

FORM ADV PART 2A: FIRM BROCHURE

ITEM 1. COVER PAGE

Hill Country Asset Management, LP

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Important Disclosure:

This brochure (“Brochure”) provides information about the qualifications and business practices of Hill Country Asset Management, LP (“Hill Country” or the “Firm”). If you have any questions about the contents of this brochure, please contact us at (512) 664-0823 or Information@hillcoasset.com. 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.

Additional information about the Firm is also available on the SEC’s website at www.adviserinfo.sec.gov.

Please note that registration as an investment adviser with the SEC does not imply any level of skill, training or ability with respect to the provision of investment advisory services. The oral and written communications of an investment adviser provide you with information through which you determine to hire or retain an investment adviser.

ITEM 2. MATERIAL CHANGES

Since the Firm's initial filing on December 1, 2020, Hill Country has updated its principal place of business in Item 1, as well as its range of fees in Item 4 and other business activities in Item 10.

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ITEM 4. ADVISORY BUSINESS

- A. Hill Country Asset Management, LP (“Hill Country” or the “Firm”) is a newly formed investment adviser with its principal place of business in Austin, TX. Hill Country is a Delaware limited partnership, with Hill Country Asset Management, LLC, a Delaware limited liability company, serving as its general partner. Steve Kuhn and Andrew Olson are Managing Members of Hill Country Asset Management, LLC and the principals (the “Principals,” and each, a “Principal”) of Hill Country.
- B. Hill Country provides discretionary investment management services to privately offered investment funds intended for sophisticated investors in accordance with the applicable limited partnership agreements, private placement memoranda, investment management agreements and other such agreements (“Offering Documents”). Hill Country currently serves as the investment manager of four funds organized in a master-feeder structure including a domestic feeder fund (“Domestic Feeder”), offshore feeder fund (“Offshore Feeder”), intermediate fund (“Intermediate Fund”) and master fund (“Master Fund”)(each a “Fund” and collectively, the “Funds”). The Offshore Feeder generally invests substantially all of its assets in the Intermediate Fund which, along with the Domestic Feeder, generally invests its assets in the Master Fund, but may make certain investments directly or indirectly through “Acquisition Vehicles” in order achieve certain tax, regulatory, administrative legal or financing objectives of the Funds. In addition, investments may be made through one or more alternative investment vehicles outside of the Funds (each, an “AIV”). References herein to the investment of, or actions by, a Fund include any investments held by the Funds, Acquisition Vehicles or an AIV (collectively, “Hill Country Funds”).
- C. The Hill Country Funds are managed in accordance with their own objectives and are not tailored to any Fund investor (each an “Investor”). Such Investors accept the terms of advisory services as set forth in the Funds’ Offering Documents. The Firm has broad investment authority with respect to the Hill Country Funds and, as such, Investors should consider whether the investment objectives of the Funds are in line with their individual objectives and risk tolerance prior to investment.
- D. Hill Country does not participate in wrap fee programs.
- E. As of December 31, 2021, Hill Country managed \$868,415,242 in regulatory assets on a discretionary basis.

ITEM 5. FEES AND COMPENSATION

- A. The specific terms of Hill Country's fees and compensation arrangements are set forth in each of the Fund's Offering Documents. The Firm generally charges an annual management fee ("Management Fee") which ranges from 1% - 1.75% of Investor commitments during a Fund's investment period. Hill Country may, in its sole discretion, reduce, waive or calculate differently the Management Fee with respect to any Investors including, without limitation, Investors that are affiliates of Hill Country, which include the Principals for whom the Management Fee has been waived.

Along with the Management Fee, Investors are generally subject to a performance-based profit allocation ("Carried Interest") with respect to realized investments as further described under Item 6 of this Brochure. The Carried Interest (if due) is payable to Hill Country Special Opportunities Fund GP, LLC ("General Partner"), an affiliate of Hill Country, which serves as the General Partner of the Funds. If a Fund's Carried Interest results in an over distribution of the agreed upon percentage of Carried Interest as of certain measurement dates specified in the Offering Documents, the General Partner is generally subject to an after-tax "claw back" obligation. Carried Interest is generally calculated as a percentage of profits after Investors have received a preferred return. The maximum Carried Interest allocable to the General Partner is 20% of the realized profits derived from the disposition of investments (after taking into account costs and expenses of the Hill Country Fund, including Management Fees, and following a preferred return to Investors of up to 8% annually). The General Partner may, in its sole discretion, reduce, waive or calculate differently Carried Interest with respect to any Investors including, without limitation, Investors that are affiliates of Hill Country, which include the Principals for whom the Carried Interest has been waived.

- B. Hill Country generally deducts the Management Fee from the Funds' accounts quarterly in advance, as further disclosed in each Fund's Offering Documents.
- C. In addition to the Management Fee described above, each Fund bears all costs and expenses associated with the organization and offering of such Fund and its pro rata share of the costs and expenses associated with the organization of the General Partner and any Hill Country Fund in which such Fund directly or indirectly invests, including any legal and accounting fees, printing costs, travel and out-of-pocket expenses and expenses related to the compliance with any applicable federal and state laws, except as otherwise determined by the General Partner. In addition to the Management Fee and the organizational and offering expenses, each Fund will pay all costs and expenses arising in connection with such Fund's operations and its pro rata share of the costs and expenses arising in connection with the operations of any Hill Country Fund in which such Fund invests. Such expenses include, without limitation: all costs and expenses related to investments or prospective investments (whether or not consummated) such as external research fees (including travel, legal, diligence and other advisory fees and expenses); mark-ups, brokerage fees and commissions and similar expenses, including

any expenses related to hedging activities or short sales, clearing and settlement charges, custodial and depositary fees and any expenses related to the negotiation of agreements with brokers and trading counterparties; interest and commitment fees and expenses on debit balances or borrowings, borrowing charges on investments sold short and any other expenses related to financing investments; custody fees and bank service fees; amounts for taxes incurred by any Hill Country Fund (as determined by the General Partner) and fees and expenses of the “partnership representative” of any Hill Country Fund; any governmental, regulatory, licensing, filing or registration fees incurred by such Fund, the General Partner or the Firm in compliance with any U.S. federal, state or local or non-U.S. laws or the rules of any self-regulatory organization; to the extent permitted by applicable law, and subject to the indemnification/exculpation provisions in the applicable Offering Documents, any legal fees and costs (including settlement costs) arising in connection with any litigation or regulatory investigation instituted against any Hill Country Fund, the General Partner or the Firm, each in its capacity as such (whether incurred by a Hill Country Fund or the General Partner or Hill Country or on any Hill Country Fund’s behalf); all expenses incurred in connection with any supplements or amendments to or restatements of the constituent documents of the Hill Country Fund and any related entities, including the General Partner; expenses of negotiating and entering into agreements (including side letters) with any Investor or proposed by a potential investor, and modifications and amendments to such agreements; all (or such pro rata portion, as determined by Hill Country, of) fees and expenses related to any acquisition vehicle utilized to facilitate Fund investments (including legal, administrative, valuation, custodial, audit, registered office and other fees); fees and expenses of any advisory committee and any independent investor representative; the cost of the audit of the Hill Country Funds’ financial statements and the preparation of their tax returns and the fees and expenses for financial and tax accounting and reporting services, and administrative services on behalf of the Hill Country Funds to the extent performed by persons other than the General Partner or Hill Country; any administrator’s or valuation agent’s fees and expenses and external pricing service fees, as well as fees and expenses of any third-party provider of outsourced back- and middle-office business processes (including any licensing of technology); the costs of any outside appraisers, accountants, attorneys, due diligence experts or other experts, advisers or consultants engaged by the General Partner or Hill Country in connection with the operations of the Hill Country Funds; the costs and expenses of holding any meetings of Investors or consent solicitations or votes of the Investors; all costs and expenses associated with reporting and providing information to existing and prospective Investors; the General Partner’s filing fees and franchise taxes; fees, costs and expenses relating to strategic associations; the costs of any insurance obtained benefitting the Hill Country Funds, the General Partner, the Firm, any Principal, the affiliates of any of them and any other person indemnified under a partnership agreement; and other expenses related to the Hill Country Funds’ investment program or operations, including any extraordinary expenses (such as litigation and indemnification).

Allocation of Expenses

To the extent expenses relate to multiple Hill Country Funds or one or more Hill Country Funds and one or more future funds or accounts (“Other Accounts”), they may be allocated to each entity on a pro rata basis based on each entity’s respective aggregate net asset value, gross asset value or capital commitments or based on the relative benefits that each account received in respect of the expense. In many instances, the allocation of expenses among accounts will involve a good faith assessment by Hill Country in determining whether and to what extent such Hill Country Funds and/or Other Accounts benefit from certain expenses. Notwithstanding the foregoing, Hill Country may allocate only to the relevant Hill Country Funds expenses related to certain services, products or resources from which Other Accounts also derive some benefit if Hill Country determines that such expense is essential to and is being acquired primarily for such Hill Country Funds. Similarly, in cases where one or more Hill Country Funds incurs investment expenses in respect of an investment that was made on behalf of such Hill Country Funds and Other Accounts, such accounts that are participating in excess capacity in such investment may not bear any portion of such investment expenses.

Hill Country may face conflicts of interest in making such expense allocation decisions (due to internal investment in a particular account, differing performance compensation rates between accounts or other reasons) and there may be alternative allocations of expenses that would also be reasonable. Allocations of expenses may be based upon assumptions, estimates and projections made by Hill Country, which may result in differing allocations of expenses than would be the case if exact figures were employed. While Hill Country will allocate such expenses in a manner that Hill Country determines to be fair and equitable in accordance with its expense allocation policies and procedures, there can be no assurance that any expenses will be allocated in a particular manner.

For additional information regarding brokerage and transaction costs, Investors are directed to Item 12 of this Brochure.

Side Letters

The Firm has entered into side letters and may, in the future, along with the Hill Country Funds, or the General Partner, without any further act, approval or vote of any partner, continue to enter into side letters or other similar agreements with certain Investors that have the effect of establishing rights (including economic terms) under, or altering or supplementing the terms of the Offering Documents with respect to certain Investors, all as determined by the General Partner in its sole discretion. Such terms may include, but shall not be limited to, different expenses, Management Fees, Carried Interest (including waivers of the Management Fee and/or Carried Interest),

notice provisions (including provisions relating to regulatory actions, investments by Investors, etc.), tax undertakings, access to information, sovereign requirements, waiver of all or a portion of an Investor's obligation to contribute capital to the relevant Fund, or determination to accept a late contribution without declaring an Investors to be in default and capacity rights.

- D. The Funds are expected to pay Management Fees, in advance, on a quarterly basis, as further disclosed in each Fund's Offering Documents. In the unlikely event that Hill Country does not provide services for a full period, or if accounts are terminated according to the terms set out in each Fund's Offering Documents, before the end of the relevant period, a pro-rated fee will be returned to the Fund.
- E. Neither Hill Country nor any of the Firm's supervised persons will accept compensation for the sale of securities or other investment products.

ITEM 6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

As discussed in Item 5 of this Brochure, the Funds are subject to Carried Interest of up to 20%, which will be paid to the General Partner. Although Carried Interest generally aligns the Firm's and its affiliates' interests with those of the Funds and underlying Investors, since it is based on profits, it can also create an incentive for the Firm to cause the Funds to make investments which may be riskier or more speculative than those which would be made under a different fee arrangement. To address such potential conflicts of interest, Hill Country is committed to performing extensive due diligence on each investment it makes and discloses information about the Funds' investment through quarterly reports and other Investor notices and/or presentation. Furthermore, the Principals invest a substantial portion of their respective liquid net worth directly or indirectly in the Fund, which further aligns their interests with those of the Investors in the Funds.

All Carried Interest is charged in accordance with Rule 205-3 of the Advisers Act, whereby each investor that is charged a performance fee must be a "Qualified Client." To be considered a Qualified Client, an individual must have a net worth of \$2.2 million (excluding their primary residence) or have at least \$1.1 million of assets under management with Hill Country.

ITEM 7. TYPES OF CLIENTS

As further described in Item 4 of this Brochure, the Firm provides investment management services to the Hill Country Funds, which are private fund investment vehicles exempt from registration under the Investment Company Act of 1940, as amended (“Investment Company Act”). Investors in the Hill Country Funds include a variety of institutional investors, high net worth individuals and family offices. All Investors are required to be either “qualified purchasers” or employees who are deemed to be “knowledgeable employees” under the Investment Company Act or must otherwise be permitted to invest under applicable securities laws.

Prospective Investors should refer to the Offering Documents of each respective Fund for information on minimum investment requirements. Typically, Hill Country will require a minimum investment of \$5,000,000, although, the Firm maintains discretion to individually waive, increase or reduce the minimum investment required.

ITEM 8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

- A. On behalf of the Funds, Hill Country seeks to generate attractive risk-adjusted returns that are uncorrelated to the general equity and debt markets primarily by investing in the mortgage and municipal markets.

The Firm has a broad and flexible investment authority and may invest in a wide variety of instruments in pursuit of the Hill Country Funds' strategy. There are no diversification, exposure or concentration constraints on the Hill Country Funds' portfolios. Rather, Hill Country will dynamically allocate the portfolio primarily between securities and instruments in and related to the mortgage and municipal securities markets depending on its views of the current opportunity set and with consideration of its multi-year investing time horizon. As discussed in more detail below, Hill Country may take long and short positions in debt (including structured finance securities), equity, convertible instruments, commodities, currencies and other instruments to seek to capture returns.

Hill Country invests in securities that are based on fixed-rate mortgages, adjustable rate mortgages, interest-only mortgages and mortgages with varying maturity dates; collateralized mortgage obligations; interest-only or principal-only securities; "TBAs" (trades in mortgage-backed securities ("MBS") to be delivered by a U.S. government-sponsored mortgage entity at a future date); mortgage real estate investment trusts ("REITs") (i.e., real estate investment trusts that hold mortgages and mortgage-backed securities); mortgage-related exchange traded funds ("ETFs"); securities representing the rights to certain portions of the principal and/or interest payments from a pool of mortgages and other opportunities relating to the mortgage market or mortgages.

In addition to mortgage-related securities, Hill Country invests in municipal bonds, including, among others, "private activity" bonds, including those that are rated below investment grade by Moody's Investors Service, Inc., or equivalently rated by Standard & Poor's Ratings Services or Fitch, Inc.; municipal bonds that finance education, health care, housing, transportation, utilities and other similar projects; industrial development bonds; pre-refunded municipal bonds; general obligation bonds and limited obligation bonds; municipal lease obligations; municipal warrants; municipal bonds with credit enhancements such as letters of credit, municipal bond insurance and Standby Bond Purchase Agreements; and trust certificates issued in tender option bond programs.

Hill Country may also invest in securities it believes are attractive and complementary to its core strategy, including asset-backed securities, convertible bonds, preferred securities, common stock and warrants of equities of companies involved in or related to the mortgage and municipal markets, global sovereign bonds, equity securities, currency futures and derivatives relating to the foregoing.

Additionally, the Firm may invest in a wide variety of derivative instruments for both risk management, including portfolio- and position-level hedging, and to generate returns. Hill Country expects to employ leverage with respect to their portfolio through borrowings and the use of derivative instruments, with the amount of leverage varying significantly by asset class and investment strategy. Certain investment strategies in which the Hill Country may invest, such as municipal securities, may employ 4x-8x leverage, while leverage employed in other investment strategies, such as certain mortgage pools, may be closer to or exceed 15x. Leverage for other asset classes may be lower or exceed such amounts in the Firm's sole discretion. Further, certain structured financial products or derivatives in which the Funds may invest may have significant leverage embedded within them.

Investing in securities or other instruments within the Hill Country Funds involves a risk of loss of all or part of an investor's own investment, which each investor should be prepared to bear. A full description of the Firm's investment strategy are included in each of the Fund's Offering Documents.

- B. The following discussion of certain risk factors does not purport to be an exhaustive list or a complete explanation of all the risks involved in an investment in the Hill Country Funds. There is high risk associated with an investment in the Hill Country Funds, and an investment in the Hill Country Funds should only be made after consultation with independent qualified sources of investment and tax advice. Prospective investors should carefully consider the following risk factors, among others, in determining whether an investment in the Hill Country Funds is a suitable investment. For a more complete explanation of the Hill Country Funds' associated risks, Investors should review the relevant Offering Documents, which contain additional risks and other related details not discussed below.

General Risks

Risk of Loss. Investment in the Hill Country Funds entails a high degree of risk and is suitable only for sophisticated individuals and institutions for whom an investment in the Hill Country Funds does not represent a complete investment program and who fully understand and are capable of bearing the risks of an investment in the Hill Country Funds. There can be no assurance that the Hill Country Funds will be able to achieve their investment objective or avoid losses. As is true of any investment, there is a risk that an investment in the Hill Country Funds will be lost entirely or in part.

There is Limited Operating History for the Hill Country Funds, the General Partner or Hill Country. There is a limited operating history by which to evaluate the likely future performance of each of the Hill Country Funds, the General Partner or Hill Country. While the Principals have substantial experience overseeing business units implementing strategies similar to those implemented on behalf of the Hill Country Funds, there can be no assurance that the Hill Country Funds will experience

performance similar to what was generated by the Principals in such positions. PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE SUCCESS.

No Material Restrictions or Investment Guidelines; Evolving and New Investment Strategies. There are no material restrictions on the instruments, markets or geographies in which the Hill Country Funds may invest or on the investment strategies which may be employed on behalf of the Hill Country Funds. Hill Country will manage the Hill Country Funds on an opportunistic basis, seeking to capitalize on whatever it believes to be the best opportunities to achieve the Hill Country Funds' investment objectives and maximize returns. Hill Country's strategies and trading techniques may change over the course of the Hill Country Funds' term. Hill Country is not restricted from deploying the Hill Country Funds' capital in new strategies, including those unrelated to the mortgage or municipal bond markets, even if Hill Country has limited experience in such strategies or in the geographies or instruments involved. There can be no assurance that Hill Country will be able to identify and allocate capital to investment opportunities that enable the Hill Country Funds to achieve their objectives or avoid losses and the allocation of capital away from other potential investment opportunities within the Hill Country Funds' mandate may reduce the overall returns of the Hill Country Funds.

Model Risk. Certain of Hill Country's strategies may employ the use of proprietary quantitative valuation models, as well as valuation models developed by third parties and made available to Hill Country. As market dynamics shift over time (for example, due to changed market conditions and participants), a previously highly successful model often becomes outdated or inaccurate, perhaps without Hill Country recognizing that fact before substantial losses are incurred. There can be no assurance that Hill Country will be successful in developing and maintaining effective quantitative models.

Reliance on the Principals. The success of the Hill Country Funds will depend, in large part, upon the skill and expertise of the management of the Principals. There is no assurance that the Principals or other key members of the management of Hill Country will continue to be employed by Hill Country for any period. In the event of the death, disability or departure of any such individuals, the business and the performance of the Hill Country Funds may be adversely affected.

Market Risk. Although the Hill Country Funds' investment strategies are intended to be uncorrelated to general debt and equity markets, the Hill Country Funds' investment strategies can be subject to market risks. These risks include directional price movements, deviations from historical pricing relationships, changes in the regulatory environment, changes in market volatility, "flights to quality," "credit squeezes," etc. Hill Country's style of alternative investing may be no less speculative than traditional investing strategies. The particular or general types of market conditions in which the Hill Country Funds may incur losses or experience

unexpected performance volatility cannot be predicted, and the Hill Country Funds may materially underperform other investment funds with substantially similar investment objectives and approaches.

Less Liquid and Illiquid Investments. The Hill Country Funds are expected to make investments for which no, or only a limited, liquid market exists. The market prices, if any, of such investments tend to be more volatile, and it may be impossible to sell such investments when desired or to realize their fair value in the event of a sale. Moreover, securities in which the Hill Country Funds invest may include those that are not listed on an exchange or traded in an over-the-counter (“OTC”) market. There may be substantial delays in attempting to sell non-publicly traded securities. Although these securities may be resold in privately negotiated transactions, the prices realized from these sales could be less than those originally paid. In particular, sales of illiquid instruments may be possible only at substantial discounts. In addition, such instruments may be difficult to value, and illiquidity can disconnect market values from the historical pricing indicators used in the Hill Country Funds’ investment analysis, as the fewer transactions that take place, the greater the risk that market values do not reflect true pricing relationships or fair value. Further, companies whose securities are not registered or publicly traded generally do not need to comply with the disclosure and other investor protection requirements which would be applicable if their securities were registered or publicly traded. Certain investments held by the Hill Country Funds may be subject to restrictions on their sales, which may further inhibit the ability of the Hill Country Funds to liquidate such securities.

Leverage. Hill Country’s use of leverage is expected to vary, perhaps significantly, depending on the investments included in the Hill Country Funds’ portfolio. Certain investments may be traded or held on a highly leveraged basis, both through direct borrowings or through the significant leverage embedded in the instruments themselves, such as derivatives or structured products. Hill Country may utilize less or no leverage in respect of other investments. Losses incurred on the Hill Country Funds’ leveraged investments will generally increase in direct proportion to the degree of leverage employed in respect of such investments. The use of leverage also may result in the forced liquidation of positions (which may otherwise have been profitable) as a result of margin or collateral calls. The Hill Country Funds will also incur interest expense on the borrowings used to leverage its positions. To the extent the assets of the Hill Country Funds have been leveraged through cash or synthetic borrowings the interest expense and other costs and premiums incurred in relation thereto may not be recovered.

The Hill Country Funds are Exposed to Certain Institutional Risks, Including Counterparty Insolvency. Institutions, such as brokerage firms, banks and broker-dealers, generally have custody of the Hill Country Funds’ portfolio assets and may hold such assets in “street name.” The Hill Country Funds will be subject to the risk

that these firms and other brokers, counterparties, clearinghouses or exchanges with which the Hill Country Funds deal may default on their obligations to the Hill Country Funds. Any default by any of such parties could result in material losses to the Hill Country Funds. Bankruptcy or fraud at one of these institutions could also impair the operational capabilities or the capital positions of the Hill Country Funds. In addition, securities and other assets deposited with custodians or brokers may not be clearly identified as being assets of the Hill Country Funds, causing the Hill Country Funds to be exposed to a credit risk with regard to such parties. The Hill Country Funds generally will only be unsecured creditors of their trading counterparties in the event of bankruptcy or administration of such counterparties. In some jurisdictions, the Hill Country Funds may also only be unsecured creditors of their brokers in the event of bankruptcy or administration of such brokers. The Hill Country Funds will attempt to limit their brokerage and custody transactions to well capitalized and established banks and brokerage firms in an effort to mitigate such risks, but the collapse in 2008 of the seemingly well capitalized and established Bear Stearns and Lehman Brothers demonstrates the limits on the effectiveness of this approach in avoiding counterparty losses.

Cybersecurity. The operations of Hill Country and the Hill Country Funds are dependent on technology information and communication systems. A failure of any such system or a security breach or cyber-attack could significantly disrupt Hill Country's operations and those of the Hill Country Funds. The service providers of Hill Country and the Hill Country Funds are subject to the same cyber-security threats as Hill Country and the Hill Country Funds. If a service provider fails to adopt, implement or adhere to adequate cyber-security measures, or in the event of a breach of its networks, information relating to the Hill Country Funds, the Hill Country Funds' operations and personal information relating to shareholders may be lost, damaged or corrupted or improperly accessed, used or disclosed.

Investment-Related Risks

Credit Risk. An issuer of debt may be unable to pay principal and interest when due, or the value of the debt may suffer because investors believe the issuer is less able to pay. Lower-rated instruments, while usually offering higher yields, generally have more risk and volatility because of reduced creditworthiness and greater chance of default.

Fixed-Income Investments. The value of the fixed-income securities in which the Hill Country Funds will invest change as the general levels of interest rates fluctuate. When interest rates decline, the value of the Hill Country Funds' fixed-income securities can be expected to rise. Conversely, when interest rates rise, the value of such securities is generally expected to decline. Investments in lower rated or unrated fixed-income securities in which the Hill Country Funds will typically invest, while generally providing greater opportunity for gain and income than

investments in higher rated securities, usually entail greater risk (including the possibility of default or bankruptcy of the issuers of such securities). In a low interest rate environment, the profitability of certain fixed-income strategies may be materially diminished.

High-Yield Debt Instruments. The Hill Country Funds may invest in high-yield debt instruments. High-yield debt instruments face ongoing uncertainties and exposure to adverse business, financial or economic conditions which could lead to the issuer's inability to meet timely interest and principal payments. The market values of certain of these lower-rated and unrated debt securities tend to reflect individual corporate developments to a greater extent than do higher-rated securities which react primarily to fluctuations in the general level of interest rates, and tend to be more sensitive to economic conditions than are higher-rated securities.

Yield and Maturity of MBS in General. MBS have yield and maturity characteristics corresponding to their underlying assets. Unlike traditional debt securities, which may pay a fixed rate of interest until maturity when the entire principal amount comes due, payments on certain MBS (principally relating to residential mortgages) include both interest and a partial payment of principal. This partial payment of principal may be comprised of a scheduled principal payment as well as an unscheduled payment from the voluntary prepayment, refinancing or foreclosure of the underlying loans. As a result of these unscheduled payments of principal, or prepayments on the underlying securities, the price and yield of MBS can be adversely affected. In addition, like other interest-bearing securities, the values of MBS generally fall when interest rates rise, but when interest rates fall, their potential for capital appreciation is limited due to the existence of the prepayment feature. There are no geographic, credit or other restrictions with respect to the mortgage collateral which may be collateralized.

The performance of any MBS and the results of hedging arrangements entered into with respect thereto are affected by (a) the rate and timing of principal payments on the underlying mortgage loans related to such MBS and (b) the extent to which such principal payments are applied to reduce, or otherwise result in the reduction of, the principal or notional amount of such MBS. The rate of principal payments on a pool of mortgage loans will in turn be affected by the amortization schedules of the loans (which, in the case of adjustable-rate loans, may change periodically to accommodate adjustments to the mortgage rates thereon) and the rate of principal prepayments thereon (including for this purpose, voluntary prepayments by borrowers and prepayments resulting from liquidations of mortgage loans due to defaults, casualties or condemnations affecting the related properties).

The extent of prepayments of principal of the mortgage loans underlying an MBS may be affected by a number of factors, including, without limitation, the availability of mortgage credit, the relative economic vitality of the area in which the

related properties are located, the servicing of the mortgage loans, possible changes in tax laws, other opportunities for investment, homeowner mobility and other economic, social, geographic, demographic and legal factors. In general, any factors that increase the attractiveness of selling a mortgaged property or refinancing a mortgage loan, enhance a borrower's ability to sell or refinance or increase the likelihood of default under a mortgage loan, would be expected to cause the rate of prepayment in respect of a pool of mortgage loans to accelerate. In contrast, any factors having an opposite effect would be expected to cause the rate of prepayment of a pool of mortgage loans to slow. At any one time, a portfolio of MBS may be backed by residential mortgage loans with disproportionately large aggregate principal amounts secured by properties in only a few states or regions. As a result, residential mortgage loans may be more susceptible to geographic risks relating to such areas, such as adverse economic conditions, adverse events affecting industries located in such areas and natural hazards affecting such areas, than would be the case for a pool of mortgage loans having more diverse property locations.

Especially in the case of an MBS related to commercial mortgage loans, the rate of principal payments on the loans in the related pool will also be affected by the nature and extent of any restrictions on prepayments that are set forth in the mortgage loans, and the extent to which such provisions may be enforced. Such restrictions may include a prohibition on prepayments for specified periods of time and/or requirements that principal prepayments be accompanied by the payment of prepayment penalties or be subject to yield maintenance premiums.

The rate of prepayment on a pool of mortgage loans is likely to be affected by prevailing market interest rates for mortgage loans of a comparable type, term and risk level. When the prevailing market interest rate is below a mortgage coupon, a borrower generally has an increased incentive to refinance its mortgage loan. Even in the case of adjustable-rate mortgage loans, as prevailing market interest rates decline, and without regard to whether the mortgage rates on such loans decline in a manner consistent therewith, the related borrowers may have an increased incentive to refinance for purposes of either (i) converting to a fixed rate loan and thereby "locking in" such rate or (ii) taking advantage of a different index, margin or rate cap or floor on another adjustable rate mortgage loan. Therefore, as prevailing market interest rates decline, prepayment speeds would be expected to accelerate.

In the case of an MBS related to multifamily or commercial loans, prevailing market interest rates, the outlook for market interest rates and economic conditions generally may cause some borrowers to sell their properties in order to realize their equity therein, to meet cash flow needs or to make other investments. In addition, some borrowers may be motivated by federal and state tax laws (which are subject to change) to sell their properties prior to the exhaustion of tax depreciation benefits.

CMBS and Commercial Real-Estate Loans Generally. CMBS are securities backed by obligations (including participation interests in obligations) that are principally secured by mortgages on real property or interests therein having a multifamily or commercial use, such as regional malls, other retail space, office buildings, industrial or warehouse properties, hotels, apartments, cooperatives, nursing homes and senior living centers. CMBS have been issued in public and private transactions by a variety of public and private issuers using a variety of structures, including senior and subordinated classes. Risks affecting real estate investments include general economic conditions, the condition of financial markets, political events, developments or trends in any particular industry and changes in prevailing interest rates. The cyclicity and leverage associated with real estate-related investments have historically resulted in periods, including significant periods, of adverse performance, including performance that may be materially more adverse than the performance associated with other investments. In addition, commercial mortgage loans generally are nonrecourse loans, lack standardized terms, tend to have shorter maturities than residential mortgage loans. Commercial real-estate (“CRE”) loans and mortgage loans underlying a CMBS issue may lack regular amortization of principal, resulting in a single “balloon” payment due at maturity. If the underlying mortgage borrower experiences business problems, or other factors limit refinancing alternatives, such balloon payment mortgages are likely to experience payment delays or even default. In some cases, the properties securing commercial mortgage loans may be subject to additional debt that may affect the related borrower’s ability to refinance the loan or result in reduced cash flow and deferred maintenance. Additional risks may be presented by the type and use of a particular commercial property. For instance, commercial properties that operate as hospitals and nursing homes may present special risks to lenders due to the significant governmental regulation of the ownership, operation, maintenance and financing of health care institutions. Hotel and motel properties are often operated pursuant to franchise, management or operating agreements which may be terminable by the franchisor or operator; and the transferability of a hotel’s operating, liquor and other licenses upon a transfer of the hotel, whether through purchase or foreclosure, is subject to local law requirements. All of these factors increase the risks involved with CRE lending. Commercial properties tend to be unique and are more difficult to value than single-family residential properties. Commercial lending is generally viewed as exposing a lender to a greater risk of loss than residential one- to four-family lending since it typically involves larger loans to a single borrower or related borrowers than residential one- to four-family lending.

General Risks Associated with Municipal Bonds. The Hill Country Funds may invest in fixed-income securities issued by municipalities in the United States (“Municipal Bonds”). Such investments are typically issued by or on behalf of states, territories and possessions of the United States, the District of Columbia and their political subdivisions, agencies or instrumentalities as well as private and public-private enterprises to obtain funds for a wide range of public facilities including housing

projects, industrial projects, hospitals, schools, mass transportation, stadiums, waterworks and sewer systems and highways. The municipal securities market is fragmented, with significant variations in economic conditions, credit quality, and supply-demand fundamentals. Public information in the municipal market is also less available than in other markets, increasing the difficulty of evaluating and valuing securities. Furthermore, because the municipal market is predominantly a retail buyer-driven market, municipal bond prices are very sensitive to retail fund flows from mutual funds and other retail accounts. Events affecting municipalities and related bond issuers that are distressed or otherwise financially challenged, such as a default or a restructuring by a large municipality, may cause a sell-off in the municipal market as related news headlines may negatively impact municipal bond pricing. Municipal securities risks include the ability of the issuer to repay the obligation, the relative lack of information about certain issuers of municipal securities, and the possibility of future legislative changes which could affect the market for and value of municipal securities.

Trading Municipal Bonds. Municipal Bond trading may involve investing in both tax-exempt and taxable municipal bonds. Hill Country may seek to exploit relative value trading opportunities created by price dislocations in the new issues and secondary bond markets for Municipal Bonds. These opportunities may arise because of differences in issuer geography (e.g., state, city), bond structure (e.g., coupon), placement along the yield curve, and arbitrage possibilities between municipal securities and taxable instruments. These trading opportunities may be achieved by means of long and/or short positions in municipal securities or derivatives. Returns will depend on a positively sloped yield curve and the relationship between the tax-exempt and taxable yield curves. Adverse changes in the slope of the Municipal Bond yield curve as well as its relationship to the taxable yield curve, among other things, could have a material adverse effect on performance of the Hill Country Funds.

Derivatives in General. The Hill Country Funds intend to make use of various derivative instruments, such as convertible securities, options, futures, forwards and interest rate, credit default, total return and equity swaps. The use of derivative instruments involves a variety of material risks, including the extremely high degree of leverage sometimes embedded in such instruments. The derivatives markets are frequently characterized by limited liquidity, which can make it difficult as well as costly to close out open positions in order to either realize gains or to limit losses. The pricing relationships between derivatives and the instruments underlying such derivatives may not correlate with historical patterns, resulting in unexpected losses.

Swaps. A swap transaction is an individually negotiated, non-standardized agreement between two parties to exchange cash flows (and sometimes principal amounts) measured by different interest rates, commodity prices, exchange rates,

indices or prices, with payments generally calculated by reference to a principal (“notional”) amount or quantity. Swap contracts and similar derivatives contracts are not currently traded on exchanges in any significant amount; rather, banks and dealers act as principals in these markets. As a result, the Hill Country Funds are subject to the risk of the inability or refusal to perform with respect to such contracts on the part of the counterparties with which Hill Country Funds trade. Participants in the swap markets are not required to make continuous markets in the swap contracts they trade.

Hedging. Hedging techniques may involve, among others, one or more of the following risks: (i) imperfect correlation between the performance and value of the hedging instrument and the value of the Hill Country Funds’ position or other objective of Hill Country; (ii) possible lack of a secondary market for closing out a position in such a hedging instrument; (iii) losses resulting from interest rate, spread or other market movements not anticipated by Hill Country; (iv) the possible obligation to meet additional margin or other payment requirements, all of which could worsen the Hill Country Funds’ positions; and (v) default or refusal to perform on the part of the counterparty with which the Hill Country Funds trade. Furthermore, to the extent that any hedging strategy involves the use of OTC derivatives transactions, such a strategy would be subject to the risks associate with OTC transactions.

Valuation of Investments. Certain of the Hill Country Funds’ investments may be difficult to value due to various factors, including the absence of readily ascertainable market values and limited resources of reliable valuation information and it is unlikely that readily available price quotations will exist. The Hill Country Funds will generally account for their illiquid investments by including their “fair value” in calculating the Hill Country Funds’ net asset value. Valuing illiquid investments at fair value for purposes of mandatory withdrawals or compulsory transfers exposes the withdrawing or transferring Investors to economic dilution if such fair value is less than the value ultimately realized from such investments, and exposes the remaining Investors or transferees to economic dilution if such realized value is less. In addition, valuing illiquid investments at fair value for purposes of the admission of subsequent closing partners exposes the subsequent closing partners to the risk of participating in the relevant Fund based on an inaccurate and inflated net asset value to the extent such investments are overvalued.

While valuation information may be available for private securities, there is currently no centralized source for valuation information, and reliable information may at times not be available from any source. Values quoted by different sources may be subject to material variation. Valuation of the Hill Country Funds’ securities may involve uncertainties and subjective determinations, and such valuations may prove to not be indicative of the prices ultimately received by the Hill Country Funds upon a disposition of such assets.

Other Risks

Market Disruptions; Governmental Intervention. The global financial crisis of 2008-2009 witnessed pervasive and fundamental disruptions to the global financial markets that led to extensive and unprecedented governmental intervention. Such intervention was in certain cases implemented on an “emergency” basis, suddenly and substantially eliminating market participants’ ability to continue to implement certain strategies or manage the risk of their outstanding positions. Future disruptions may result in similar government interventions. As one would expect given the complexities of the financial markets and the limited time frame within which governments felt compelled to take action, such interventions were often unclear in scope and application, resulting in confusion and uncertainty which in itself was materially detrimental to the efficient functioning of the markets as well as previously successful investment strategies.

In addition, U.S. and non-U.S. governments, central banks and other governmental entities have introduced, or are in the process of introducing, stimulus programs designed to mitigate the economic fallout of the COVID-19 pandemic beyond the credit markets. The implementation of such programs may be delayed due to political factors that are changing rapidly. Even if such programs are implemented, their impact is uncertain and it is impossible to predict whether any such measures will be successful. The implementation of such programs could increase the volatility of the markets in which the Hill Country Funds invest, resulting in rapid shifts in the Hill Country Funds’ performance.

Risk of Natural Disasters, Epidemics/Pandemics, Terrorist Attacks and War. Countries and regions in which the Hill Country Funds invest, where Hill Country has offices or where the Hill Country Funds or Hill Country otherwise do business are susceptible to natural disasters (e.g., fire, flood, earthquake, storm and hurricane), epidemics/pandemics or other outbreaks of serious contagious diseases. The occurrence of a natural disaster or epidemic/pandemic could, directly or indirectly, adversely affect and severely disrupt the business operations, economies and financial markets of many countries (even beyond the site of the natural disaster or epidemic/pandemic) and could adversely affect the Hill Country Funds’ investment program or Hill Country’s ability to do business. In addition, terrorist attacks, or the fear of or the precautions taken in anticipation of such attacks, could, directly or indirectly, materially and adversely affect certain industries in which the Hill Country Funds invest or could affect the countries and regions in which the Hill Country Funds invest, where Hill Country has offices or where the Hill Country Funds or Hill Country otherwise do business. Other acts of war (e.g., war, invasion, acts of foreign enemies, hostilities and insurrection, regardless of whether war is declared) could also have a material adverse impact on the financial condition of industries or countries in which the Hill Country Funds invest.

The recent global outbreak of COVID-19 has created and is expected to continue to create enormous economic and social uncertainty throughout the world. The ultimate impact of the COVID-19 outbreak is uncertain and is difficult to predict, but it is possible that such outbreak could have an enduring and materially adverse impact on global, national and local economies and supply chains. In particular, disruptions to commercial activity relating to the imposition of quarantines and travel restrictions, or failures to contain the outbreak despite these measures, could materially and adversely impact the Hill Country Funds' investments, both in the near- and long-term. In addition, the imposition of travel restrictions (including "shelter-in-place" or "lock-down" directives) may impact the ability of Hill Country's personnel to travel in connection with potential or existing investments, or otherwise disrupt Hill Country's operations and business activities, which could negatively impact Hill Country's ability to effectively identify, monitor and trade the Hill Country Funds' investments. A climate of uncertainty stemming from COVID-19 and a general economic downturn may reduce the availability of potential investment opportunities, increase the difficulty of modeling market conditions and adversely affect the Hill Country Funds, their investments and Hill Country.

- C. Hill Country does not recommend a particular type of security.

ITEM 9. DISCIPLINARY INFORMATION

There have been no legal or disciplinary events involving either Hill Country or any of its management persons that are material to the Firm's advisory business.

ITEM 10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

- A. Neither Hill Country nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Hill Country is registered with Commodity Futures Trading Commission and is a member of the National Futures Association as a commodity pool operator.
- C. As noted previously, Hill Country Special Opportunities Fund GP, LLC (previously defined as the General Partner), an affiliate of Hill Country, serves as the general partner of the Funds. Any persons acting on behalf of the General Partner are subject to the supervision and control of Hill Country in connection with any investment advisory activities. In accordance with SEC guidance, the General Partner is registered as an investment adviser in reliance on the Form ADV filed by Hill Country.

Hill Country and its affiliates, including the Principals, are not required to manage the Hill Country Funds or any of the Hill Country Funds' investments as their sole and exclusive professional activities and neither Hill Country nor its affiliates (including the Principals) are obligated to refrain from other business or other activities and are only required to devote such time to the Hill Country Funds as they deem necessary to accomplish the purposes of the Hill Country Funds.

The Principals serve on boards of directors or in other management and ownership capacities at companies that are not affiliated with the Hill Country and that are not in the financial services industry. Although these activities do not outwardly compete with the activities of Hill Country and Hill Country Funds, they could be viewed as creating a conflict of interest in that the time and effort of the Principals will not be devoted exclusively to the business of Hill Country Funds. The Chief Compliance Officer monitors the conflicts associated with such activities through enforcement of Hill Country's Code of Ethics ("Code") which requires reporting such outside activities and that employees place the interests of Hill Country Funds ahead of their own personal interests.

Hill Country does not recommend or select other investment advisers for its Hill Country Funds to which it receives compensation directly or indirectly from those advisers.

ITEM 11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

- A. Through Hill Country's service as an investment adviser, there may arise many potential conflicts of interest, including, but not limited to, those identified below. The Firm has policies and procedures to address such potential conflicts of interest. Hill Country has adopted a Code, which describes the Firm's fiduciary duties and responsibilities to its Funds, requires that the Firm's supervised persons 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. Hill Country's supervised persons are also required to comply with applicable provisions of the federal securities laws and make prompt reports to the Firm or other appropriate parties of any actual or suspected violations of such laws by the Firm or its supervised persons. Initially, upon hire, and on an annual basis thereafter Hill Country requires that all supervised persons certify to their receipt, review, understanding and compliance with the provisions of the Firm's Code.

In addition, the Code sets forth formal policies and procedures with respect to the personal securities trading activities of the Firm's supervised persons. The Code requires all supervised persons to report all "reportable securities" transactions and provide a summary of reportable securities holdings initially upon hire and annually thereafter. Supervised persons are also prohibited from trading in certain types of personal securities and require pre-clearance for other personal securities and for all private investments. The Code also addresses outside activities of employees, conflicts of interest, policies and procedures concerning the prevention of insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and the pre-clearance and reporting of political contributions. Hill Country will provide a complete copy of the Code to any client or prospective client upon request.

- B. Hill Country serves as the investment adviser to the Funds. Supervised persons (and their affiliates and/or relatives) have made and may continue to make additional investments in the Funds. The Firm generally does not receive compensation from such investments from supervised persons. Additionally, the Firm and certain of its employees have a financial interest in the Funds through an incentive allocation or a direct investment interest in the Funds. As such, Hill Country could be considered to have recommended to Investors that they buy or sell securities or investments in which the Firm or a related person has some financial interest. These investments are intended to align the interests of Hill Country with those of the Funds and the Investors; therefore, the Firm does not believe that these arrangements present any material conflict of interest.

- C. The Principals have invested a substantial portion of their respective liquid net worth in the Funds, specifically in the Domestic Fund. It also is expected that most, if not all, other internal capital will be invested in the Domestic Fund. This creates an incentive to favor the Domestic Fund over the Offshore Fund and the Intermediate Fund in respect of allocating expenses amongst the Hill Country Funds and also means that, to the extent the Domestic Fund takes advantage of investment opportunities that are not permissible or advisable for the Offshore Fund and Intermediate Fund to make (or vice versa), the returns in which the Principals and other internal capital participate may diverge from the returns in which the Partners of the Offshore Fund and the Intermediate Fund participate. Additional detail regarding this potential conflict is addressed in Item 5 of this Brochure.

D. Principal and Cross Transactions

Although generally not anticipated, Hill Country, the General Partner, and Principals, in connection with their operation and management of the Hill Country Funds and their business activities outside the Hill Country Funds, might engage in transactions with the Hill Country Funds. The General Partner, Hill Country or any of their affiliates may enter into “principal transactions” with the Hill Country Funds within the meaning of Section 206(3) of the Advisers Act, in which the General Partner, Hill Country or such affiliate acts as principal for its own account with respect to the sale of a security to or purchase of a security from the Hill Country Funds. Principal transactions will be completed in compliance with applicable law. In analyzing such principal transactions, Hill Country will have a conflict between acting in the best interests of the Hill Country Funds and assisting itself or its affiliates by selling or purchasing a particular security. Any such principal transaction will require the approval, prior to settlement, of either the Advisory Committee or a conflicts advisory board.

Although generally not expected through the management of only the Hill Country Funds, if the Firm were to take on the management of Other Accounts in the future, it may cause the Hill Country Funds to purchase securities or other assets from or sell securities or other assets to, or engage in other transactions with, Other Accounts, when Hill Country believes such transactions are appropriate and in the best interests of the Hill Country Funds. In the event Hill Country wishes to reduce the investment of the Hill Country Funds or one or more Other Accounts in an investment and increase the investment of one or more Other Accounts or the Hill Country Funds, respectively, in such investment, it may effect such transactions by directing the transfer of the securities or other assets between such accounts directly or by transferring the economic return of the securities or other assets between such accounts through swaps or other derivatives.

In addition, Hill Country and its affiliates may rebalance investments among the Hill Country Funds from time to time, including by effecting cross trades, and may cause the Hill Country Funds to pledge their assets or secure or guarantee (including, without

limitation, on a joint and several basis) the indebtedness or the performance of certain obligations of each other, or theirs or any related or upstream or downstream entity's affiliates, parent companies or subsidiaries on such terms and for such consideration as Hill Country determines to be appropriate.

ITEM 12. BROKERAGE PRACTICES

- A. Hill Country has full discretionary authority to manage the Hill Country Funds, including authority to make decisions with respect to which securities are bought and sold, the amount and price of those securities, the brokers or dealers to be used for a particular transaction, and the commissions paid. In selecting a broker-dealer to execute transactions for the Hill Country Funds, the Firm seeks to obtain best execution for which may take into account a number of the following factors, among others: price, timeliness of execution, the availability of financing, the financial stability and reputation of a broker, the value of research, brokerage and other services provided, the responsiveness of a broker-dealer, a broker-dealer's financial resources, counterparty credit risk, and access to liquidity for certain less liquid products.

B. Allocation and Aggregation of Investment Opportunities

Hill Country currently advises only the Hill Country Funds and generally conducts all trades in the Master Fund. However, in the future, the Hill Country Funds, Hill Country, the General Partner or their affiliates may in the future sponsor, control or manage Other Accounts, including funds and accounts that may have an investment strategy or focus similar to the investment strategy or focus of the Hill Country Funds or that may otherwise seek the same or similar investment opportunities as the Hill Country Funds. Accordingly, there is no assurance that the Hill Country Funds and one or more of the Other Accounts will not have competing investment mandates or present other situations in which their respective interests diverge or conflict.

Hill Country may determine that an investment opportunity is appropriate for an Other Account, but not for the Hill Country Funds. Situations may arise in which Other Accounts managed by Hill Country or its affiliates have made investments that would have been appropriate for investment by the Hill Country Funds but, for various reasons, were not pursued by, or available to, the Hill Country Funds in the discretion of Hill Country. To the extent that Other Accounts invest in a particular investment opportunity, the ability of the Hill Country Funds to invest in the same investment opportunity may be adversely affected by any limitation on availability of such investment opportunity. In addition, Hill Country may be required to choose between the Hill Country Funds and Other Accounts in allocating investments. Hill Country generally intends to allocate all investment opportunities that it determines to be appropriate for the Hill Country Funds and Other Accounts in a manner that the Firm believes is fair and equitable to all accounts over time, taking into account the different investment mandates and investment strategies applicable to such accounts, the current investment portfolios of such accounts, the relative capitalization and cash availability of such accounts, investment time horizon, leverage ratios and tax, regulatory and other relevant considerations.

Hill Country or its affiliates may, in certain circumstances, take positions for Other Accounts opposite to those taken by the Hill Country Funds and/or take positions in Other Accounts which involve conflicts or potential conflicts with the Hill Country Funds' positions (*e.g.*, investments in different levels of an issuer's capital structure). These positions could adversely affect the performance of investments held by the Hill Country Funds. For example, a large short position in a security for an Other Account could cause a decline in the value of a long position held by the Hill Country Funds in the same security. Hill Country may also decline to make an investment for the Hill Country Funds out of concern that such investment might harm an Other Account.

In the future, if Hill Country were to provide advisory services to Other Accounts, the policy will be to generally aggregate orders for the same security unless aggregation is not consistent with the Firm's duty to seek best execution and the terms of the investment guidelines and restrictions of each account for which trades are being aggregated. Aggregation opportunities would generally arise when more than one account is capable of purchasing or selling a particular security based on investment objectives, available cash and other factors. When aggregating trades, no account will be favored over any other account. Any account that participates in an aggregated order will participate at the average price for all of Hill Country's transactions in that security on a given business day, with transaction costs shared pro rata, based on each account's participation in the transaction.

Co-Investments

Hill Country, in its sole discretion, is permitted to provide co-investment opportunities to one or more Investors and/or other persons in its sole discretion. Co-investments will be on terms to be determined by Hill Country in its sole discretion. In exercising its discretion to provide co-investment opportunities and determine the terms thereof, Hill Country will consider some or all of a wide range of factors, which may include the size of the transaction, the remaining available capital in the Hill Country Funds, the level of risk associated with the transaction in relation to the size of the required equity and the composition of the Hill Country Funds' portfolio, whether there is an ability or obligation for the Hill Country Funds to contribute additional capital at a later stage, regulatory, legal, tax or other considerations, whether an Investor or other person is expected to provide strategic value to, or otherwise enhance, the transaction or the Hill Country Funds and the likelihood that an Investor or other person will invest in an Other Account sponsored by Hill Country, the General Partner or their affiliates.

Furthermore, it is possible that decisions regarding whether and to whom to offer co-investment opportunities will be made by Hill Country or its related persons in consultation with other participants in the relevant transactions. Any co-investment opportunities typically will be offered to some, and not to other, Investors. Hill Country's allocation of co-investment opportunities among the persons and in the manner discussed herein often will not result in proportional allocations among such

persons, and such allocations can be more or less advantageous to some such persons relative to others.

ITEM 13. REVIEW OF ACCOUNTS

- A. The Hill Country Funds' investments are continually monitored and reviewed by the investment team. The Principals will be responsible for, among other things, reviewing the investments in the context of the Hill Country Funds' stated objectives and monitoring for portfolio and risk management.
- B. More frequent reviews may be triggered by material changes in key variables that may affect the performance of the investments, including, without limitation, changes in the financial markets, activity and trends in the political or economic environment, as well as the specific circumstances effecting the Funds.
- C. Audited financial statements are provided to Investors in the Funds, within 120 days of the end of each Fund's fiscal year, as required by Rule 206(4)-2 under the Advisers Act (the "Custody Rule").

ITEM 14. CLIENT REFERRALS AND OTHER COMPENSATION

- A. Hill Country does not receive an economic benefit from anyone, other than from the Hill Country Funds, for providing investment advice or other advisory services to the Hill Country Funds.
- B. Hill Country does not utilize any third-party marketers or solicitors at this time.

ITEM 15. CUSTODY

For purposes of Rule 206(4)-2 under the Investment Advisers Act of 1940, as amended (the “Custody Rule”), Hill Country is deemed to have custody over the Hill Country Funds’ assets. In accordance with the Custody Rule, a qualified custodian will not be required to deliver quarterly account statements to the Funds or their respective Investors as long as (i) the Funds are audited by an independent public accountant that is registered with, and subject to inspection by, the Public Company Accounting Oversight Board, (ii) the Funds’ audited financial statements are prepared in accordance with U.S. generally accepted accounting principles, and (iii) Hill Country delivers such annual audited financial statements to Investors within 120 days after the end of each Fund’s fiscal year.

ITEM 16. INVESTMENT DISCRETION

Hill Country accepts discretionary authority to manage assets and securities on behalf of the Hill Country Funds through the investment management agreement with the Funds. The Investors generally do not have the ability to place any limits on Hill Country's authority beyond the limitations set forth in the Offering Documents of the applicable Fund.

ITEM 17. VOTING CLIENT SECURITIES

- A. Hill Country has established proxy voting policies and procedures designed to ensure that proxies are voted in the best interest of the Hill Country Funds. When voting proxies, Hill Country must identify and address material conflicts that may arise between the Firm's interests and those of the Hill Country Funds.

If Hill Country determines that a conflict of interest exists as to a particular issuer, the CCO will determine whether the conflict is material to the vote. If it is determined not to be material, the Firm will vote without further procedures. If it is determined to be material, Hill Country will resolve the conflict in one of several possible ways, such as by engaging a third party to recommend a vote.

In the absence of a material conflict, Hill Country will seek to act solely in the best interests of the Hill Country Funds. Hill Country determines whether and how to vote proxies on a case-by-case basis. In making such determination, Hill Country: (i) will attempt to consider all aspects of the vote that could affect the value of the issuer or that of the relevant Hill Country Fund, (ii) will vote in a manner that it believes is consistent with the relevant Hill Country Fund's stated objectives, (iii) will generally vote in accordance with the recommendation of the issuing company's management on routine and administrative matters, unless Hill Country has a particular reason to vote to the contrary, and (iv) may not vote at all to the extent the outcome of the vote or action does not have a material impact on the issuer or value of its securities.

Investors may request a copy of Hill Country's proxy voting policies, as well as relevant proxy voting records, by contacting the Firm.

Class Action Lawsuits

As a fiduciary, Hill Country always seeks to act in the Hill Country Funds' best interests with good faith, loyalty and due care. The Principals will determine whether the Hill Country Funds will (i) participate in a recovery achieved through a class action lawsuit, (ii) opt out of the class action and separately pursue their own remedy or (iii) decide not to pursue any action. The Chief Compliance Officer oversees the completion of proof of claim forms and any associated documentation, the submission of such documents to the claim administrator and the receipt of any recovered monies. The Chief Compliance Officer will maintain documentation associated with the Funds' participation in class action lawsuits.

Supervised persons must notify the Chief Compliance Officer if they are aware of any material conflict of interest associated with the Funds' participation in class action lawsuits. The Principals and Chief Compliance Officer will evaluate any such

conflicts and determine an appropriate course of action for Hill Country. Hill Country generally does not serve as the lead plaintiff in class action lawsuits because the costs of such participation typically exceed any extra benefits that accrue to lead plaintiffs.

B. Not Applicable

ITEM 18. FINANCIAL INFORMATION

- A. Hill Country does not require or solicit prepayment of more than \$1,200 in fees per Fund, six months or more in advance and therefore has not included a balance sheet.
- B. Hill Country does not believe that there are any conditions that are reasonably likely to impair its ability to meet contractual commitments to the Funds.
- C. Hill Country has never been the subject of a bankruptcy petition.