

Heirloom Investment Management LLC

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Form ADV, Part 2A Brochure

March 30, 2023

This brochure provides information about the qualifications and business practices of Heirloom Investment Management LLC (“HIM”). If you have any questions about the contents of this brochure, please contact us at 561-404-4847 or info@heirloominvesting.com

The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority. HIM is registered with the SEC as an investment adviser. Registration as an investment adviser does not imply any level of skill or training. Additional information about HIM is also available at the SEC’s website www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure is an update to the Form ADV Part 2 filed with the SEC on March 30, 2022.

Pursuant to SEC rules, we will ensure that clients receive an updated Brochure or a summary of any material changes to the Brochure within 120 days of the end of our fiscal year. We may further provide to you, without charge, disclosure information regarding material changes to our business during the fiscal year as necessary.

There are no material changes in this brochure from the last annual updating amendment of Heirloom Investment Management LLC on 03/30/2022. Material changes relate to policies, practices or conflicts of interests.

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Item 4 – Advisory Business

A. Firm and Principal Owners

Heirloom Investment Management LLC (“HIM” or “the Advisor”) is a privately held investment advisor founded in 2015. It is a Delaware Limited Liability Corporation, and is owned by Heirloom Holdings, a Cayman Islands based holding company that also owns Heirloom Investment Management (Canada) Inc., Heirloom Management Services FZE, Heirloom Litigation Funding 2022 SPV XI (a principal investment company), and Heirloom Investment Fund SPC (a CIMA registered Fund). HIM owns 100% of the voting shares of Fidelis Investment Co, Ltd. and Heirloom Helicopter Leasing Pool 2020 LLC. Together these entities are known as the Heirloom group of companies. Heirloom Holdings is majority owned by Geoff Dover, HIM’s President and Chief Investment Officer.

B. Advisory Services

HIM is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (“Advisers Act”). One of the services that HIM provides is to advise individual clients, their family offices or their corporations or other holding entities on their investment portfolios. The terms of such advisory services, including any restrictions on investments in certain types of securities, are established by the firm, as modified through negotiations with clients, and as set forth in each client’s advisory or management agreement. Investment guidelines and restrictions are determined jointly by HIM and each client at the onset of the relationship and are reviewed on at least an annual basis. Clients can engage HIM to manage all, or a portion of, their assets on either an advisory or a discretionary basis.

The primary focus of the Advisor’s advisory services is managing or advising on the whole portfolio of its clients. All of HIM’s advisory clients are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended and “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act, as amended. As such, HIM recommends, or directs, its clients to invest in all types of securities, including domestic and international equity securities, fixed income securities, pooled investment vehicles, managed accounts, private placements, real estate, currencies, direct loans, commodities, structured products and various derivative instruments.

HIM tailors its advisory services to the individual needs of its clients and will only recommend or direct investments that are consistent with each client’s investment objectives and risk tolerances. The firm consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients’ investment needs. HIM ensures that clients’ investments are suitable for their investment needs, goals, objectives and risk tolerance. HIM is responsible for originating and recommending investment opportunities to clients, monitoring, evaluating and making recommendations regarding timing and manner of disposition of investments and other services as the clients may reasonably request.

C. Comingled and Pooled Funds

In addition to advising individual asset owners, HIM primary focus is as a discretionary manager to certain comingled vehicles and pooled funds (“Funds”). These vehicles provide access to either a diversified portfolio of investments or to a single investment or investment strategy.

All of HIM’s advisory clients are “accredited investors” as defined under Rule 501 of the Securities Act of 1933, as amended and “qualified purchasers” as defined under Section 2(a)(51) of the Investment Company Act, as amended.

D. Wrap Fee Programs

HIM does not participate in wrap fee programs.

E. Assets Under Management

As of December 2022, HIM had US \$117,388,000.00 in regulated assets under management managed on a discretionary basis in Funds and \$209,000,000 in assets on which it advised pursuant to advisory services that do not qualify as regulated assets under management because HIM does not have discretion over the manner in which they are invested.

Item 5 – Fees and Compensation

A. Compensation for Advisory Services

HIM negotiates advisory fees with each individual client based upon several factors, including the size of the client's asset base, the complexity of the customized mandate desired by the client, and whether the account is an advisory or discretionary mandate. Typically, discretionary management mandates include a Management Fee of 0.5%-1.0% per year of the client's asset base, plus a Performance Fee of 5-10% of the profit for each calendar year. For advisory mandates, fees charged are generally based on a percentage of assets basis, or a fixed retainer or an hourly basis.

Fees are typically payable quarterly in advance in the case of Management Fees and Retainers, or in arrears in the case of Performance Fees or actual hours worked.

B. Compensation for Funds

Funds typically pay HIM a Management Fee quarterly in advance, with such fee typically being 1-2% of assets under management.

In addition, Funds typically pay HIM a Performance Fee, with such fee typically being 10-20% of the profit of the Fund for the year, in some cases contingent upon exceeding a pre-determined return level and in some cases paid only once initial capital is returned to the Fund investors.

In some cases where a Fund is a Fund of Funds, deducted from fees paid to HIM, is a portion of any management fees or performance fees paid to underlying fund managers, or to subadvisors.

Where the Advisor has discretionary control over a client account and invests that client's assets into a HIM managed vehicle that charges fees, a portion of such fees are rebated back to the client as agreed in writing between HIM and its client.

C. Other Fees and Expenses

HIM does not charge any other fees to its clients, though it does pass on to the client any direct, third-party costs incurred for the evaluation, diligence, negotiation and execution of investments. Such costs include, but are not limited to, service providers such as legal counsel, tax advisors, accountants, diligence experts, directly incurred due diligence expenses, etc..

In addition, clients are likely to incur a number of expenses directly, including custodial fees, brokerage fees, legal, accounting, tax preparation and other transaction costs which are not included in HIM's fees.

D. Compensation for Sale of Securities and Other Investment Products

HIM does not accept compensation for the sale of securities or other investment products.

Item 6 – Performance Based Fees and Side-by-Side Management

HIM typically charges performance-based fees on both advisory mandates and Funds over which it has discretionary management. Such performance fees are determined based on a negotiation with each client individually and will depend upon the complexity of the mandate and the types of securities to which the client's investments are directed. HIM will structure any performance or bonus incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisers Act of 1940 (the Advisers Act) in accordance with the available exemptions there under, including the exemption set forth in Rule 205-3.

The performance-based fee usually is based primarily on a profit-percentage based on the profits generated in the client's account and is typically payable as of the end of each calendar year. Profit-percentage fees are subject to a "high water mark," which means that HIM will only receive such fees from an account when its value is greater than the previous greatest value at which profit-percentage fees were paid (adjusted for changes in the amount of the client's capital invested in the account). Occasionally, the performance-based fee may be based on a multi-year period, with performance calculated on a rolling multi-year basis. For certain closed-ended Funds, such performance-based fee may only be paid based upon profits distributed to investors after the full return of their capital. For certain advisory or Fund accounts, performance-based fees may only be paid if the profit of the relevant investor has exceeded a pre-agreed benchmark.

For advisory mandates, a bonus fee may be paid based on a system to be negotiated with each client, subject to the achievement of client goals and milestones. The achievement of these goals and milestones are typically reviewed with the client, and the amount of the bonus fee to be paid is calculated based upon a mutually agreed calculation of HIM's contribution to the achievement of these goals for the year.

The profit-percentage and the bonus fees are negotiable with each client and differ by size, complexity and objective of the mandate, but typically they aggregate to 0.5-1.5% of the client's asset base assuming expected performance is delivered by the firm. In cases of below-expected performance it is expected that the firm's total fees will be less than the fees the client would have paid to a fee-only manager, but in cases of above-expected performance, it is expected that HIM's total fees paid by the client will be greater than they would have been had the client chosen a fee-only manager.

Item 7 – Types of Clients

HIM's advisory mandate clients are primarily ultra-high net worth individuals or entities of which they are ultimate beneficiaries, however it may also include, pension plans, endowments, foundations, and other institutional investors. HIM's typical minimum account size is \$30,000,000 in assets under management for each advisory client relationship.

HIM's Fund clients are comingled vehicles and pooled funds, which in turn receive investment, typically from, or from advisors to, ultra-high net worth individuals, family offices, foundations, trusts, and institutional investors.

The management of performance-based fee accounts side-by-side with other accounts creates a potential conflict of interest for HIM because of the incentive to favor accounts for which it receives a performance-based fee over accounts without such performance-based fees. HIM mitigates this conflict by following well-defined procedures that are intended to ensure that accounts with performance-based fees are not favored in trading over other client accounts within a given investment strategy. HIM informs all of its clients that it performs investment advisory and investment management services for various clients and gives advice and takes action with respect to one client

that differs from advice given or the timing or nature of action taken with respect to another client. It is, however, HIM's policy not to favor or disfavor consistently or consciously any clients or class of clients in the allocation of investment opportunities, with the result that, to the extent practicable, all investment opportunities are to be allocated among clients over a period of time on a fair and equitable basis consistent with the objectives, constraints and mandates of each account.

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

A. Investment Strategies

HIM uses fundamental research to identify attractive investment themes based on long-term, highly probable, secular trends, and invests in a broad spectrum of securities that stand to benefit from these themes. The strategy attempts to preserve capital, while earning higher levels of returns than warranted by the associated investment risk level.

In choosing individual investments, HIM prioritizes those that have the purest exposure to the theme in which it intends to invest. This reduces the amount of unintended risk. Next, HIM prefers liquidity, as there is value in controlling the time of investment exit. These factors are measured against the cost differential between the securities available for investment, and the optimal combination is chosen for investment.

HIM's chosen investments vary between listed securities, derivatives thereon, investment funds, commodities, currencies, direct real asset ownership, loans, minority or majority equity stakes in private companies, and various other securities.

HIM does not focus on security selection, and where it acquires individual securities it is generally to replicate an industry, sector, geographic or other broad exposure that is otherwise not available in a vehicle that offers an equivalent purity of exposure, efficiency of ownership and liquidity parameters.

Direct asset ownership and private company investment is something that HIM will undertake where it has specific insight into the asset, company or industry, or where similar theme exposures are not available through more liquid means. In general, such investments will be made only if an exit mechanism is in place, or if HIM has the ability to control an eventual exit.

Derivatives and structured products are used primarily for risk mitigation, although HIM will use long-term, low-leverage forms where it feels they are the best method of accessing a theme.

B. Material Risks of Investment Strategy

Risk of Investing

Clients should understand that all investments made pursuant to such strategies involve risk of loss that clients should be prepared to bear, including the potential loss of the entire investment in the client accounts, which clients should be prepared to bear. The investment performance and the success of any investment strategy or particular investment can never be predicted or guaranteed, and the value of a client's investment will fluctuate due to market conditions and other factors. The investment decision made and the actions taken for client accounts will be subject to various market, liquidity, currency, economic, political, war, epidemic, and other risks, and will not necessarily be profitable and can lose value. Past performance of client accounts is not indicative of future performance.

The strategies described in the Investment Strategies section also are subject to the risks summarized below. However, the following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in an investment strategy. Prospective clients are encouraged to consult their own financial advisers and legal and tax professionals on an initial and continuous basis in

connection with selecting and engaging the services of HIM for a particular strategy. In addition, due to the dynamic nature of investments and markets, strategies can be subject to additional and different risk factors not discussed herein.

In addition to security-specific risks (Section 8C), HIM's clients could sustain a material negative return on their capital due to the application of HIM's investment strategy to their portfolios. These risks include, but are not limited to:

No Guarantee: There can be no guarantees that a client's account will achieve its investment objective or that a client will receive a return of their capital. There can be no guarantee that implementation of the investment strategy will not result in losses to the client.

Management Risk: A portfolio is subject to management risk because it is actively managed by HIM's investment professionals. HIM applies its investment techniques and risk analyses in making decisions for your portfolio, but there is no guarantee that these techniques and our judgment will produce the intended results.

Pandemics and Endemics Risk: Pandemics, endemics and other wide-spread health issues may cause material changes to the value of the Fund or to individual assets held by the Fund. The potential unpredictability, rapid rise and widespread impact of such events may be difficult or impossible to plan for or otherwise hedge.

Misidentification of attractive investment themes: The success of HIM's investment strategy relies on its ability to identify attractive, long-term, low-risk secular trends. There is a risk that HIM's fundamental research will lead it to believe that a certain trend, event, or theme will occur, which in fact does not. Poor returns could result from a misidentified theme that does not occur, while material negative returns could result from the opposite occurring. For example, HIM may identify a theme that the world's population of people aged more than 65 years old is growing quickly, and invest client assets in securities that stand to benefit; if it comes to pass that the number of people aged 65+ does not grow, then client returns against this theme may be low, while if the number of people aged 65+ begins to decline, then client returns could be negative.

Mis-measurement of return drivers: After identifying an attractive theme in which to invest, HIM must identify the securities that stand to benefit from the continuation of this theme. It does this by decomposing investments into their component return drivers, and identifying which securities have their returns most closely linked to the continuation of the theme. HIM will then attempt on a portfolio level to hedge the exposure to return drivers that it does not wish its clients to be exposed to. It is difficult to measure all of the various return drivers of an investment, and should HIM analysis provide a poor measure of the components of an investment's return, its clients could suffer poor or materially negative returns on their investment portfolio. For example, HIM may identify that hospitals, in aggregate, derive 45% of their return from the number of people aged 65+, 35% of their return from the general state of the domestic economy and 20% of their return from the political/regulatory environment under which they operate. If, in fact, the number of people aged 65+ only determines 40% of the return of hospitals in aggregate, the general state of the domestic economy determines 20% of the return, and the political/regulatory environment determines 40% of the return, then it is possible that a poor or negative return will result to HIM's clients.

Insufficient diversification: To protect clients against the above two risks, a fundamental component to HIM's strategy is to ensure broad diversification of client investments across macro factors and across security types. In addition, HIM applies a principle of diversification within each theme to protect against idiosyncratic risks in the selection of specific investment securities. It is possible that HIM's clients could sustain poor, or negative returns in the event that HIM does not sufficiently diversify their investments

across themes and within themes. For example, if HIM invested half of a client's assets into the theme of an aging population, then the misidentification of this as an attractive investment theme is more likely to result in the portfolio performing poorly or negatively than had HIM limited the investment in this one theme to a smaller number. Alternatively, if HIM successfully identified an attractive theme, but invested in an insufficiently broad number of investment securities that were expected to benefit from the occurrence of this theme, then it is possible that idiosyncratic factors such as fraudulent activity, counterparty risk, key man risk, or other similar factors that would be diversified away in a broad portfolio, may result in the return against the positively-returning theme to be poor or negative.

Leverage Risk: If permitted by the terms of the investment management agreement, a client's capital may be leveraged and/or its securities pledged in order to borrow additional funds for investment or other purposes. While leverage presents opportunities for increasing the client's total return, it has the effect of potentially increasing its losses as well.

C. Material Risks of Investing in a Particular Type of Securities

Market Risk: HIM invests in securities and the prices of those securities can go up or down. The prices of these investments can fluctuate for various reasons, including the state of the economy, political and social developments, and general market conditions, including conditions in markets unrelated to the market in which the affected security belongs. HIM attempts to reduce this risk through broad diversification, but it is possible that factors effecting one market may affect other markets as well, reducing the ability of diversification to mitigate these risks.

Equity Risk: Equity ownership such as common shares, whether listed or unlisted, give the holder part ownership in a company. The value of an equity security changes with the fortunes of the company that issued it. General market conditions and the health of the economy as a whole can also affect equity prices. Equity-related securities that provide indirect exposure to the equity securities of an issuer, such as convertible debentures or options, can also be affected by equity risk. Present economic conditions may adversely affect global companies and the pricing of their securities. Further continued volatility or illiquidity could impair materially the profitability of these issuers.

Privately Placed Securities Risk: Generally, privately placed securities are illiquid and are subject to resale restrictions. Typically, the securities are sold as an offering exempt from regulation with the U.S. Securities and Exchange Commission. Investments in these securities usually will decrease a Fund's liquidity level to the extent that the owner of such investment could be unable to sell or transfer these securities due to restrictions on transfers or on the ability to find buyers interested in purchasing the securities. The illiquid nature of the market for privately placed securities, as well as the lack of publicly available information regarding these securities, might also adversely affect the ability to fair value such securities at certain times and could make it difficult for the securities to be sold.

Credit Risk: Bonds carry the risk of default. Companies or individuals may be unable to make the required principal and interest payments on their debt obligations. Investments in bonds and debentures expose a client to the credit risk of the underlying issuer including risk of default on interest and principal and the risk that the credit ratings of such issuers may be downgraded in certain circumstances. Certain of the bonds and debentures may be regarded as predominantly speculative with respect to the issuers' continuing ability to meet principal and interest payments. They may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher rated securities. The markets on which lower rated bonds and debentures are traded may be less liquid than the markets for investment rated securities. During periods of thin trading in these markets, this spread between bid and ask prices is likely to increase significantly and a client may have difficulty selling such securities.

Interest Rate Risk: If interest rates rise, fixed-income investments such as treasury bills and bonds prices decline. The longer a bond's maturity, the greater the impact a change in interest rates can have on its prices. If a bond is not held until maturity there may be a gain or loss when the bond is sold. On the other hand, they tend to rise when interest rates are falling. Longer-term bonds and strip bonds are generally more sensitive to interest rate changes.

Currency Risk: The risk that an investment's value will be affected by changes in exchange rates. For example, if money must be converted into a different currency to make a certain investment, changes in the value of the currency relative to the base currency of the account will affect the total loss or gain on the investment when the money is converted back. This can add volatility to a portfolio that purchases securities denominated in foreign currencies.

Governance Risk: There may be a greater risk of loss from investments made in the securities of issuers with poor governance standards because there may be less, or lower quality information available about them, or they may be more prone to instances of fraud. These include governance risks related to the country in which the issuer maintains its assets. In certain countries, legal remedies available to investors may be limited.

Derivative Risk: From time to time HIM may use derivatives for both hedging and non-hedging purposes. When using derivatives for hedging purposes, HIM seeks to offset or reduce a specific risk associated with all, or a portion, of an existing investment or position, or group of investments or positions. HIM's hedging activity may therefore involve the use of derivatives to manage interest rate risk; reduce a client's exposure to underlying return factors; and enhance liquidity. HIM may also use derivatives for non-hedging purposes to gain exposure to underlying return factors, such as individual securities, indices, currencies, commodities, market sectors, and financial concepts such as volatility, without having to invest directly in such underlying interests; to reduce transaction costs; and to expedite changes to the Client's investment portfolios.

Liquidity Risk: In some cases, there is a possibility that a security will not be able to be sold, or will require a material discount to fair value in order to be sold. Some securities are illiquid because of legal restrictions, the nature of the investment itself, settlement terms, there being a shortage of buyers, or other reasons. For example, during the financial crisis of 2007-2008, many previously liquid markets for asset-backed securities suddenly became illiquid due to the lack of interested buyers. In some cases only steep discounts to the fair market value of the assets could result in their sale, while in some other cases even very steep discounts would not generate sufficient buyer interest.

Regulatory Risk: Certain companies are subject to the laws, regulations and policies of regulatory agencies, which may have an impact on revenue. At times, governmental permits and approvals are required prior to commencing projects. Any delay or rejection of these proposed plans would hinder the company's growth projections.

Sectoral Risk: HIM may concentrate their investments in a certain sector or industry in the economy. This allows HIM to focus on that sector's potential, but it also means that they are riskier than investment strategies with broader diversification. Because securities in the same industry tend to be affected by the same factors, sector-specific investment strategies tend to experience greater fluctuations in price. These investment strategies must continue to follow their investment objectives by investing in their particular sector, even during periods when that sector is performing poorly.

Item 9 – Disciplinary Information

HIM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. HIM is not subject to any legal or

disciplinary events and does not have any required disclosures to this Item.

Item 10 – Other Financial Industry Activities and Affiliations

HIM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. HIM is an independent investment advisor that earns its revenue solely from fees charged directly to its advisory clients and to its managed Funds, and as such does not have any required disclosures to this Item.

A. Broker-dealer Registration

Neither HIM nor any of its management persons is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

B. Registration as a Futures Commission Merchant, Commodity Pool Operator or a Commodity Trading Advisor.

HIM is registered as a commodity pool operator and commodity trading advisor.

C. Material Relationships

Heirloom Investment Management LLC owns the voting shares of certain special purpose vehicles and comingled funds that it manages on behalf of investors/clients. These entities include: Heirloom Helicopter Leasing Pool 2020 LLC, a Delaware Limited Liability Company; Fidelis US Investment Co Ltd, a Delaware Corporation; and Heirloom Investment Fund SPC, a Cayman Islands Segregated Portfolio Company. HIM also owns a non-voting participating share class of Heirloom Investment Fund SPC – Heirloom Fixed Return Fund SP. HIM does not custody the assets of these entities and governance mechanisms are in place to safeguard investor capital invested into these entities.

D. Relationships with Other Investment Advisers

There are no Material Relationships that require disclosure.

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

A. Code of Ethics

HIM has adopted a written Code of Ethics (the “Code”) designed to address and avoid potential conflicts of interest as required under Rule 204A-1 of the Investment Advisers Act of 1940, as amended (the “Rule”).

The Code requires that employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, investors, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession and the interests of investors along with the Private Funds above their own personal interests;
- Adhere to the fundamental standard that employees should not take inappropriate advantage of their position;
- To the extent practicable, avoid or disclose any conflicts of interest that are material to clients;
- Conduct all personal securities transactions in a manner consistent with the Code;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect favorably on employees and the profession; and

- Abide by the requirements contained in the Investment Advisers Act of 1940, as amended, and rules there under, as well as applicable provisions of the securities laws.

HIM has adopted a Code of Ethics applicable to all employees. Upon employment and annually thereafter, all employees must read the Code of Ethics and sign an acknowledgment that they understand and agree to comply with its provisions. The Code of Ethics requires employees to place the clients' interests first at all times and states that the firm owes an undivided duty of loyalty to the clients. A copy of HIM's Code of Ethics is available upon request.

B. Securities in Which HIM or a Related Person has a Material Financial Interest

HIM does not recommend to clients, or buy or sell for client accounts, securities in which it has a material financial interest unless disclosed to clients in advance.

C. Investments by HIM and Related Persons in the Same Securities Recommended to Clients

HIM has adopted policies and procedures covering employee securities trading. Employees must receive approval before trading in certain securities. In order to prevent employees from personally benefiting from investment recommendations which are under consideration for, or which have been made for a client, approval will not be granted if the security is currently under consideration or a trade is pending.

HIM recommends investments in certain HIM-affiliated private funds. HIM serves as an investment adviser to such private funds ("Funds") and is paid fees by these Funds. HIM also recommends that clients invest their assets in certain HIM-affiliated private funds. This creates a conflict of interest because HIM earns additional revenue when its clients invest their assets in private funds it advises. The recommendation for a client to invest in a HIM-affiliated private fund presents a conflict of interest because clients pay fees when investing in a HIM-affiliated private fund that are in addition to their management or advisory fees paid to HIM, and HIM earns additional revenue from the HIM-affiliated private fund in these circumstances.

D. Simultaneous Purchases and Sales of Securities by Clients and HIM or a Related Person.

See 11.C.

Item 12 – Brokerage Practices

HIM will seek to obtain best execution for its clients in accordance with its policy and applicable laws. HIM may use any broker or dealer in the purchase and sale of securities on behalf HIM's clients. In selecting an appropriate broker-dealer to affect a client investment, HIM does not have an obligation to seek the lowest available commission cost. HIM will take into consideration the price of a security offered by the broker-dealer, as well as a broker-dealer's full range and quality of their services including, among other things, their facilities, reliability and financial responsibility, execution capability, commission rates, responsiveness to HIM, brokerage and research services provided to HIM (e.g., research ideas, analysis, and investment strategies), special execution and block positioning capabilities, clearance, and settlement and custodial services. In all cases, to alleviate any potential conflicts of interest, HIM will choose the broker-dealer that it believes will result in the best outcome for HIM's clients, and will not consider any factor that may be beneficial to HIM beyond serving its clients.

Research and Other Soft Dollar Benefits

HIM may use commissions or "soft dollars" to obtain research and brokerage services that provide appropriate assistance in the investment decision-making process, subject to applicable law. HIM will limit the use of "soft dollars" to obtain research and brokerage services to services which include, but are not limited to, research reports (including market research); data services (including services providing market data, company financial data and economic data)' and advice from brokers on order

execution.

While HIM does not currently have any soft dollar arrangements in place with any brokers, it will effect such transactions, and receive such brokerage and research services, only to the extent that they fall within the safe harbor provided by Section 28(e) of the Securities Exchange Act of 1934 and subject to prevailing guidance provided by the SEC regarding Section 28(e).

Brokerage services may include, but are not limited to, services related to the execution, clearing and settlement of securities transactions and functions incidental thereto (i.e., connectivity services between an investment manager and a broker-dealer and other relevant parties such as custodians); trading software operated by a broker-dealer to route orders; software used to transmit orders; clearance and settlement in connection with a trade; and electronic communication of allocation instructions.

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

Research and brokerage services obtained by the use of commissions arising from a client's transactions may be used by HIM in its other investment activities and thus, the client may not necessarily, in any particular instance, be the direct beneficiary of the research or brokerage services provided.

Aggregating Orders for Client Accounts

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

Brokerage for Client Referrals

From time to time, clients may ask us to assist in choosing broker-dealers to provide brokerage services. We maintain information on broker-dealers who provide brokerage services and will, at the client's request, assist the client in choosing a provider, usually in a competitive process that would typically be based upon a combination of pricing, best execution, capabilities, and the quality of services being provided. Final selection of the broker-dealer would be at the sole and absolute discretion of the client. HIM does not receive compensation from any broker-dealer based on a client selecting that particular broker-dealer.

Directed Brokerage

HIM does not direct brokerage in exchange for referrals from broker-dealers.

Item 13 – Review of Accounts

A. Periodic Review of Accounts

HIM's investment professionals are responsible for the regular monitoring of discretionary account performance to verify client transactions and compliance with clients' investment guidelines and restrictions.

B. Review Triggers

HIM's investment professionals review each client's investments on a regular basis. In addition to formal reviews, HIM will review client portfolios in response to significant market events that may impact client accounts.

C. Reports to Clients

Clients receive confirmations of purchases and sales and monthly/quarterly account statements from the custodian maintaining their account(s). In addition, Clients are furnished with an appraisal of their portfolio assets by HIM for each calendar year, or more frequently as agreed with each client. Additional reports relative to account performances and transactions are provided on a client by client basis as needed or requested.

Item 14 – Client Referrals and Other Compensation

A. Economic Benefits for Providing Investment Advice or Other Advisory Services

Other than the Fees disclosed in Items 5 and 6, and brokerage/research benefits disclosed in Item 12, HIM does not receive economic benefits for providing investment advice or other advisory services to clients. Should any such economic benefit inadvertently be received by HIM, HIM has an established policy to rebate an equivalent value to the benefit of the respective client.

B. Compensation for Client Referrals

For certain introductions to potential clients and investors into HIM managed comingled vehicles, HIM may pay an introduction fee, a placement agent fee or trailer fees. In all cases where such fee is potentially to be paid, the potential client or investor is informed of the basis and magnitude of such payment prior to the engagement of HIM or subscription into a HIM managed vehicle.

Item 15 – Custody

HIM does not have custody of client funds or securities. Assets are held either directly by the Client or at various qualified custodians chosen by each client. Certain pooled funds allow or direct the Administrator of the fund to directly debit management and performance fees from their custodial accounts.

HIM reasonably believes that such qualified custodians send our investment management clients an account statement on at least a quarterly basis. Clients should receive statements on at least a quarterly basis from the broker-dealer, bank or other qualified custodian that holds and maintains client investment assets. HIM urges clients to carefully review such statements and compare such official custodial records to the account statements that HIM provides to clients under separate cover. HIM's statements can vary from custodial statements based on accounting procedures, reporting dates or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Certain clients grant HIM complete discretion over the selection and amount of securities to be purchased or sold for their account without obtaining their prior consent or approval. However, HIM's investment authority may be subject to specified investment objectives, guidelines and/or conditions imposed by the client. For example, a client may specify that a specific amount of cash remain in the account at all times, or that HIM must not invest in certain types of securities, sectors or geographies.

Item 17 – Voting Client Securities

To the extent that any Fund holds voting securities, HIM is generally granted authority to direct the voting of such securities. HIM may have limited voting rights attributable to publicly traded securities, however, HIM may have broad voting authority on a wide range of matters affecting these privately held issuers. HIM votes such interests in the economic interests of the applicable Client. When voting securities, HIM considers relevant facts, which may include, among many others, the impact on the value of the securities, the anticipated economic and non-economic costs and benefits associated with a proposal, the effect on liquidity, and customary industry and business practices. HIM may decline to vote proxies when HIM determines that the cost of voting the proxy exceeds the expected benefit to the Client. Clients will be provided a copy of HIM's proxy voting policies and procedures upon request.

Should HIM identify a potential conflict of interest when evaluating a proxy, HIM will review the conflict in an attempt to mitigate the conflict and ensure that all proxies are voted in the best interest of each Client. HIM will maintain documentation of all factors considered when voting proxies where a potential conflict exists to provide evidence that these votes have been made in the best interest of HIM's Clients.

Item 18 – Financial Information

HIM is required in this Item to provide you with certain financial information or disclosures about our financial condition. HIM is currently profitable and expects to remain so for the foreseeable future. HIM currently has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to its clients and HIM has not been the subject of a bankruptcy proceeding at any time since its inception.