

PART 2A OF FORM ADV - THE BROCHURE

**Hiddenite Capital Partners, LP**

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This Brochure provides information about the qualifications and business practices of Hiddenite Capital Partners, LP. If you have any questions about the contents of this Brochure, please contact us at (831)233-4225. 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 Hiddenite Capital Partners, LP is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration as an investment adviser with the SEC or with any state securities authority does not imply that Hiddenite Capital Partners, LP or any of its principals or employees possesses a particular level of skill or training in the investment advisory business or in any other business.

March 2, 2023

## **Item 2 – Material Changes**

The last update to the brochure was made on March 17, 2022. Since the last update, Stephen Gray replaced Neal Denning as Chief Compliance Officer on March 1, 2023. Stephen Gray also serves as the Chief Financial Officer and Chief Operating Officer for Hiddenite Capital Partners, LP.

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#### **Item 4 – Advisory Business**

Hiddenite Capital Partners, LP, a Delaware limited partnership and private investment management firm (“Hiddenite Capital” or the “Adviser”, “we”, “us” or “our”), was founded in January 2020 with a principal place of business in New Milford, Connecticut. The Adviser registered with the SEC as an investment adviser on September 16, 2020. The general partner of Hiddenite Capital is Hiddenite Capital Holdings, LLC, a Delaware limited liability company. Ryan Packard is the Managing Member and principal owner of the Adviser and Hiddenite Capital Holdings, LLC.

Hiddenite Capital provides discretionary investment advisory services to Hiddenite Capital Fund, LP, Hiddenite Capital Offshore Fund Ltd, (together with Hiddenite Capital Fund, LP, the “Feeder Funds”) and Hiddenite Capital Master Fund, Ltd.(the “Master Fund”), each of which are pooled investment vehicles. The first being a Delaware limited partnership, and the others being Cayman Islands exempted companies (collectively, the “Fund Clients” or “Fund”). In the future, the Adviser may serve as investment manager to other client accounts, including separately managed accounts for institutional investors (collectively, “Clients”).

The investment objectives, strategies, terms, conditions and restrictions applicable to (i) the Fund Clients are described in their respective confidential offering memoranda and governing documents (referred to collectively as the “Offering Documents”) and (ii) any potential managed account Clients are set forth in their respective investment management or sub-Advisory agreements between the managed account Clients and the Adviser (the “Advisory Agreements”). Hiddenite Capital generally seeks to achieve capital appreciation with respect to Clients primarily through investing in equities (both long and short), performing credit, stressed credit, and distressed credit. Information about each Fund Client is set forth in its applicable Offering Documents. *See Item 8 below.*

The Adviser does not tailor its advisory services to the individual needs of its Clients, however, with respect to Clients other than the Fund, a Client may enter into Advisory Agreements with the Adviser in which the Client imposes restrictions on investing in certain types of securities and other financial instruments.

The Adviser does not participate in any wrap-fee programs.

As of December 31, 2022, Hiddenite Capital had approximately \$149,193,481 in regulatory assets under management, all of which are managed on a discretionary basis.

**All discussion regarding the Fund Clients in this Brochure, including but not limited to the investments, the strategies used in managing the Fund Clients, the fees, expenses, and risks associated with an investment in the Fund Clients, and conflicts of interest in connection with the management of the Fund Clients are qualified in their entirety by reference to their respective Offering Documents.**

## **Item 5 – Fees and Compensation**

Hiddenite Capital (or an affiliate) is entitled to receive management fees and performance-based compensation with respect to the Fund. The fees and expenses applicable to the Fund Clients are set forth in detail in their respective Offering Documents. However, a summary of Hiddenite Capital's basic fee schedule is set forth below.

### The Fund Clients

With respect to the Fund, the Adviser is paid an asset-based investment management fee in an amount up to 1.5% per annum (subject to certain reductions as further described in the Fund's Offering Documents). Management fees for investors in the Fund are charged each quarter in advance as of the first day of the quarter. If an investor invests in a Fund during a quarter or makes an additional subscription during a quarter, the management fee will be charged as of the effective date of the subscription based on the subscription amount as of the applicable date and will be prorated for the number of days remaining in the quarter. If an investor withdraws during a calendar quarter, the Adviser will rebate a pro rata amount of the management fee paid as of the beginning of such quarter.

The Adviser may waive or modify the Management Fee for investors that are members, principals, employees or affiliates of the Adviser (or an affiliate thereof), and relatives of such persons and advisers to the Adviser (or an affiliate thereof) and for certain large or strategic investors.

*Incentive Allocation.* Subject to certain terms, limitations and conditions set forth in the applicable Offering Documents, at the end of each fiscal year, Hiddenite Capital GP LLC (an affiliate of the Adviser) receives performance-based compensation from the Fund ranging from 12.5% to 17.5% of each investor's share of net profits (including net unrealized gains on investments), in each case, subject to a loss carryforward provision.

Hiddenite Capital GP LLC may waive or modify the Incentive Allocation for investors that are members, principals, employees or affiliates of the Adviser (or an affiliate thereof), and relatives of such persons and advisers to the Adviser (or an affiliate thereof) and for certain large or strategic investors.

To the extent any employee, principal or partner of the Adviser is invested in a Fund, such person or entity is not subject to the management fee or performance-based compensation in relation to such investment.

Fees with respect to an investor in a Fund Client generally are not negotiable. However, Hiddenite Capital may enter into side letters or other similar arrangements with certain investors in the Fund Clients that waive, reduce or calculate differently the Management Fee and/or performance-based compensation with respect to such investors. More detailed information about the fees paid by investors in the Funds is included in each Fund's governing documents.

With respect to a Fund, the management fee and the amount of any performance-based compensation is calculated (subject to review and oversight by the Adviser) and deducted from the Fund (which in the case of performance-based compensation is structured as a reallocation of profits) by the Fund's administrator.

*Other Fees and Expenses.* In addition to the Management Fee and the performance-based compensation, each Fund Client generally is required to bear (and reimburse Hiddenite Capital and its affiliates for) all costs and expenses relating to its activities. A summary of certain costs and expenses that generally are required to be borne by the Fund Clients is set forth below.

*Expenses.* Expenses borne by the Fund Clients, include but are not limited to, fees paid to the Adviser, Fund Client legal expenses, and other professional service fees and expenses, the administrator's fees and expenses (including, but not limited to, middle and back office services and software necessary for trade capture and portfolio or order management), audit and tax preparation (including third-party tax preparation) and accounting expenses (including third party accounting services and accounting software); organizational expenses; execution, order and portfolio management system fees and expenses; fees and expenses associated with risk management services and any related software or systems; fees and expenses associated with market data (including Bloomberg and similar subscription and data services); investment expenses such as commissions; borrowing charges on securities sold short; research fees and expenses (including software licensing and technology-related fees and expenses; fees and expenses incurred in connection with the use of expert networks); interest on margin accounts and other indebtedness; custodial fees; bank service fees; Fund-related insurance costs (including D&O and E&O insurance for the Adviser and Hiddenite Capital GP LLC); expenses of regulatory compliance (including compliance with AIFMD and AEOI and any other compliance regimes that the Fund Clients may become subject to in the future), including expenses related to various filings and reporting obligations that the Adviser is required to make as a result of managing the Fund's portfolio (including but not limited to Section 13, Section 16 and Form PF filings); a pro rata portion of any directors' or governance committee fees incurred at the Master Fund level; pricing service fees; portfolio valuation expenses (including third-party valuation agents); and any other expenses related to the purchase, sale, transmittal or preservation of Fund Client assets.

The Adviser may, in its sole discretion, pay any expenses that would otherwise be borne by the Fund Client.

The Feeder Funds invest substantially all of its assets through a "master-feeder" fund structure in the Master Fund. Each investment vehicle, including the Feeder Funds, that invest in the Master Fund indirectly share in the administrative and other expenses of the Master Fund pro rata based on its interest in the Master Fund (which expenses may include the direct expenses of the Feeder Funds and other private investment funds that invest in the Master Fund).

Such expenses are subject to certain limitation that are more fully explained in each Fund(s)' applicable Offering Documents.

The Adviser and the Fund Clients have engaged, and in the future expect to engage, common service providers that provide services to the Adviser and the Fund Clients. In connection with this, the Adviser has received, and in the future may receive, fee discounts on services provided to it that the Adviser may not have received had the Fund Clients not also engaged the common service provider. To the extent the Adviser and/or the Fund Clients receive a fee discount from a common service provider, the Adviser will seek to allocate the fee discounts in a fair, reasonable and equitable manner among the Adviser and the Fund Clients.

The Fund Clients generally are responsible for and pay all applicable brokerage and custodial expenses and fees. *See Item 12 below.*

The allocation of expenses by the Adviser between it and the Fund represents a conflict of interest for the Adviser. The Adviser has adopted an expense allocation policy that is designed to address this conflict. The Adviser allocates expenses to each Client in accordance with the client's governing documents.

Fund assets have been, and may in the future, be invested in exchange-traded funds (“ETFs”) and registered investment companies. To the extent that a client account invests in such products, the client will bear its pro rata share of the investment management fee, performance fees and other fees attributable to such investment (to the extent applicable), which are in addition to the management fee and performance-based compensation paid to the Adviser.

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

As detailed previously in *Item 5* (Fees and Compensation), Hiddenite Capital is entitled to receive performance-based compensation with respect to each of the Clients. In addition, certain of the Adviser's investment personnel are compensated on a basis that includes a performance-based component. Performance-based fee arrangements create an incentive for Hiddenite Capital to recommend investments which may be riskier or more speculative than if only asset-based management fees were charged. In addition, because performance-based compensation generally is calculated on a basis that includes both realized and unrealized appreciation in portfolios based upon values assigned by Hiddenite Capital, Hiddenite Capital faces a conflict of interest in valuing those portfolios.

As of the date of this Brochure, the Adviser only manages the Fund, however, in the future, the Adviser may advise other Clients and accordingly has adopted an allocation policy in an attempt to ensure that all the Clients are treated in a fair and equitable manner with respect to the allocation of investment opportunities. The general policy of Hiddenite Capital is to allocate investment opportunities to and among all of the Clients in a fair and equitable manner under the circumstances and, in general, each Client would participate in each investment opportunity (subject to the terms set forth in the applicable Offering Documents and/or Advisory Agreement) on a pro rata basis. *See Item 12* for additional information.

**Item 7 – Types of Clients**

The Adviser's clients consist of private funds that are pooled investment vehicles. The Adviser may in the future also serve as investment manager to other Client accounts.

With respect to the Fund, the initial and additional subscription minimums are disclosed in the Offering Documents for each Fund, which may be waived.

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

The Adviser utilizes a variety of methods and strategies to make investment decisions with an objective to generate attractive risk adjusted returns in all market conditions by dynamically managing a portfolio of investments. Analysis is predominantly based on fundamental research of investments. Analysis may be augmented by cyclical analysis and other quantitative/qualitative tools. The Adviser's investment strategy focuses on a company's intrinsic value and ability to increase shareholder value over time as well as the company's ability to maintain a margin of safety during fluctuating market and business conditions. To achieve its investment objective, the Clients generally acquire long positions in companies that the Adviser believes will increase in value over time and short positions in companies the Adviser believes will decrease over time.

The underlying thesis for a position or idea is generally supported by at least one of many investment strategies that the Clients employ. These strategies include:

*Fundamental Value.* The Adviser engages in a fundamental value investment strategy wherein Hiddenite Capital attempts to invest in asset-oriented securities it believes are undervalued by the market.

*Buy and hold:* The Adviser engages in a buy and hold strategy where it purchases securities and holds them for a relatively longer period of time regardless of short-term market factors or volatility.

*Short Term Trading:* The Adviser engages in short term trading strategies wherein the Adviser buys securities and holds them for a relatively short period of time, taking advantage of temporary price anomalies, short term events and disconnects between the Adviser's opinion of the underlying value and market value.

*Hedging:* The Adviser may utilize a variety of financial instruments such as option contracts for risk management. There can be no assurance that such hedging strategies will be implemented, or if implemented, will be effective.

*Short Selling:* The Adviser engages in short selling strategies. In a short sell transaction, the seller sells securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes.

*Options Trading:* The Adviser engages in options trading as an extension of the above-mentioned strategies. Options are investments whose ultimate value is determined from the value of the underlying investment.

**The investment strategies summarized above are not intended to be comprehensive and are qualified in their entirety by the information set forth in the applicable Offering Documents. These methods, strategies and investments involve a risk of loss to clients and clients must be prepared to bear the loss of their entire investment.**

For a further discussion of these and related items, see *Item 10* (Other Financial Industry Activities and Affiliations), *Item 11* (Code of Ethics and Personal Trading) and *Item 12* (Brokerage Practices).

### **Material Risks (Including Significant, or Unusual Risks) Relating to Investment Strategy**

*Outbreaks of Infectious or Contagious Diseases; COVID-19.* Pandemics and other widespread public health emergencies, including outbreaks of infectious diseases such as SARS, H1N1/09 flu, avian flu, Ebola and COVID-19, which the World Health Organization formally declared in March 2020 to constitute a global “pandemic,” have and are resulting in market volatility and disruption, and future such emergencies have the potential to materially and adversely impact economic production and activity, all of which may result in significant losses to a Fund. In an effort to contain COVID-19, national, regional and local governments, as well as private businesses and other organizations, have taken severely restrictive measures, including instituting local and regional quarantines, restricting travel (including closing certain international borders), prohibiting public activity (including “stay-at-home” and similar orders), and ordering the closure of large numbers of offices, businesses, schools, and other public venues. As a result, COVID-19 significantly diminished global economic production and activity of all kinds and contributed to both volatility and declines in markets for financial assets as well as commodities and other assets. Among other things, these unprecedented developments resulted in material reductions in demand across some, many or all categories of consumers and businesses, dislocation (or in some cases a complete halt) in the credit and capital markets, labor force and operational disruptions, slowing or complete idling of certain supply chains and manufacturing activity, and strain and uncertainty for businesses and households. Certain industries are likely to feel such impacts particularly acutely, for instance industries dependent on travel and public accessibility, such as transportation, hospitality, tourism, retail, sports and entertainment and industries related to natural resources production and development. The COVID-19 crisis and any other public health emergency could result in significant adverse impacts on the Funds. The extent of the impact of any such emergency depends on many factors, all of which are highly uncertain and cannot be predicted, which may impact the Adviser’s or the Funds’ ability to source, diligence and execute new investments and to manage, finance and exit investments in the future, or cause significant changes or reductions in revenue and growth, unexpected operational losses and liabilities, impairments to credit quality and reductions in the availability of capital (among a wide variety of other potential effects). In addition, the operations of the Funds, their investments, the applicable General Partner, the Adviser and their respective affiliates may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, restrictions on travel and movement, remote-working requirements and other social, political, financial, legal, regulatory and other factors related to an actual or threatened public health emergency (such as COVID-19), including its potential adverse impact on the health of any such entity’s personnel. These measures may also hinder such entities’ ability to conduct their affairs and activities as they normally would, including by impairing usual communication channels and methods, hampering the performance of administrative functions such as processing payments and invoices, and diminishing their ability to make accurate and timely projections of financial performance.

*Limited Diversification and Risk Management Failures.* At any given time, the Clients’ portfolios may not be diversified to any material extent and, as a result, the Clients could experience significant losses if general economic conditions, and, in particular, those relevant to the issuers

whose securities are owned by the Clients, decline. In addition, the Clients' portfolios could become significantly concentrated in a limited number of issuers, types of financial instruments, industries, strategies, countries or geographic regions, and any such concentration of risk may increase losses suffered by the Clients. This limited diversity could expose the Clients to losses disproportionate to market movements in general.

*Investment in Small- and Medium-Capitalization Companies.* Utilizing fundamental research, the Adviser may invest across all market capitalizations, including on small- and mid-cap issuers. Smaller capitalization stocks involve higher risks in some respects than do investments in stocks of larger companies. Some small companies have limited distribution channels and financial and managerial resources. Such companies may also be dependent on personnel (including key personnel) with limited experience.

*Equity Risks.* The market prices of securities owned by the Clients may go up or down, sometimes rapidly or unpredictably. A risk of investing in the Clients is that the equity securities in its portfolio will decline in value due to factors affecting equity securities markets generally or particular industries represented in those markets. The values of equity securities may decline due to general market conditions which are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also decline due to factors which affect a particular industry or industries, such as labor shortages or increased production costs and competitive conditions within an industry. Other risks of investing globally in equity securities may include changes in currency exchange rates, exchange control regulations, expropriation of assets or nationalization, imposition of withholding taxes on dividend or interest payments, and difficulty in obtaining and enforcing judgments against non-U.S. entities. In addition, securities which the Adviser believes are fundamentally undervalued or incorrectly valued may not ultimately be valued in the capital markets at prices and/or within the time frame the Adviser anticipates. As a result, the Clients may lose all or substantially all of their investment in any particular instance.

*Investments in Undervalued Equity and Equity-Related Securities.* The Clients may invest in undervalued equity and equity-related securities. The identification of investment opportunities in undervalued securities is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. The investments in undervalued securities involved a high degree of financial risk and can result in substantial losses. Returns generated from the Clients investments may not adequately compensate for the business and financial risks assumed. In addition, the Clients may finance such purchases with borrowed funds and thus will have to pay interest on such funds during such waiting period. If long positions are taken in stocks that decline and short positions in stocks that increase in value, then the losses of the Clients may exceed those of other portfolios that hold long positions only.

*Long/Short.* The identification of investment opportunities in the implementation of the Clients' long/short investment strategies is a difficult task, and there are no assurances that such opportunities will be successfully recognized or acquired. In the event that the perceived opportunities underlying the Clients' positions were to fail to converge toward or were to diverge further from values we may expect, the Clients may incur a loss. In the event of market disruptions, significant losses can be incurred which may force the Clients to close out one or more positions.

Furthermore, the valuation models used to determine whether a position presents an attractive opportunity consistent with our long/short strategies may become outdated and inaccurate as market conditions change.

*Short Sales.* From time to time the Clients affects short sales. Short selling is the practice of selling securities that are not owned by the seller, generally when the seller anticipates a decline in the price of the securities or for hedging purposes. The Clients will be obligated to return securities equivalent to those borrowed at any time on demand of the lender of the securities borrower by purchasing them at the market price at the time of replacement. Until the securities are replaced, the Clients will be required to pay to the lender amounts equal to any dividends or interest that accrue during the period of the loan of the securities. An increase in the value of any security that is the subject of short selling by the Clients may, as a result of the foregoing, have a material adverse effect on the assets of the Clients, and therefore, the return on investment of the Clients. From time to time, short selling may be subject to regulatory limitations or bans that can be difficult to predict and could result in a material adverse effect on the assets of the Clients, and therefore, the return on investment of the Clients.

*Less Liquid Instruments.* We generally invest the Clients' assets in publicly-traded equity securities that are relatively liquid. However, we may invest client assets in the securities of companies with micro- and small- capitalizations, specifically companies with market capitalizations of less than \$1 billion, which may be thinly traded and otherwise illiquid. In addition, we may from time to time hold large positions with respect to a specific type of instrument, which may further reduce liquidity. During such times, we may be unable to timely dispose of certain assets, which would adversely affect our ability to rebalance the Clients' portfolios or to meet withdrawal requests. In addition, such circumstances may force us to dispose of the Clients' assets at reduced prices, thereby adversely affecting the Clients' performance. If there are other market participants seeking to dispose of similar assets at the same time, we may be unable to sell such assets or prevent losses relating to such assets. Furthermore, if the Clients incur substantial trading losses, the need for liquidity could rise sharply while their access to liquidity could be impaired. In conjunction with a market downturn, the Clients' counterparties could incur losses of their own, thereby weakening their financial condition and increasing the Clients' credit risk to them.

*Non-U.S. Investments.* The Clients may invest in financial instruments of non-U.S. corporations and governments. Investing in the financial instruments of companies (and, from time to time, governments) outside of the United States involves certain considerations not usually associated with investing in financial instruments of U.S. companies or the U.S. government, including political and economic considerations, such as greater risks of expropriation, nationalization, confiscatory taxation, imposition of withholding or other taxes on interest, dividends, capital gains or other income, limitations on the removal of assets and general social, political and economic instability; the relatively small size of the securities markets in such countries and the low volume of trading, resulting in potential lack of liquidity and in price volatility; the evolving and unsophisticated laws and regulations applicable to the securities and financial services industries of certain countries; fluctuations in the rate of exchange between currencies and costs associated with currency conversion; and certain government policies that may restrict the Clients investment opportunities. In addition, accounting and financial reporting standards that prevail outside of the U.S. generally are not as high as U.S. standards and, consequently, less information is typically available concerning companies located outside of the

U.S. than for those located in the U.S. As a result, the Clients may be unable to structure its transactions to achieve the intended results or to mitigate all risks associated with such markets. It may also be difficult to enforce the Clients' rights in such markets. For example, financial instruments traded on non-U.S. exchanges and the non-U.S. persons that trade these instruments are not subject to the jurisdiction of the SEC or the Commodity Futures Trading Commission (the "CFTC") or the securities and commodities laws and regulations of the U.S. Accordingly, the protections accorded to the Clients under such laws and regulations are unavailable for transactions on foreign exchanges and with foreign counterparties.

*Cybersecurity Risks.* The Adviser, the Clients and their respective affiliates and service providers depend on information technology systems and, notwithstanding the diligence that the Adviser or its affiliates may perform on such service providers, the Adviser may not be in a position to verify the risks or reliability of such information technology systems. The Adviser, the Clients and their respective affiliates and service providers are subject to risks associated with a breach in cybersecurity. "Cybersecurity" is a generic term used to describe the technology, processes and practices designed to protect networks, systems, computers, programs and data from both intentional cyber-attacks and hacking by other computer users as well as unintentional damage or interruption that, in either case, can result in damage and disruption to hardware and software systems, loss or corruption of data, and/or misappropriation of confidential information. The Adviser, its affiliates and its service providers' information and technology systems are vulnerable to damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals, power outages and catastrophic events such as fires, tornadoes, floods, hurricanes and earthquakes. Although the Adviser and its affiliates have implemented various measures to manage risks relating to these types of events, if these systems are compromised, become inoperable for extended periods of time or cease to function properly, the Adviser and/or the Clients may have to make a significant investment to fix or replace them. The failure of these systems and/or of disaster recovery plans for any reason could cause significant interruptions in the Clients or any respective affiliates' operations and result in a failure to maintain the security, confidentiality or privacy of sensitive data, including personal information relating to investors (and the beneficial owners of investors). Such a failure could harm the Adviser or its affiliates' reputation, subject any such entity and their respective affiliates to legal claims and otherwise affect its business and financial performance. Such damage or interruptions to information technology systems may cause losses to the Clients or individual investors in the Clients by interfering with the operations of the Adviser and its affiliates (or service providers). The Clients may also incur substantial costs as the result of a cybersecurity breach, including those associated with forensic analysis of the origin and scope of the breach, increased and upgraded cybersecurity, identity theft, unauthorized use of proprietary information, litigation, adverse investor reaction, the dissemination of confidential and proprietary information and reputational damage. Any such breach could expose the Clients, the Adviser and their respective affiliates to civil, legal or regulatory liability as well as regulatory inquiry and/or action, and the Clients may be required to indemnify the Advisers and its affiliates against any losses incurred in connection therewith. Cybersecurity issues and risks are currently a major focus area of the SEC and other regulatory authorities.

### **Risks Associated with Types of Securities that are Primarily Recommended (Including Significant, or Unusual Risks)**

*Corporate Debt.* The Clients may invest in bonds, notes and debentures issued by corporations. These instruments may pay fixed, variable or floating rates of interest, and may include zero coupon obligations. The Client may invest in corporate debt instruments that have experienced or are contemplated to experience ratings downgrades. Other instruments may have the lowest quality rating or may be unrated. Credit ratings evaluate the safety of the principal and interest payments, not the market value risk of lower- rated instruments. Such ratings also do not reflect macroeconomic or systemic risk, including the risk of increased illiquidity in the credit markets. It is also possible that a rating agency might not change its rating of a particular issue on a timely basis and, as a result, outstanding ratings may not reflect the issuer's current credit standing. Conversely, rating agencies may re-rate an instrument which could cause substantial loss as the ratings are downgraded. The Clients' investments may experience significant credit rating volatility, which may result in significant market value volatility and the potential for substantial loss. In addition, the Clients may be paid interest in kind in connection with its investments in corporate debt and related financial instruments (e.g., the principal owed to the Clients in connection with a debt investment may be increased by the amount of interest due on such debt investment). Such investments may experience greater market value volatility than debt obligations that provide for regular payments of interest in cash and, in the event of a default, the Clients may experience substantial losses.

*Investments in Distressed Issuers.* The Clients may invest in obligations of issuers in weak financial condition, experiencing poor operating results, having substantial capital needs or negative net worth, facing special competitive or product obsolescence problems and "below investment-grade" debt securities, including companies involved in covenant or payment default or in bankruptcy or other reorganization and liquidation proceedings. These securities are likely to be particularly risky investments although they also may offer the potential for high returns. Among the risks inherent in investments in troubled entities is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. Such investments may also be adversely affected by laws relating to, among other things, fraudulent transfers and other voidable transfers or payments, lender liability and the bankruptcy court's power to disallow, reduce, subordinate or disenfranchise particular claims. Such companies' securities may be considered speculative, and the ability of such companies to pay their debts on schedule could be affected by adverse interest rate movements, changes in the general economic climate, economic factors affecting a particular industry or specific developments within such companies. The level of analytical sophistication, both financial and legal, necessary for successful investment in companies experiencing significant business and financial difficulties is high, and there is no assurance that the Adviser will analyze such investments correctly.

*Stressed Debt.* The Clients may invest in debt obligations of stressed issuers. Stressed issuers are issuers that are not yet deemed distressed or bankrupt and whose debt securities are trading at a discount to par, but not yet at distressed levels. An example would be an issuer that is in technical default of its credit agreement, or undergoing strategic or operational changes, which results in market pricing uncertainty. The market prices of distressed and stressed instruments are highly volatile, and the spread between the bid and the ask prices of such instruments is often unusually wide.

*Call Options.* In certain circumstances, the Clients' investment portfolios may include call options. There are significant risks associated with the sale and purchase of call options. A call option is a financial contract that gives the buyer of the contract the right, but not the obligation, to buy a security or other financial instrument from the seller (or "writer") at a specified price within a specified time period. The buyer pays a non-refundable premium to the seller for the right to exercise the call option. The seller (writer) of a call option which is covered (*e.g.*, the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

*Put Options.* In certain circumstances, the Clients' investment portfolios may include put options. There are risks associated with the sale and purchase of put options. The seller (writer) of a put option which is covered (*e.g.*, the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.

*Other Derivative Instruments.* The Adviser may take advantage of opportunities with respect to certain other derivative instruments that are not presently contemplated for use or that are currently not available, but that may be developed, to the extent such opportunities are both consistent with the investment objective of the Clients and legally permissible. Special risks may apply to instruments that are invested in by the Adviser in the future that cannot be determined at this time or until such instruments are developed or invested in by the Adviser. Certain swaps, options and other derivative instruments may be subject to various types of risks, including market risk, liquidity risk, the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty, legal risk and operations risk.

*Convertible Securities.* The Adviser may invest the Clients' assets in convertible securities. Convertible securities are bonds, debentures, notes, preferred stocks or other securities that may be converted into or exchanged for a specified amount of common stock of the same or different issuer within a particular period of time at a specified price or formula. The value of a convertible security is a function of its "investment value" (determined by its yield in comparison with the yields of other securities of comparable maturity and quality that do not have a conversion privilege) and its "conversion value" (the security's worth, at market value, if converted into the underlying common stock). The investment value of a convertible security is influenced by changes in interest rates, with investment value declining as interest rates increase and increasing as interest rates decline. The credit standing of the issuer and other factors may also have an

effect on the convertible security's investment value. The conversion value of a convertible security is determined by the market price of the underlying common stock. If the conversion value is low relative to the investment value, the price of the convertible security is governed principally by its investment value. To the extent the market price of the underlying common stock approaches or exceeds the conversion price, the price of the convertible security will be increasingly influenced by its conversion value. A convertible security generally will sell at a premium over its conversion value by the extent to which investors place value on the right to acquire the underlying common stock while holding a fixed-income security. Generally, the amount of the premium will decrease as the convertible security approaches maturity. A convertible security may be subject to redemption at the option of the issuer at a price established in the convertible security's governing instrument. If a convertible security held in the Clients' portfolios is called for redemption, we will be required to permit the issuer to redeem the security, convert it into the underlying common stock or sell it to a third party. Any of these actions could have an adverse effect on our ability to achieve the Clients' investment objective.

*Fixed Income Securities.* The Adviser may invest the Clients' assets in bonds or other fixed income securities of issuers including, without limitation, bonds, notes and debentures issued by corporations; debt securities and commercial paper. Fixed income securities pay fixed, variable or floating rates of interest. The value of fixed income securities in which the Adviser may invest may change in response to fluctuations in interest rates. In addition, the value of certain fixed income securities can fluctuate in response to perceptions of creditworthiness, political stability or soundness of economic policies. Fixed income securities are subject to the risk of the issuer's inability to meet principal and interest payments on its obligations (*i.e.*, credit risk) and are subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer and general market liquidity (*i.e.*, market risk).

**THE FOREGOING RISK FACTORS DO NOT PURPORT TO BE A COMPLETE DESCRIPTION OF ALL OF THE RISKS THAT ARE OR MAY BE ASSOCIATED WITH HIDDENITE CAPITAL'S INVESTMENT STRATEGIES. PROSPECTIVE CLIENTS AND INVESTORS SHOULD READ THIS BROCHURE AND THE APPLICABLE OFFERING MATERIALS IN THEIR ENTIRETY BEFORE MAKING ANY INVESTMENT DECISIONS.**

**Item 9 – Disciplinary Information**

There are no legal or disciplinary events related to Hiddenite Capital or any of its employees that are material to the Clients or prospective client's evaluation of our advisory business or the integrity of Hiddenite Capital's management.

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

Neither Hiddenite Capital nor any of its management persons are registered, and do not have an application pending to register, as a broker-dealer or registered representative of a broker-dealer. Currently, no employees of Hiddenite Capital are registered representatives of a broker-dealer.

Neither Hiddenite Capital nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, commodity trading adviser, or an associated person of the foregoing entities.

Hiddenite Capital has no relationships or arrangements with any related person listed in the instructions to Item 10.C. that are material to its Advisory business or to its Clients.

Hiddenite Capital does not recommend or select other investment advisers for its Clients.

## **Item 11 – Code of Ethics and Personal Trading**

Under the Advisers Act, an investment adviser owes a fiduciary duty to its clients. As a fiduciary, Hiddenite Capital has an affirmative duty to (i) act solely in the best interests of its Clients and (ii) make a full and fair disclosure of all material facts, particularly where Hiddenite Capital's interests may conflict with those of its Clients.

Hiddenite Capital has adopted and implemented a Code of Ethics in an effort to maintain a policy of compliance with high standards of ethical business conduct and the provisions of applicable laws. Our Code of Ethics is designed to, among other things, educate supervised persons about Hiddenite Capital's philosophy regarding ethics and professionalism, emphasize Hiddenite Capital's fiduciary duties to its Clients, encourage supervised persons to comply with applicable laws, prevent the misuse of material non-public information, the circulation of rumors and other forms of market abuse and address material conflicts of interest that arise from personal trading by access persons.

Subject to the terms of the Code of Ethics, Hiddenite Capital generally imposes restrictions on supervised persons relating to the purchase or sale of securities for their own personal accounts and the personal accounts of certain affiliated or related persons. Pursuant to the Code of Ethics, supervised persons generally (i) are permitted to trade in "exempt securities," which includes (among others) money-market funds, open-end mutual funds, exchange traded funds, bankers' acceptances, bank certificates of deposit, commercial paper and high-quality short-term debt instruments, unit investment trusts, brokerage certificated of deposit, treasury securities, transactions through an established Automatic Investment Plan, and other accounts managed by third-party advisers, without receiving pre-clearance from the Chief Compliance Officer or portfolio manager, (ii) are prohibited from executing any transaction in a single name equity in any "reportable brokerage account" (which includes any personal securities account over which a supervised person has control or discretionary trading authority), (iii) are prohibited from trading in any security or issuer that is currently on Hiddenite Capital's "Restricted List", and (iv) are required to report their personal securities holdings and transactions via initial and annual holdings reports and quarterly transaction reports. The Code of Ethics also contains policies and procedures designed to prevent supervised persons from misusing material non-public information (or trading the same security ahead of or behind a Client) and to address certain actual and potential conflicts of interest that may arise when supervised persons engage in outside business activities or accept, provide, offer or give gifts or entertainment events. We will furnish a copy of the Code of Ethics to Clients or prospective clients upon request.

Neither Hiddenite Capital nor any of its related persons recommends to Clients, or buys or sells for Clients' accounts, securities in which Hiddenite Capital or any of its related persons has a material financial interest.

Hiddenite Capital may cause its Clients to enter into transactions or arrangements involving actual or potential conflicts of interest. Hiddenite Capital will review any such transactions or arrangements and take such actions as it deems to be necessary or appropriate under the circumstances (including, without limitation, obtaining Client consent with respect to such transactions or arrangement, the consent of a majority in interest of investors in a Fund Client,

the consent of an independent third party or the consent of an Advisory committee with respect to a Fund Client).

Neither the Adviser nor its related persons invest in the same securities (or related securities and other financial instruments) that the Adviser or a related person recommends to clients.

For a further discussion of these and related items, see *Item 8* (Methods of Analysis, Investment Strategies and Risk of Loss), *Item 10* (Other Financial Industry Activities and Affiliations) and *Item 12* (Brokerage Practices).

## **Item 12 – Brokerage Practices**

### General

The Adviser considers a number of factors in selecting a broker-dealer or counterparty to execute transactions and determining the reasonableness of the broker-dealer's (or counterparty's) compensation. Such factors, include without limitation: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the firm's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying our other selection criteria. Accordingly, if we determine in good faith that the amount of commissions charged by a broker is reasonable in relation to the value of the brokerage and products or services provided by such broker, Clients may pay commissions to such broker in an amount greater than the amount another broker might charge.

Our application and the importance of the specific criteria vary depending upon the nature of the transaction, the asset class, the market in which it is affected, and the extent to which it is possible to select from among multiple brokers or dealers capable of effecting the transaction. We allocate order flow in accordance with the trading protocol set forth in our policies and procedures. We have adopted policies and procedures that we believe are reasonably designed to ensure that Clients achieve best net execution and that brokers utilized have been selected based on the Clients best interests.

### Soft Dollars

Hiddenite Capital or its affiliates receive from the Fund Client broker-dealer's products and services in addition to brokerage services, including "soft dollars" arrangements. The term "soft dollars" refers to arrangements under which products or services other than execution of securities transactions are obtained by an adviser from or through a broker-dealer in exchange for the direction by the adviser of client brokerage transactions to the broker-dealer. Section 28(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), provides a safe harbor to investment advisers who use soft dollars generated by their advised accounts to obtain investment research and brokerage services that provide lawful and appropriate assistance to the investment adviser in the performance of investment decision-making responsibilities.

Consistent with seeking best price and execution, we may place brokerage orders with brokers that may provide us and our affiliates with supplemental research, market and statistical information ("soft dollar items"), including advice as to the value of securities, the advisability of investing in, purchasing or selling securities, and the availability of securities or purchasers or sellers of securities, and furnishing analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts. The Management Fee is not reduced as a result of the receipt of this supplemental information, which may be useful to us or our affiliates in providing services to clients other than the Clients and, likewise, research services provided by broker-dealers used for transactions of other accounts may be utilized by us in

performing our services for the Clients. Notwithstanding the foregoing, in the event we elect to use soft dollars, we may use soft dollars only for payment of soft dollar items within the safe harbor afforded by Section 28(e).

We are authorized to pay higher prices for the purchase of securities from or accept lower prices for the sale of securities to brokerage firms that provide us with such soft dollar items or to pay higher commissions to such firms if we determine such prices or commissions are reasonable in relation to the overall services provided. Since commission rates in the United States are negotiable, selecting brokers on the basis of considerations that are not limited to applicable commission rates may at times result in higher transaction costs than would otherwise be obtainable.

The use of brokerage commissions to obtain soft dollar items for us creates a conflict of interest between the Adviser and the Clients, because the Clients pay for such soft dollar items that are not exclusively for the benefit of such Clients. In certain cases, our use of soft dollars may tend to increase our profitability (where we are able to acquire them without expending our own resources) and may influence us to select one broker rather than another to perform services for the Clients.

From time to time, the Adviser may participate in capital introduction programs arranged by broker-dealers, including firms that serve as prime brokers to Clients or that recommend the Adviser or the Fund Clients. The Adviser may place portfolio transactions for Clients with firms who have made such recommendations or provided capital introduction opportunities, so long as the Adviser believes that it is otherwise consistent with seeking best execution. In no event will the Adviser select a broker-dealer solely as a means of remuneration or compensation for recommending the Adviser or any clients managed by the Adviser (or an affiliate) or affording the Adviser with the opportunity to participate in capital introduction programs.

The Adviser currently does not recommend, request or require that a client direct the Adviser to execute transactions through a specified broker-dealer, nor does the Adviser permit clients to direct the Adviser to transact with a specific broker. We seek to detect and correct trading errors. Should a trading error occur and be detected before the trade has been settled in the Client account, we will reverse the trade or reallocate, as necessary or appropriate. In any event, the Client will be made whole (put in a position as if the error had not been made), with us absorbing any loss, in situations where our conduct does not meet the standard for exculpation set forth in the applicable account or governing documents for the relevant Client, and not in other cases.

### **Item 13 – Review of Accounts**

The Adviser generally monitors all Client accounts on a daily basis. The Adviser performs various levels of review, including, without limitation, considering short and long-term rates of return, investment diversification and risk allocations. The Adviser may conduct more frequent or additional reviews in various instances such as important market, economic or global events or circumstances. Each Client account is monitored by the portfolio manager.

#### **Fund Clients**

The investors in the Funds receive annual audited financial statements and other periodic reports from the Funds pursuant to the terms of the applicable Fund's Offering Documents.

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

Please see Item 12 of this Brochure for further information on the Adviser’s “soft-dollar” practices, including the Adviser’s procedures for addressing conflicts of interest that arise from such practices.

## **Item 15 – Custody**

### Fund Clients

The Adviser has custody of client assets and intends to comply with Rule 206(4)-2 under the Advisers Act (the "Custody Rule") by meeting the conditions of the pooled vehicle annual audit provision.

## **Item 16 – Investment Discretion**

### Discretionary Authority

The Adviser provides investment advisory services to Clients on a discretionary basis. Prior to assuming discretion over a Client's assets, the Adviser enters into an investment management agreement or other agreement that sets forth the scope of the Adviser's discretion. The Adviser has the authority to determine the securities or other financial instruments and the amount of the securities or other financial instruments to be purchased or sold for client accounts.

### Limited Power of Attorney

Each applicable investor in the Fund Clients grants a limited power of attorney to enable Hiddenite Capital to execute the governing documents and take various other actions on its behalf (including to operate the Fund Client). Hiddenite Capital also has the authority to conduct authorized trading on behalf of all Clients pursuant to a limited power of attorney included in the applicable account and governing documents.

For a further discussion of these and related items, see *Item 4* (Advisory Business).

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

We vote proxies on behalf of the Clients. Such proxies are voted in accordance with the procedures set forth in our proxy voting policy and in a manner that seeks to serve the best interests of each Client (as determined in our discretion). Generally, we consider each proxy issue on a case-by-case basis; however, our proxy voting policy contains specific guidelines addressing how to vote proxies with regard to routine matters (which generally means that such matter will not measurably change the structure, management, control or operation of the company and are consistent with customary industry standards and practices, as well as the laws of the state of incorporation applicable to the company).

The Adviser will abstain from voting or affirmatively decide not to vote if the Adviser determines that abstention or not voting is in the best interests of the Client. In making this determination, the Adviser will consider various factors, including, but not limited to, (i) the costs associated with exercising the proxy (e.g., translation or travel costs); and (ii) any legal restrictions on trading resulting from the exercise of a proxy. The Adviser may determine not to vote proxies relating to securities in which Clients have no position as of the receipt of the proxy (for example, when the Adviser has sold, or has otherwise closed, a Client position after the proxy record date but before the proxy receipt date).

If a material conflict of interest between the Adviser and a Client exists, the Adviser will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

Proxy voting records, identifying how proxies were voted where we have been delegated proxy voting authority, and our proxy voting policy, are available upon written request to Hiddenite Capital, LP, 65 Bank Street, New Milford, Connecticut, 06776.

**Item 18 – Financial Information**

Hiddenite Capital does not require or solicit prepayment of more than \$1,200, six months or more in advance.

Hiddenite Capital does not believe it has any financial condition that is reasonably likely to impair its ability to meet its contractual commitments to the Clients.

Hiddenite Capital has not been the subject of a bankruptcy petition at any time during the past ten years.