first aggregate as many orders into single transaction orders (blocks) by broker-dealer and then execute the purchase or sale in rotation. Shares purchased or sold in block orders are allocated pro-rata among the accounts that participated in the block.

Our procedures for aggregating trade orders ensures that no trading block or single advisory account will be consistently favored over other blocks or accounts.

**Item 13 – Review of Accounts**

Client account information, including quantities and values of securities held, costs and the amounts of cash and cash equivalents for each client is maintained in our computer systems. Account information is reconciled against statements or electronic files from appropriate custodial agents generally daily, but no less than monthly.

It is our policy for portfolio managers to review their clients' accounts no less frequently than monthly. Reviews cover account balance, cash balance, asset allocation, position count, position

weight, and sector weight, among other factors. Managers are also responsible for ensuring that client accounts are in keeping with the stated objectives and restrictions of the client. Reviews of accounts are also triggered by purchases and sales of securities holdings, investment strategy changes, rebalancing exercises and particular client need.

Our portfolio managers are:

Harlan J. Cadinha, Chairman & Chief Investment Strategist  
Kaleialoha K. Cadinha-Pua`a, Vice Chairman & CEO  
Neil T. Rose, CFA, President & Chief Investment Officer  
Bradley F. Tothorow, CFP, Vice President  
Harlan B. K. Cadinha, Vice President

We provide clients with printed account statements on a quarterly basis showing asset value by security, unit cost, total cost, cash balances, current per share values, etc. We urge clients to compare the quarterly reports provided with those provided by their custodian and notify us of any differences. Additionally, clients receive periodic Outlook pieces, newsletters and blogs that include our general investment outlook. Clients are free to contact us to receive information regarding the investment tactics and strategies being followed.

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

##### Client Referrals

We may pay referral fees to independent persons or firms (“Solicitors”) for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of our Firm Brochure and a separate disclosure statement that includes the following information:

- the Solicitor’s name and relationship with our firm;
- a statement that the Solicitor will be compensated for his solicitation services by our firm;
- the terms of such compensation arrangement, including a description of the compensation paid or to be paid to the Solicitor; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of practice, the advisory fees paid to us by clients referred by Solicitors are not increased as a result of any referral.

##### Other Compensation

Other than the referral program described in *Item 12 – Brokerage Practices* referencing the *Schwab Advisor Network*, we do not currently participate in any formal referral programs with other financial firms where we provide compensation for client referrals.

#### **Item 15 – Custody**

Cadinha & Co. is not a broker-dealer and does not take possession of client assets. Our clients’ assets are held at qualified custodians. We have limited power of attorney to place trades on the client’s behalf. The custodian will issue trade confirmations and monthly (or quarterly) statements directly to clients. We urge clients to compare the information in their quarterly statements from us with the statements provided by their custodian.

We previously disclosed in *Item 5 – Fees and Compensation* that clients may elect to have us deduct fees directly from their accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

### **Item 16 – Investment Discretion**

We generally have limited power of attorney to act on a fully discretionary basis on a client's behalf, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission. Our discretionary authority includes the ability to (1) determine the security to buy or sell; and/or (2) determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary agreement with our firm. Additionally, we accept any reasonable limitation or restriction to such authority placed by the client when done so in writing. Clients may also change or amend such limitations by providing us written instructions.

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

Generally, we vote proxies for client accounts unless a client chooses to vote proxies on his or her own account.

We vote proxies in the best economic interests of our clients and in accordance with our established policies and procedures. In the case of ERISA clients, we accept our fiduciary responsibility to vote proxies in the best interest of plan participants and their beneficiaries.

In certain cases, we may not be able to vote proxies, including:

- when proxies are received by us with insufficient time to vote and submit before a proxy's deadline;
- when a custodian under-allocates votes to which our clients are entitled;
- when securities are classified by the client as "non-discretionary" and we have no management authority over such securities;
- when we conclude that the effect of voting on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant; and
- when voting a proxy requires unreasonable costs and resources (i.e. voting proxies for certain foreign or esoteric issues may require an unjustifiable amount of cost and management resources that may ultimately run contrary to our clients' best interests).

We retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document that was created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how we voted proxies.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting us. Clients may request, in writing, information on how proxies for their shares were voted.

### **Item 18 – Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Cadinha & Co. has not been the subject of a bankruptcy petition.